



# Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

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Concept Stage | Date Prepared/Updated: 28-Sep-2018 | Report No: PIDISDSC24697



**BASIC INFORMATION**

**A. Basic Project Data**

Country Pakistan	Project ID P167230	Parent Project ID (if any)	Project Name Khyber Pakhtunkhwa Cities and Digital Transformation Project (P167230)
Region SOUTH ASIA	Estimated Appraisal Date May 20, 2019	Estimated Board Date Sep 10, 2019	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice
Financing Instrument Investment Project Financing	Borrower(s) Government of Pakistan-- Economic Affairs Division	Implementing Agency Khyber Pakhtunkhwa Information Technology Board, Urban Policy Unit P&D Department Government of Khyber Pakhtunkhwa, Local Government, Elections and Rural Development Department	

**Proposed Development Objective(s)**

Create the enabling environment for digital transformation and improve livability in project areas, by improving city infrastructure, access to high-speed internet, and management of cities.

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	150.00
<b>Total Financing</b>	150.00
<b>of which IBRD/IDA</b>	150.00
<b>Financing Gap</b>	0.00

**DETAILS**



**World Bank Group Financing**

International Development Association (IDA)	150.00
IDA Credit	150.00

Environmental Assessment Category

B - Partial Assessment

Concept Review Decision

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

**B. Introduction and Context**

This is a succinct ISDS. Project is officially listed in Annex A of the Umbrella Waiver to pursue the agile project preparation.

Country Context

With over 207 million people, Pakistan is the world’s sixth most populous country. It is also the most urbanized large country in South Asia: according to official statistics, nearly two-fifths of the population is urban, and urbanization is estimated to reach 50 percent in the next 15 years. Estimates based on the Agglomeration Index, however, indicate that Pakistan has already crossed the 50 percent urbanization mark.

Pakistan is a lower-income country, with a per capita GDP of US\$1,440 in 2015, and GDP growth of 5.8 percent in FY19. Economic growth has reduced poverty, with the poverty headcount halving from 64.3 percent in FY02 to 29.5 percent in FY14. The recent economic growth has been driven by investment and productivity gains in services and manufacturing. These sectors should benefit from the structural reform agenda leading to decreased electricity load-shedding and improvements in the business climate. In the near term, investments under the China-Pakistan Economic Corridor and low international oil prices should also support growth.

While poverty has declined in the country over the last decade, nearly three-quarters of the population is still either poor or vulnerable. However, inequality persists, and Pakistan continues to underachieve in human development, ranking 147<sup>th</sup> out of 188 countries in the United Nation’s 2016 Human Development Index. Macroeconomic, political, and security conditions, natural disasters, and continuing unreliable power supply continue to constrain the country’s achievement of poverty reduction and shared prosperity goals.



Between 2002-2012, Khyber Pakhtunkhwa (KP) province's economy has grown at an annual rate of 4.2 percent, which is slightly lower than the national growth rate of 4.6 percent for the same period. Poverty in KP is approximately 36 percent. The cities of Peshawar (32 percent), Charsadda (37 percent), Mardan (35 percent), and Nowshera (33 percent) were classified by the same study as amongst the poorest urban residents in Pakistan.

The Constitution of Pakistan establishes the state as a federal parliamentary republic, with a two-tier system consisting of federal and four provincial governments (Punjab, Sindh, KP, and Balochistan). The provinces are administratively divided into Divisions, District and Tehsils/Talukas (sub-districts). While local governments (LGs) are not constitutionally envisaged as a distinct third tier of government, their decentralization of political, administrative, and financial responsibilities are laid down in the Constitution. The 18<sup>th</sup> Constitutional Amendment of 2010 transferred responsibility for LGs from the federal to provincial governments. However, authority for most of the broad-based taxes remains with the federal government, and provinces are heavily dependent on revenue transfers.

