



# Concept Environmental and Social Review Summary

## Concept Stage

### **(ESRS Concept Stage)**

Date Prepared/Updated: 10/01/2020 | Report No: ESRSC01447



**BASIC INFORMATION**

**A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Myanmar	EAST ASIA AND PACIFIC	P173586	
Project Name	Myanmar Public Financial Management Project II		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Governance	Investment Project Financing	12/7/2020	5/25/2021
Borrower(s)	Implementing Agency(ies)		
Republic of the Union of Myanmar	Ministry of Planning, Finance and Industry		

Proposed Development Objective

Strengthen fiscal stability, transparency and efficiency of core public financial management functions and public services

Financing (in USD Million)	Amount
<b>Total Project Cost</b>	<b>50.00</b>

**B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?**

No

**C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]**

The project seeks to ensure the continued support to the GoM’s key PFM reforms and investments under the Modernization of Public Finance Management Project (MPFMP) to avoid an implementation and funding gap, while addressing lessons learned and key recommendations from comprehensive PFM diagnostics and analytical work. It also seeks to mitigate the impact of the Covid-19 crisis by supporting key fiscal measures included in GoM’s COVID-19 Contingency Response Plan (CERP), strengthening the resilience of MOPFI core functions and systems and improving post Covid-19 sustainability and efficiency of public finances.



#### **D. Environmental and Social Overview**

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The project supports Central government Public Finance management reforms. The primary beneficiaries of the technical assistance are the departments from the Ministry of Planning, Finance and Industry, the Myanmar Economic Bank, the Office of the Auditor General and the Joint Public Accounts Committee. It does not target any activities in Ethnic Armed Organisation (EAO) controlled territory.

The project has no physical footprint, does not require land acquisition, and the physical activities are limited within the existing premises of the Ministry of Planning, Finance and Industry (MOPFI). No civil works will be financed or performed. The salient physical characteristics of the project include procurement, operation, and end-of-life management of Information and Communications Technology (ICT) systems (i.e. relevant hardware and software) The IT hardware acquisition under the project is expected to represent less than 16% of the total project cost. It is less than the IT hardware (eg. Mini datacenters) purchased under the first PFM I project by the Project Management Unit (PMU). No short-term disposal is anticipated; yet, the World Bank is supporting the MoPFI's ICT strategy, which includes strengthening the governance and sustainability of its ICT infrastructure and this strategy will include measures for proper management of e-waste.

The project aims to deliver a range of benefits including strengthening fiscal stability, transparency and the efficiency of core public financial management functions and public services. It will support inter-twinned reforms along the PFM cycle aimed at collecting more tax revenues, managing risks, improve the allocative efficiency of public investments and financing in line with the COVID Economic Relief Plan (CERP), improving budget flexibility, including in key service delivery ministries like health and education and by strengthening transparency and accountability of public finances.

Salient social characteristics of Myanmar include the on-going conflict and recently internally displaced populations in Rakhine, Shan and Kachin states (in addition to those populations already displaced by previous conflicts across the country) along with the existence of ethnic groups and ethnic armed organizations in Rakhine, Shan, Kayin, Kachin, Sagaing and Tainintharyi. Furthermore, high levels of poverty and limited access to basic health care characterizes rural areas in all states and regions, especially in the more remote and harder to reach communities. These challenges are compounded during the rainy season, when remote rural areas become even less accessible, and intersect with the exclusion and mistrust of government experienced by many ethnic communities across the country.

#### **D. 2. Borrower's Institutional Capacity**

The project will be implemented by the MOPFI. The project activities will be conducted mainly at the central government level by main departments and agencies of the MOPFI. The same departments under MOPFI are currently implementing the World Bank financed Public Financial Management Project (PFM) Project (Phase 1, P144952). The other service delivery ministries such as Ministry of Health and Sports, Ministry of Education will be also involved as relevant during implementation in terms of cooperation on PFM reforms. Sector specific interventions are covered by the respective health and education programs funded separately by the World Bank. As part of PFM 1 Project, measures were taken by the Task Team in terms of enhanced support on procurement and implementation of ICT investments. The Bank provided notably technical assistance for the Ministry's ICT strategy with recommendations to improve the governance, integration and sustainability of its ICT infrastructure and services. A specific TA mission was conducted on the mini data centers financed under PFM I. In the current PFM II



project similar measures will be taken by the Task Team by intensive support, to mitigate the project risks described in the Concept Note.

