



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 13-Oct-2020 | Report No: PIDC29750



BASIC INFORMATION

A. Basic Project Data

Country Pakistan	Project ID P174402	Parent Project ID (if any)	Project Name Pakistan: Digital Economy Enhancement Project (P174402)
Region SOUTH ASIA	Estimated Appraisal Date Mar 08, 2021	Estimated Board Date Jul 29, 2021	Practice Area (Lead) Digital Development
Financing Instrument Investment Project Financing	Borrower(s) Economic Affairs Division	Implementing Agency Ministry of Information Technology and Telecommunication	

Proposed Development Objective(s)

The PDO is to (a) strengthen digital connectivity as a key foundation for digital economy development; and (b) enhance the Government’s capacity for digitally enabled public services delivery.

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	200.00
Total Financing	200.00
of which IBRD/IDA	200.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	200.00
IDA Credit	200.00

Environmental and Social Risk Classification
Moderate

Concept Review Decision
Track I-The review did authorize the preparation to



continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **The proposed Project forms part of the World Bank’s consolidated assistance program to Pakistan in the wake of the COVID-19 pandemic.** It will build the enabling environment to leverage digital technologies, accelerate economic recovery and enhance service delivery particularly to vulnerable groups. It will promote alignment and coordination amongst the private sector and provincial and federal governments; to bridge the digital divide and help Pakistan build resilience in the face of socioeconomic and technological disruptions.
2. **Among other impacts, the pandemic has highlighted inequities in Internet access, affordability and usage across the country.** Digitalization of services—from telehealth to online education to cashless transfers—is emerging as crucial to the country response and to building resilience. Without access to reliable connectivity and devices, millions of Pakistanis risk being further cut off from vital information on health and safety, online learning, and the opportunity to voice their views and engage in commerce. Inequalities may worsen because disadvantaged groups and people who live outside major urban areas have more limited Internet access. Further, the disparity between men and women in their educational attainment, labor force participation, wages, and access to financial services may increase where there is a gender gap in access to the Internet.

Sectoral and Institutional Context

3. **Pakistan is undergoing a digital transformation with rapidly expanding internet and mobile connections.** The number of Internet subscriptions, particularly mobile, has surged from approximately 6 million in April 2014 to nearly 80 million in December 2019.¹ Additionally, Pakistanis are buying smartphones at unprecedented rates.² Such a rapid transformation has effects across the socioeconomic spectrum as Internet access has the potential to change the way people consume information, work, play, communicate with each other, and with the government. This presents an opportunity to create new types of jobs and work arrangements, improve government services and citizen engagement, and increase social inclusion.
4. **With improving connectivity Pakistan has made some progress with digital economy development—especially in first-tier cities.** Ridesharing and e-commerce platforms have created jobs in transport, delivery and logistics businesses that are smartphone dependent, but do not require formal education. The online “gig” economy is also booming, and Pakistan currently is the fourth largest provider of workers to online freelancing platforms globally.

¹ Pakistan Telecommunications Authority indicators: <https://www.pta.gov.pk/en/telecom-indicators>

²GSMA Intelligence Consumer In4ights Survey 2019



5. **In addition, some digitalization of government services has taken place.** For example, as part of its response to the pandemic the Government has also taken steps to fast-track digitalization of key processes, notably collection, aggregation and analysis of health data and resource availability and the development of a mobile app and dashboard³. Additionally, the Government has piloted telehealth and online education initiatives, in collaboration with the private sector. These initiatives are creating a demonstration effect and can potentially scale to broader government digital platforms.
6. **Notwithstanding these positive developments, Pakistan faces multiple challenges in effectively leveraging digital technologies for development. The foremost is the growing digital divide.** While the cost of internet has fallen considerably in the last few years, high taxation and regulatory restrictions around internet services have kept prices relatively high. A combination of legal, political and economic hurdles restricts the diversity of service providers and services offered. As a result, high-speed broadband connections are expensive; a 100 Mbps connection could cost upwards of 40 percent of GNI per capita.⁴
7. **Digital literacy is still limited**, particularly in lower income and rural communities. Women and girls especially are being increasingly excluded by the growing dangers of harassment, blackmail and other types of digital violence. Studies show that women are 37 percent less likely to own a mobile phone and 40 percent less likely to access the internet than their male counterparts. Moreover, broader (digital) literacy is limited, constraining demand. Less than 40% of Pakistanis report knowing what the Internet is; and among Internet users; only 11% have used e-commerce platforms.⁵ This lack of awareness is also constricting broader uptake of digital financial services such as digital wallets that have the potential to boost the economy by increasing transparency and facilitating faster transactions.
8. **Pakistan lags on most digital development rankings relative to regional comparators**, notably on digital infrastructure and digital (e-) government. Particular concerns include the relatively low rate of broadband internet penetration, particularly in rural areas; and limited digital adoption by women. For example, while 21 percent of males (aged 15-16) surveyed nationally said that they had used the internet, only 12 percent of women had done so. Internet use is more prevalent in urban areas, with a third of the population using it, compared with a tenth of the rural population.⁶
9. **While the cost of internet has fallen considerably in the last few years, regulatory restrictions around internet services have kept prices relatively high.** A combination of legal, political and economic hurdles restricts the diversity of service providers and services offered. The predominantly state-owned Pakistan Telecommunication Company Limited (PTCL) controls the country's largest internet exchange point (IXP), and exerts considerable influence over the internet backbone. Similarly, the Pakistan Telecommunication Authority (PTA) exerts significant control over internet and mobile providers through licensing fees and various bureaucratic processes.⁷ Overlapping jurisdictions related to Right of Way (RoW) permissions, and the lack of clear policies at the local government levels have also constrained the deployment of fiber optic