### Sectoral and Institutional Context

The Government of KP (GoKP) has undertaken a number of transformation initiatives in the province since taking over three years ago. They have: (a) developed an Inclusive Growth Strategy and key sectoral policies; (b) restructured the Annual Development Plan (ADP) in a way that priority flagship projects get substantial funds to enable completion in two-three years; (c) transferred 33% of ADP funds to local governments; (d) operationalized a local government system that has fundamentally devolved financial and administrative authority for service provision; and (e) commenced on major initiatives through Public-Private Partnerships, particularly in the roads and tourism sectors.

Khyber Pakhtunkhwa (KP) Province is rapidly urbanizing with large spatial and economic agglomerations centered around KP's cities. Officially, KP's urban population increased 74 percent from 1998 to 2017<sup>1</sup>, with the overall share of population remaining at around 19 percent. However, official statistics may not reflect the true extent of urbanization within the province as these are based on official city boundaries that do not reflect actual built up areas and leave out large high-density settlements which have marked urban characteristics. It is instructive to note that per GoKP's Integrated Development Strategy 2014-2018, two-thirds of the rural population of KP lives within a travel time of one hour to the city.<sup>2</sup> The current settlement patterns in KP show emerging spatial agglomerations with large economically dependent populations centered around KP's cities. A recent report for the Inclusive Urban Growth Program for KP<sup>3</sup> predicts that Peshawar, Mardan, and Abbottabad will become contiguous settlements, and the existing population of over 2 million people will multiply to nearly 5 million by 2035. The report also states that the region's cities contribute an estimated 73 percent of provincial GDP. While emerging agglomerations are expected to make a significant contribution to KP's economic growth, it is important to consider issues of overcrowding, increasing demand and competition for housing, infrastructure, services, and resources, as well as potential impacts on environment.

GoKP's Inclusive Growth Strategy recognizes Urbanization as a Growth Driver. It highlights the need to look at urban areas as systems beyond administrative boundaries and requiring integrated spatial and development planning.<sup>4</sup> GoKP's Integrated Development Strategy covers growth, urban development, poverty reduction, and several other key sectors. The strategy also states that effective management of urban services is needed to convert cities into centers of economic activity and sources of employment generation.

<sup>1</sup> Per provisional results from National Population and Housing Census 2017.

<sup>2</sup> GoKP (2014), "Integrated Development Strategy 2014-2018".

<sup>3</sup> This growth program has been presented in the draft final report prepared under the Cities Development Initiative for Asia by the Finnish Consulting Group Asia Pte Ltd & FCG International Ltd (JV) with PITCO.

<sup>4</sup> Government of KP (2015) "Reclaiming Prosperity in Khyber-Paktunkhwa: A Medium-Term Strategy for Inclusive Growth"



Khyber Pakhtunkhwa (KP) Province is experiencing a youth bulge. More than 50% of KP's population is <30 years of age, contributing to high unemployment rate (highest in Pakistan, 7.2% vs. national average of 5.9%). Employment in agriculture has been falling due to labor surpluses, increasing literacy, and better transport links. There are few employment opportunities for young people in the private sector, owing to low investor confidence and perception of high risk.

KP is emerging as a digital nascent economy. The GoKP has recently developed the Digital KP strategy. As a result, young people are finding employment and income generating opportunities online, starting up businesses - taking advantage of low transaction costs of the digital economy, and benefiting from GoKP programs (e.g. training). Several public and private interventions are underway to focus on building skills, supporting job growth, expanding government innovation. However, KP lags behind other provinces in terms of connectivity, relevant ICT infrastructure and "analog foundations" to realize digital dividends. Internet access is slow and intermittent; mobile quality not as good as needed to do business online; and there is limited government capacity in deploying and managing digital assets. There is low private sector interest amid high perception of risk (especially among foreign investors) in investing in digital infrastructure, especially more advanced tech. The province also presents market failures: information problem to attract investments, lumpy and upfront capital investments, lacking financing instruments that provide amounts/rates/tenure that work.