The Project Management Unit (PMU) will be located within MOPFI. The PMU will conduct project planning and monitoring; coordinate project activities of different departments and stakeholders; supervise reporting, procurement, financial management; and ensure compliance with Environmental and Social Standards (ESSs) requirements as set out in the Environmental and Social Commitment Plan (ESCP) and with application of mitigation measures specified in the operation manual (OM).

The PFM 1 project financed ICT equipment and mini datacenters as well as office equipment, technical assistance and trainings, and supported only minor refurbishment works. As the Borrower is just building up its ICT infrastructure, it is not experienced with addressing of Environmental and Social (E&S) issues including addressing modest environmental risks from handling and potential future disposal of ICT facilities. As the IT equipment is still fairly recent, no major disposal is foreseen in the project. However, the Ministry needs to be prepared for ultimate disposal of e-waste, and incorporate an environmentally friendly IT disposal plan in its ICT strategy.

PFM 1 is implemented under the WB Safeguards Policies and classified as a Category C project with low risk. The Environmental and Social Framework (ESF) is new to the MOPFI for implementing projects. The PMU will need to assign at least one staff or consultant as an ESF focal point and function as the technical counterpart for this project. Additional support of independent consultants may be required to support the ESF focal point on the implementation of ESF requirements (e.g., support reporting, support the consultations and support the establishment and operationalization of the Grievance Redress Mechanism (GRM), provide training on ESF aspects to the PMU, etc.)

During project preparation, the Bank will conduct its due diligence responsibility and further assess the Borrower’s capacity for compliance of E&S requirements and complete the evaluation of the relevance of each ESS for the proposed project as the design evolves. E&S risks and associated mitigation measures will be clearly addressed in the ESCP and detailed in the OM. Trainings will be supported to the implementing departments as needed, since ESF is new to MOPFI in their role of an implementing agency. E&S performance will be evaluated through the Bank’s implementation support, and based on the evaluation results, measures for enhancement will be suggested.

## II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

### A. Environmental and Social Risk Classification (ESRC)

Moderate

#### Environmental Risk Rating

Low

Environmental risk is rated as Low. The proposed Project will support fiscal stability and increased transparency and efficiency of core public financial management functions and public services and mainly finance ICT investments and consultants for advisory services for legal framework improvement/development and system strengthening, and institutional capacity building, and trainings. These services will be procured, and activities implemented by the departments at national level.



While neither new construction nor renovation of existing office buildings is foreseen in this project, the project will finance significant ICT investments (ITAS/CBS, GAS and FIRST), mostly software and related services and some computer hardware facilities and equipment (estimated at 16% of project cost) to improve efficiency of PFM functions, and strengthen ICT capacity of departments for departmental functions and services and that would require significant procurement and training. There will be low potential risks and impacts such as electrical accidents and release of hazardous chemicals on environment and human health from installation, improper use and disposal of computing facilities and electronic equipment. These risks and impacts can be mitigated through efficient use of equipment and safe disposal measures. An e-waste management plan will be part of the ICT strategy to be developed under this Project. The potential environmental risks and impacts are limited within MOPFI premises and minimal, and the project will not require further environmental assessment. The ICT investments will help automate voluminous and recurrent financial transactions, which are currently paper based and thereby have a positive impact on the environment. Likewise, it will enable online transactions within the administration and with citizens (tax filing, payments etc.) and thereby reduce the transport cost and pollution.

**Social Risk Rating**

Moderate

The social risk rating is classified as Moderate. The project will finance technical assistance and capacity building to support fiscal stability.

The project will not finance construction works. It is assumed that there are no interventions on land taxation reforms. The biggest share of the project's financing (>95per cent) will be supporting tax administration modernization and the adoption of an integrated tax management system. While this reform is largely neutral from a distributional point of view, the increased automation, online services and transparency it brings, is expected to reduce the risk of corruption, improve the fairness and equity of tax collection and reduce the transaction and transport costs for tax payers (through online filing and payment). These measures are expected to benefit particularly the poor and the vulnerable in view of the asymmetric relation with tax officials. The project will also continue providing analytical and advisory support to the tax policy reforms and support to fiscal stability. In that context, the analytical work and recommendations will take into account the distributional impact of such reforms and fiscal stability measures to avoid that they disproportionately affect poor and vulnerable households. This will include analysis of the potential positive and negative impact of specific tax policy recommendations on different groups, notably poor and vulnerable households based on the available data from the household surveys. It will not be able to desegregate tax impacts on households that are COVID-19 affected. The project will leverage the Commitment to Equity (CEQ) analytical work that identifies the incidence of taxes and tax exemptions for more equitable taxation and helping reduce income and gender inequality. The project will also leverage analysis on public spending, particularly from sectoral public expenditure analysis, on which income quintiles benefit most from public spending on basic services.