³ <http://www.technologyreview.pk/how-indigenous-tech-innovations-are-helping-pakistan-battle-the-pandemic/>

⁴ World Bank analysis based on TeleGeography data, c. 2020; World Bank GNI data

⁵ LIRNE Asia "After ICT access and use in Pakistan and the Global South"; nationally representative household survey conducted in 2018

⁶ Pakistan Social and Living Standards Measurement survey, Pakistan Bureau of Statistics 2018- 2019

⁷ Pakistan Telecommunication Authority, "Functions and Responsibilities," December 24, 2004, <http://bit.ly/1OpRm9c>.



cables; even in dense urban localities. As a result, high-speed broadband connections are expensive; a 100 Mbps connection could cost upwards of 40 percent of GNI per capita.

10. **Digital adoption by Government overall has been lower than many regional comparators.** While there has been substantial investment in information systems, data storage etc., this has typically proceeded in a siloed fashion with limited interoperability and without policy frameworks for standardized data management. The challenge will be to transition to better integrated services and processes and to a platform-based approach to facilitating digital government services in line with global best practice. This will entail not only technology refresh, but also substantial business process change management, and has the potential to increase transaction efficiency and reduce costs both to government and end users. A further challenge in this regard is the variable rate of digitalization across provinces, related to regional disparities in internet access and quality, skills and coordination/standardization between national and provincial institutions, systems and processes.
11. **There is significant potential for improvement. The Government has issued several policy documents/strategies emphasizing the importance of digitalization in the medium-term.** These include the *Digital Pakistan Policy* (2018) and the *E-Commerce Policy* (2019), for example. The Government is also seeking to strengthen the legal and regulatory framework to enhance trust in online transactions, particularly around issues of data protection, privacy and flow of data across borders. The proposed Project takes into account these policy and legislative objectives, and challenges of implementation in a complex institutional set-up.

Relationship to CPF

12. **The proposed Project is consistent with the Country Partnership Strategy (CPS) for fiscal year 2015-20.**⁸ The CPS, now extended to FY21, is built on four results areas: energy, private sector, inclusion, and service delivery. The Project will contribute to private sector development, inclusion of under-served groups, and more efficient public services delivery. In addition, the proposed Project supports the World Bank's 18 Month Framework for Operational Response to COVID-19 in Pakistan, dated May 2020. The Framework will help Pakistan respond to the crisis and prepare to bounce back stronger and faster, and is based on four Pillars: (i) protecting lives; (ii) protecting the poor; (iii) protecting livelihoods; and (iv) securing the future—the Project will primarily support the latter.
13. **The Project is also closely aligned with the World Bank's twin goals of ending extreme poverty and boosting shared prosperity.** The Project will facilitate increased access to high quality, low cost digital connectivity, important for social and economic growth and development particularly in disadvantaged areas. In this regard, the Project will also contribute to IDA-19 goals of greater gender equity and opportunities, and access to services.

C. Proposed Development Objective(s)

14. The PDO is to (a) strengthen digital connectivity as a key foundation for digital economy development; and (b) enhance the Government's capacity for digitally enabled public services delivery.

⁸ World Bank. 2014. Islamic Republic of Pakistan: Country Partnership Strategy, 2015-2020 (Report No. 84645-PK) and the Performance and Learning Review (Report No. 113574)



Key Results (From PCN)

- Increased broadband access for the population in targeted areas, including mobile and fixed services
 - % women subscribers
 - % rural subscribers
- Increase in households and businesses using online transactions to access government and private services
 - Of which, women/female headed households; women-owned businesses

D. Concept Description

15. The proposed Project, to be financed by an IDA Credit, will consist of Investment Project Financing (IPF) linked to defined outcomes (Performance-Based Conditions) in the areas described below.

Component 1. Enhancing digital infrastructure and closing the digital divide

(a) *Increasing backbone network capacity and availability in second and third tier cities:* supporting catalytic investments in the deployment of fiber optic backbone infrastructure, to be supplied and managed by private operators, allowing the expansion of high-speed internet access to underserved second- and third tier cities. This will facilitate the provision of reliable, ubiquitous, high quality fast broadband for all – including, but not only, for students, knowledge workers, SMEs, and start-ups creating new businesses and new jobs. For the longer term, this investment will also support preparation for 5G mobile broadband. Additional impacts are expected to include demand stimulus for rollout of internet to under-served localities; catalyzing further demand in those areas, and reduced data transmission costs.

(b) *Provision of high-speed, high quality internet access for health and education facilities supporting pandemic response, business continuity, and sustainability of facility operations.* This sub-component will support the provision of new or upgraded high-speed internet access for unserved/under-served district hospitals and secondary schools in selected Tier 1 cities.

(c) *Policy reforms* including update of the Telecom Policy and strengthening the regulatory framework around infrastructure sharing and rights of way (RoW).

Component 2. Improving Digital Governance and Service Delivery Capabilities.

This component will focus on enhancing the institutional, legal and regulatory framework and technical underpinnings for more widespread delivery or scale-up of Government digital services. A two-phased approach is proposed, through the following subcomponents:

- (a) Phase 1-strengthening institutional, legal regulatory foundations for secure digital government platforms and designing an appropriate “shared services” model, and
- (b) Phase 2- development of a Digital Government Platform based on a shared services approach.

Component 3. Project Management Support: to assist the Project Implementing Entity with project administration.



Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

CONTACT POINT

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APPROVAL

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Approved By

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