The GoKP realized the need to leverage the potential of cities in creating jobs and economic growth. As a result of the government recognizing the need to improve the livability of KP cities, a Planning Act, and master plans for major cities have been drafted. GoKP launched several major infrastructure investment projects in KP cities e.g. public transit systems, and also set up Water and Sewerage Corporations in major cities. Enhancing urban management and service delivery, along with targeted infrastructure investments, are critical actions to make cities more livable.

There is a rationale for public sector engagement to leverage urbanization for economic growth, as well as to expand digital infrastructure and regulatory environment to promote job creation through public and private investments. The operation will support several priorities of the KP Government: i) Pakistan's first provincial-level Digital Strategy, focusing on Digital Access, Digital Governance, Digital Economy, and Digital Skills; ii) Inclusive Economic Growth Strategy, which recognizes urbanization as a driver of growth, prioritizes support to agglomerations, and identifies municipal services as a key area of deprivation; and iii) Enhanced mandate of Local Governments to deliver public services.

The operation will build on lessons from previous engagements in KP and elsewhere: i) Ongoing Technical Assistance in KP (Youth and Digital Inclusion) and MDTF-financed employment project in KP (Digital Jobs) to build skills, support job growth, spur government innovation, and promote digital access; ii) Punjab Municipal Services Improvement Project and Punjab Cities Governance Improvement Project to improve local government systems for investment planning, resource management, service delivery and accountability in Punjab's cities; and iii) Ongoing Karachi Neighborhood Improvement Project and Punjab Cities Program to promote spatial development and local government performance

Relationship to CPF



The project will contribute to the Pakistan Country Partnership Framework (CPF, FY15-19). The activities are aligned with Result Area II – Private Sector Development – through the MFD approach, both for digital investments and commercially viable municipal services; Result Area III – Inclusion – through support to private sector led growth and job creation; and Results Area IV – Service Delivery – by improving services in the selected cities.

### **C. Proposed Development Objective(s)**

Create the enabling environment for digital transformation and improve livability in project areas, by improving city infrastructure, access to high-speed internet, and management of cities.

Key Results (From PCN)

### **D. Concept Description**

The proposed project will support investments, incentives and institutional mechanisms to improve the ability of KP Province and cities to generate growth in the face of technological and demographic change. The project will use the MFD approach to de-risk and attract private sector investments, and to enhance the commercial viability of digital infrastructure and services, based on PPP and/or similar models also supported by the IFC.

#### **Component 1: Institutional Development (USD 15 million\*)**

Institutional strengthening of city governments and provincial agencies in: (a) integrated planning to tap city economic potential; (b) planning and building regulations; (c) business process improvement & capacity building of Local Governments; (d) own-source revenue and public-private partnerships; (e) digital governance; (f) citizen engagement in local governance and service delivery, including through digital means.

#### **Component 2: Municipal Infrastructure (USD 75-85 million\*)**

Priority investments in city infrastructure, including digital infrastructure, identified through a consultative process with private and civic stakeholders, to improve municipal service delivery and to enhance the livability and competitiveness of selected cities.

#### **Component 3: Digital Development (USD 30-40 million\*)**

Incentives for private internet companies to expand broadband services across the province, including agglomeration, co-financing, and regulatory and policy directives needed to incentivize broadband expansion, and the back-end digital infrastructure required to sustain its growth.

#### **Component 4: Regional Planning (10 million\*)**

Implementation of a spatial development strategy to maximize economic performance of cities and to create jobs for youth and women, coordinated with other regional initiatives such as KPEC, CPEC and the KP-FATA merger.