There will be a range of different categories of project workers.

The social risk is classified as Moderate as the identified social risks will arise if project systems do not clearly identify potential impacts of the tax reforms prior to instituting such reforms. The risks and impacts are expected to be mostly temporary, predictable and/or reversible, and the nature of the Project does not preclude the possibility of avoiding or reversing them (although substantial investment and time may be required). If implemented well, the project design through identifying clearly which groups may be disproportionately affected, communicating clearly on the



needs for tax reforms and who will be able to benefit, conducting an awareness raising campaign, and ensuring that information and a grievance system is available 24/7, is expected to address those risks.

The social risks relate to the potential for and/or perception of certain groups (e.g. women and certain ethnic groups) to be disproportionately affected by the tax reforms or not benefitting from improved budgeting and public investment management. These could arise from lack of knowledge on the new taxation system, not understanding the improved budgeting and public investment spending benefits, not having the evidence to support transparency, and lack of access to systems and technology to undertake voluntary tax registration. The risks can also arise from certain groups being targeted over other groups who understand themselves to have been impacted disproportionately by the COVID-19 social distancing measures. This has the potential to create tension between and within communities.

Automation of voluminous paper-based transactions is not anticipated to lead to staff redundancies or lay off among government staff, who are on a government contract. Instead, significant training/ reskilling is planned under the Project to prepare them for new responsibilities as government staff. This is not expected to be disproportionall

## **B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered**

### **B.1. General Assessment**

#### **ESS1 Assessment and Management of Environmental and Social Risks and Impacts**

##### ***Overview of the relevance of the Standard for the Project:***

The project has no physical footprint or land acquisition and will not construct any structures or finance any external modifications of any facilities. Since the project will work through existing government institutional structures to achieve its goal.

The initial screening of project, based on the project scope and activities specified in the project concept, does not identify significant potential environmental risks and impacts as the project financing will only cover soft activities such as consulting services for assessments, and technical assistance (TA) and trainings for capacity building. Although most TA activities do not themselves have direct adverse environmental or social impacts the outcomes of TA support may have important environmental and social implications going forward, due to inadequacy of the content in referring to potential risks, such as equipment handling. The project has no physical footprint and involves no civil works. The project will provide software and some computer hardware, and the potential risk and impacts of which can be reduced to negligible limit through proper use and disposal. Measures for proper handling and disposal of equipment can be incorporated into the project's operation manual and awareness raising/ trainings on application of such measures should be included as a part of project training program and through procurement. These risks and impacts can be mitigated through proper use and safe disposal. Regardless of the project scale, part of MOPFI ICT strategy and governance will address sustainable management and disposal of hardware and associated e-waste.

ISR and BTORs produced during the PFM Phase I project were reviewed as part of screening process as this project will provide technical assistance activities similarly to the MOPFI and the same departments and agencies under MOPFI, plus its pension department. Hence the Ministry and Departments/Agencies already have experience working with the bank system and are expected to be aware of the bank safeguards requirements under the previous safeguards policies. The project will fund Technical Assistance and bring in consultants to support the government staff, including trainings for capacity building on the ESF.



As the PFM Phase I project did support the ICT investments in a large scale, the client has built capacity in installation and efficient application of equipment and disposal of electronic waste. Furthermore, the World Bank is supporting the MOPF's ICT strategy which takes into account sustainability considerations. The ESS3 on Resource Efficiency and Pollution Prevention and Management is relevant as provision of hardware and software programming is involved. The relevance of ESS3 will be reflected in provisions made in the operation manual to ensure full compliance with applicable regulations and specifications for energy efficient equipment and electronic waste management.

The communication strategy together with the awareness raising campaign and citizen engagement in the audit process are a key part of the project. The objectives of the communication strategy are to engage stakeholders of the project in a culturally appropriate and inclusive manner reflecting ESS1, ESS7 and ESS10 requirements. This will be through government consultation and citizen engagement in relevant areas such as taxes (voluntary compliance), citizen budget, large public investments and participatory auditing. This communication strategy will be prepared as part of the project Technical Assistance and include the elements of a Stakeholder Engagement Plan (SEP) and to ensure meaningful engagement with target beneficiaries and interested and affected stakeholders. This communication strategy will be included in the ESCP. As such a standalone SEP will not be prepared. A project GRM will also form a core part of the project and will be communicated as part of the project communication strategy and as such, reflected in the ESCP.