*\* Note: Component allocations are indicative and subject to change*



## **SAFEGUARDS**

### **A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The Project intends to support province-level initiatives as well as five cities in KP with specific economic advantages for growth and job creation (such as significant economic potential, or location in proximity of investments being made under the China-Pakistan Economic Corridor). The tentative cities to be targeted are Peshawar, Abbottabad, Mardan, Bannu, and Mingora-Saidu Sharif. The sites will be finalized during appraisal and criteria developed for site selection. Peshawar is the provincial capital and already urbanized. The remaining 4 cities are rapidly urbanizing. It is possible the small-scale, low-impact infrastructure works under Component 2 could lead to physical or economic displacement, the impacts of which may be compounded by overcrowding and dearth of services. A Resettlement Policy Framework (RPF) will be prepared under the Project by appraisal stage to assess and mitigate such impacts. Site-specific Resettlement Action Plans (RAPs) may be needed if physical or economic displacement is likely to be caused once sub-project sites are known. The urbanizing cities present potential for social inclusion. Given the WB's twin goals and the GoKP emphasis on protection of poor and vulnerable groups, the Project will attempt to embed these issues in project design by exploring whether Component 2 (urban infrastructure) can focus on certain low-income areas. Project will also explore ways to mesh digital intervention with local services delivery by providing better access to information, customized grievance redress mechanisms, citizen charters, and citizen feedback mechanisms. KP comprises the junction where the slopes of the Hindu Kush mountains give way to the Indus-watered hills approaching South Asia. This situation has led to seismic activity in the past. The climate of KP varies immensely, encompassing most of the many climate types found in Pakistan. There are 29 National Parks in Pakistan and 18 in KP. Also, KP includes several sites from the Gandhara Civilization, 85 archeological sites under government protection, and two UNESCO World Heritage Sites. Rapid urbanization in KP is impacting the environment and ecology. The most common urban environmental issues are deteriorated living environment and services. The project will prepare E&S Management Framework (ESMF) to identify the potential environmental and social impacts of the proposed interventions and set out mitigation measures. E&S management plans (ESMPs) will also be prepared.

### **B. Borrower's Institutional Capacity for Safeguard Policies**

The Project will be implemented by the Khyber Pakhtunkhwa Information Technology Board (KPITB), the Local Government, Elections and Rural Development Department (LGERDD), and the Planning and Development Department's Urban Policy Unit. The KPITB, under the Science, Technology and IT Department, will oversee the implementation of the project-supported interventions on digital connectivity, private sector engagement, and digital governance. The LGERDD will be responsible for interventions aimed at strengthening Local Governments (LGs) and the LGs in participating cities will manage priority investments in city infrastructure. The Planning and Development Department's Urban Policy Unit will be responsible for regional planning interventions in collaboration with the other implementing agencies.

The safeguards capacity of these departments is expected to be fairly low. KP has implemented several MDTF project and safeguards capacity was enhanced through intensive Bank support. The Bank will continue to play this role and assist in capacity development on safeguards planning and implementation. Specifically, the Project will build environment and social safeguard capacity of LGERDD given its role in city infrastructure development, and the P&D's Urban Policy Unit given its role in regional planning.

### **C. Environmental and Social Safeguards Specialists on the Team**



Salma Omar, Social Specialist  
Mishka Zaman, Social Specialist  
Rahat Jabeen, Environmental Specialist

**D. Policies that might apply**

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>The proposed project interventions envisage financing municipal and digital infrastructure. The poor urban management in the KP cities with increasing populations growth generates many environmental challenges in the context of municipal services and infrastructures. Since the propose projects interventions design to improve the quality of urban life and modernization to link the urban management in the form of a digital platform. In some case the limited/ absence of proper municipal infrastructure the potential negative environmental impacts which are common in most of the cases including ambient and indoor air pollution, solid waste pollution, fecal contamination, hazardous waste, freshwater sources depletion due to over-pumping of groundwater, inefficient domestic water supplies and leakages from redundant pipelines etc. Moreover, insufficient knowledge of environmental planning and management including weak enforcement of provincial and municipal regulations is also one of the major issues at cities level.</p> <p>Due to the mountainous and hilly topography of the province, there is likely a chance that the natural and forested habitats could also be impacted. The project will not entertain any sites and civil works which could involve high risk and irreversible negative impacts to the environment. It is envisaged that the potential adverse environmental impacts could have localized, temporary and reversible impacts during civil works which can be managed through mitigation measures.</p> <p>The project environmental and social safeguard category is assessed as B with partial assessment. The scope and sites of civil works are not yet determined at the concept stage; therefore, it is suggested the project will adopt the framework approach and Environmental and Social Management Framework</p>





(ESMF) will be developed by the borrower prior to the appraisal. The ESMF will identify the potential environmental and social impacts, analysis, mitigation measures with management options to cater any adverse impacts; chance find mechanism will also be suggested to avoid any archeological and cultural properties damaged or impacted and chance find provisions will define the mechanism and a Physical Cultural and Heritage Framework (PCHRF) will be developed under ESMF. Similarly, the ESMF will also cover the associated facilities in relation to Optic fibers and connection to the digital network in the urban digital connectivity component.

The project will follow the World Bank Group Environmental Health and Safety Guidelines.

The borrower capacity building plan will also be the part of ESMF with the estimated cost of the implementation of ESMF. The ESMF will also address the e-waste management plan due to the inclusion of digital platform in the project. The site-specific Environment and Social Management Plan will be developed at the subproject level prior to implementation. The ESMF and safeguard documents will be cleared by the World Bank and disclose at borrower site as well as Bank Image website for Access to Information and disclosure policy of the World Bank.

Performance Standards for Private Sector Activities OP/BP 4.03	No	The project will not involve the private sector activities. Therefore, this policy is not triggered.
Natural Habitats OP/BP 4.04	No	The project physical works will not be planned at or near natural habitat to impact the critical and sensitive habitats at sub project level the screening activity will identify the natural habitat at initial stage therefore chances of negative impacts could be lower. Moreover, the PAD and ESMF will devise the physical works selection criteria for the exclusion of any natural habitats. Hence, this policy is not triggered.
Forests OP/BP 4.36	No	The project physical works will not select any forested sites which could directly or indirectly impact forested habitat. The PAD and ESMF will establish the subproject activities selection criteria to exclude forested sites. Hence, this policy is not triggered.
Pest Management OP 4.09	No	Project interventions will not involve the use of pesticides. This policy is not triggered.



Physical Cultural Resources OP/BP 4.11	Yes	The project interventions is not expected to be carried out in and around archeological and cultural sites. Since the site of civil works is not clear at the moment, screening will be undertaken for impacts on PCR during the preparation of ESMF.
Indigenous Peoples OP/BP 4.10	TBD	Project is not financing activities in Chitral district where Pakistan’s only recognized IP group, the Kalash people, reside therefore OP/BP 4.10 is not triggered. In the event Chitral city is added based on the Project’s city selection criteria, an Indigenous Peoples Planning Framework (IPPF) will be prepared and disclosed prior to appraisal. Site specific work will require Indigenous Peoples Plans prepared after conducting free, prior, informed consultations.
Involuntary Resettlement OP/BP 4.12	Yes	Small scale civil works are envisaged under the Infrastructure component. The Bank will conduct due diligence of this land acquisition to ensure it meets OP 4.12 requirements, and is free of encumbrances. Some minor civil works are expected to lay fiber optic cable, but major road digging will not be needed as ducts are already present. A Resettlement Policy Framework (RPF) will need to be prepared and disclosed by project appraisal stage. If required, Resettlement Action Plans will be prepared for civil works interventions after project approval once the nature and scope of such civil works are known.  Requirements related to labor influx management, occupational health and safety, and gender-based violence will be assessed and mitigation measures incorporated.
Safety of Dams OP/BP 4.37	No	The project interventions will not involve Dams related activities therefore this policy is not triggered.
Projects on International Waterways OP/BP 7.50	No	The project activities will not be conducted at international waterways. Hence this policy is not triggered.
Projects in Disputed Areas OP/BP 7.60	No	The project interventions will not be carry out in any disputed areas. Therefore, this policy will not apply.

**E. Safeguard Preparation Plan**

Tentative target date for preparing the Appraisal Stage PID/ISDS

May 31, 2019



Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

Environment and Social Management Framework  
Resettlement Policy Framework

May 2019

## CONTACT POINT

### World Bank

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**APPROVAL**

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Country Director:	Melinda Good	02-Oct-2018