Only ESS1, ESS2, ESS3, ESS7 and ESS10 are considered relevant.

**Areas where “Use of Borrower Framework” is being considered:**

Use of Borrower's Framework is not being considered.

**ESS10 Stakeholder Engagement and Information Disclosure**

Interested and affected stakeholder groups include the citizens of Myanmar as indirect beneficiaries who stand to gain from the above-mentioned reforms and project objectives of increased participation, greater transparency, and accountability of the government. The private sector is expected to benefit from the improved transparency, prioritization and implementation of infrastructure investments, more competitive and faster procurement process.

The need for an effective and inclusive engagement with all affected and interested stakeholders forms a key part of the project design. The communication strategy is in place to ensure that engagement with key stakeholders, including beneficiaries, is an integral part of the project design. To ensure meaningful engagement the project has identified several mutually reinforcing entry points and proposes a multi-pronged approach, including (i) providing citizens information about the use of their taxes, (ii) consulting citizens on public finances matters and major projects, (iii) facilitating active citizen participation where possible, notably in project monitoring and auditing, and (iv) providing feedback on citizen comments and input. The project builds on the MoPFI ongoing transparency efforts (citizen's budgets, budget execution and annual reports, executive budget proposals, aggregate fiscal forecasts, budget laws) and its momentum towards greater citizen engagement:



- outreach campaigns on tax reforms, policies and voluntary compliance;
- increased public access to fiscal information, procurement, and service delivery (in select ministries);
- increased public consultation on large public investments and citizen engagement in project monitoring; and
- introduce element of citizen engagement to the audit process as an additional measure to modernize external oversight and publication of audit reports.

The strategy defines a program for meaningful engagement on information dissemination, public consultation and project monitoring, throughout the entire project cycle, including citizen engagement to the audit process.

As the strategy meets with the requirements of the ESS10 based on the nature and scale of the risks and impacts of the project, a separate SEP will therefore not be prepared. The project will meet requirements for stakeholder engagement as an integral part of the project design and the elements of a SEP will be captured in the ESCP.

## **B.2. Specific Risks and Impacts**

**A brief description of the potential environmental and social risks and impacts relevant to the Project.**

### **ESS2 Labor and Working Conditions**

This standard is considered relevant for the project. Project workers will include direct workers, and contracted workers.

The Project will be implemented primarily by Government staff from the MOPFI. ESS2 is relevant for the proposed Project in terms of direct workers employed in the project activities as well as contracted workers working through consultancy firms e.g. to support updates of the technological platform. Such contracting will be done by the Government of Myanmar and will request the firms' documented evidence that their working conditions are in line with ESS2. This requirement will be reflected in this project's OM, the new bidding documents and the new actual contracts between the PMU/MOPFI and its providers.

Given the scope of the project, the focus on the Ministry of Finance and the activities child labour and or forced labour is a very low risk.

A worker grievance mechanism will be put in place to ensure a basic, responsive grievance mechanism to allow workers to quickly inform management of poor labour conditions (such as extended work hours without overtime) and unsafe work practices. This will be captured in the ESCP.

At this moment, it is not foreseen that a standalone Labor Management Plan is required and any gaps in provisions between national requirements and ESS2 for direct workers, interns/trainees, and contracted workers will be covered in the ESCP and through consultant contracts. In case there are gaps among the national labor laws and ESS2 (e.g. arrangement in the workplace, provisions on non-discrimination and equal opportunity), then the contractors will have to make sure that they cover those gaps to be consistent with ESS2.





Automation of voluminous paper-based transactions is not anticipated to lead to staff redundancies; therefore, there is no plan to lay off government staff, who are on a government contract. Instead, training for additional skills such as tax payer services will be provided, as the project has a component on PFM training and capacity building. This is not expected to disproportionately impact certain groups like women or ethnic groups..

### **ESS3 Resource Efficiency and Pollution Prevention and Management**

ESS3 is relevant as the proposed project will finance and support hardware and software installation. However, the project does not finance or support any civil works. Thus, pollution prevention and management measures will apply only for energy-efficiency, and proper management of electronic waste. Provisions for good practices, in accordance with Environmental Health and Safety Guidelines (EHSGs), will be made in the OM to guide trainings and to secure full compliance with applicable regulations and specifications for energy efficient equipment and electronic waste management. As the IT equipment is still fairly recent, no major disposal is foreseen in the project. However, the Ministry needs to be prepared for ultimate disposal of e-waste, and incorporate an environmentally friendly IT disposal plan in its ICT strategy.

### **ESS4 Community Health and Safety**

ESS4 is not relevant at least at the Concept Stage. However, measures to mitigate community health and safety risks originating from e-waste mismanagement must be addressed (e.g. in order to avoid negative impacts of e-waste scavenging) as part of the planned ICT strategy to be developed. The proposed project will neither finance nor support any civil works. No rehabilitation or construction of new infrastructure or other actions that would imply environmental or social risk or having negative impact on the environment or community health and safety will be financed.

### **ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

This standard is currently considered not relevant. The project will not include any activities which require land acquisition, physical and/or economic displacement.

### **ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

ESS6 is not relevant. The proposed Project will neither finance nor support any civil works or policies that might affect biodiversity or management of living natural resources.

### **ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities**

This standard is considered relevant. Ethnic communities are part of Myanmar. Reforms and public investments will affect all and there is a need to know how such reforms will affect ethnic communities. A standalone Social



Assessment will not be conducted because the project will leverage the CEQ analytical work that identifies the incidence of taxes and tax exemptions for more equitable taxation and helping reduce income and gender inequality. Leveraging CEQ and sector PER results on which income quintiles benefit most from public spending on basic services. This analytical work will assess how proposed taxation reforms will affect vulnerable populations, including ethnic communities and whether there will be a disproportional effect of tax reforms. The required analytical work will be reflected in the ESCP.

The project will have engagement through various forms as described in the section on ESS10 above. This engagement will need to have an engagement strategy that is culturally appropriate and inclusive. The engagement strategy will be reflected in the ESCP.

**ESS8 Cultural Heritage**

ESS8 is not relevant. The proposed project will finance technical activities aimed at improving Myanmar’s public financial management system. In this context, it is not expected that it could directly or indirectly affect tangible or intangible cultural heritage.

**ESS9 Financial Intermediaries**

ESS9 is not relevant. The proposed project will not channel funds to a Financial Intermediary with objective of sub lending.

**B.3 Other Relevant Project Risks**

Consideration for potential risks have already been taken into account against the standards as relevant.

**C. Legal Operational Policies that Apply**

**OP 7.50 Projects on International Waterways** No

**OP 7.60 Projects in Disputed Areas** No

**III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE**

**A. Is a common approach being considered?** No

**Financing Partners**

There are no financing partners.

**B. Proposed Measures, Actions and Timing (Borrower’s commitments)**

Public Disclosure



**Actions to be completed prior to Bank Board Approval:**

Environmental and Social Commitment Plan(ESCP).

Disclose and conduct consultations on the draft ESCP prior to appraisal and update the draft ESCP accordingly and redisclose the updated version of the ESCP.

**Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):**

Budget, staffing and operational arrangement for trainings related to handling and waste disposal of electronic equipment, as part of the ICT Management Strategy.

The ESCP will have an action for the analysis of how tax reforms to ensure it considers impacts to different segments of society, particularly the poor and the vulnerable, including ethnic communities. This will cover requirements of ESS1 and ESS7.

The ESCP will include the commitments to include labor management conditions as part of contracts funded by this project plus address gaps among national labor law and ESS2, and a worker grievance procedure in line with the principles outlined ESS2.

The ESCP will include the commitment to support the Government to conduct, as an integral part of the project, various activities on stakeholder engagement in line with the principles outlined in ESS 7 and ESS10. This will also include operationalization of grievance redress mechanism.

**C. Timing**

**Tentative target date for preparing the Appraisal Stage ESRS**

01-Oct-2020

**IV. CONTACT POINTS**

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**Borrower/Client/Recipient**

Public Disclosure



Borrower: Republic of the Union of Myanmar

**Implementing Agency(ies)**

Implementing Agency: Ministry of Planning, Finance and Industry

**V. FOR MORE INFORMATION CONTACT**

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**VI. APPROVAL**

Task Team Leader(s):	Fabian Seiderer, Bonnie Ann Sirois, Hans Anand Beck
Practice Manager (ENR/Social)	Mona Sur Recommended on 07-Jul-2020 at 23:04:17 GMT-04:00
Safeguards Advisor ESSA	Nina Chee (SAESSA) Cleared on 01-Oct-2020 at 13:26:32 GMT-04:00