

FOR OFFICIAL USE ONLY



Islamic Republic of Pakistan
Environmental and Social Systems Assessment
(ESSA)
Addendum
Restructuring of the Punjab Affordable Housing
Program (PAHP)
P173663

03 September 2026

Urban, Resilience, and Land Global Practice
South Asia Region

Table of Contents

List of Acronyms and Abbreviations.....	4
Executive Summary	7
1. INTRODUCTION.....	10
1.1 Background	10
1.3 Rationale for Restructuring.....	11
1.4 Purpose and Objectives of the ESSA Addendum	11
1.5 Methodology.....	12
1.6 ESSA-AD Scope and Limitations.....	12
2. DESCRIPTION OF THE RESTRUCTURED PROGRAM	13
2.1 Introduction.....	13
2.2 Description of the Proposed Changes	13
2.3 Disbursement Linked Indicators and Verification Protocols.....	14
2.3 Institutional and Implementation Arrangements	14
2.4 Results Monitoring and Evaluation	15
2.5 Disbursement Arrangements	15
2.6 Capacity Building	15
3. ENVIRONMENTAL AND SOCIAL EFFECTS OF THE NEW COMPONENTS	17
3.1 Boundaries Setting and Risk Management in the Program Design	17
3.2 Environmental Effects	17
3.3 Social Effects.....	20
3.4 Overall E&S Risk Assessment	22
4. POLICY AND LEGAL FRAMEWORK FOR MANAGING E&S IMPACTS	23
4.1 Introduction	23
4.2 BLC Specific Framework	23
5. CAPACITY ASSESSMENT FOR MANAGING ENVIRONMENTAL AND SOCIAL EFFECTS	25
5.1 Introduction	25
5.2 Housing and Urban Development Department (HUD) and Punjab Housing and Town Planning Agency (PHATA).....	25
5.3 Program Management Unit	25
5.4 Urban Unit (UU)	26
5.5. Bank of Punjab (BOP) and Microfinance Institutions (MFIs)	27
6. COMPARATIVE ANALYSIS OF BORROWER E&S MANAGEMENT SYSTEMS AND BANK POLICY CORE PRINCIPLES.....	29

6.1 Core Principle 1: Environmental and Social Management	29
6.2 Core Principle 2: Natural Habitats and Physical Cultural Resources	32
6.3 Core Principle 3: Public and Worker Safety	32
6.4 Core Principle 4: Land Acquisition	33
6.5 Core Principle 5: Indigenous Peoples and Vulnerable Groups.....	33
6.6 Core Principle 6: Social Conflict	34
7. DISCLOSURE AND CONSULTATION.....	36
7.1 Disclosure	36
7.2 Stakeholder Consultations.....	36
8. GRIEVANCE REDRESS AND CITIZEN ENGAGEMENT	37
8.1 Introduction	37
8.2 Key Features of the GRM.....	37
9. RECOMMENDATIONS AND PROGRAM ACTION PLAN.....	38

List of Tables

Table 1: Revised DLIs and E&S Relevance to Addendum	14
Table 2: Comparative analysis of the Program's systems for the BLC Component.....	29
Table 3: Core Principle 1 - Environmental and Social Management.....	29
Table 4: Core Principle 2 - Natural Habitats and Physical Cultural Resources.....	32
Table 5: Core Principle 3 - Public and Worker Safety	32
Table 5: Core Principle 4 - Land Acquisition	33
Table 7: Core Principle 5 - Indigenous Peoples and Vulnerable Groups	34
Table 8: Core Principle 6 - Social Conflict	34
Table 9: Program Action Plan for BLC Component	38

List of Acronyms and Abbreviations

Acronym	Definition
ACAG	Apni Chhat Apna Ghar
APHS	Affordable Private Housing Scheme(s)
AZAG	Apni Zameen Apna Ghar
BLC	Beneficiary-Led Construction
BMIS	Beneficiary Management Information System
BOR	Board of Revenue
CE	Citizen Engagement
DA	Development Authority
DLI	Disbursement-Linked Indicator
DLR	Disbursement-Linked Result
E&S	Environmental and Social
EAD	Economic Affairs Division
ECA	Employment of Children Act
EPA	Environmental Protection Agency
ESCF	Environmental and Social Compliance Framework
ESSA	Environmental and Social Systems Assessment
ESSA-AD	Environmental and Social Systems Assessment Addendum
ESSA-PP	Environmental and Social Systems Assessment for the Parent Program
FD	Finance Department
FF	Family Flats
FGD	Focus Group Discussion

Acronym	Definition
GBV	Gender-Based Violence
GoPunjab	Government of Punjab
GRM	Grievance Redress Mechanism
HIG	Home Improvement Grant
HUD	Housing and Urban Development Department
IEE	Initial Environmental Examination
IPF	Investment Project Financing
ISR	Implementation Status and Results Report
JV	Joint Venture
LG	Local Government
MFI	Microfinance Institution
OHS	Occupational Health and Safety
PAHP	Punjab Affordable Housing Program
PAP	Program Action Plan
PCR	Physical Cultural Resources
PDO	Program Development Objective
PforR	Program-for-Results
PHATA	Punjab Housing and Town Planning Agency
PHTs	Pesticides, Herbicides, & Termiticides
PITB	Punjab Information Technology Board
PMIS	Project Management Information System
PMIU	Program Management and Implementation Unit
PMT	Proxy Means Test
PPE	Personal Protective Equipment

Acronym	Definition
QA/QC	Quality Assurance / Quality Control
ROW	Right-of-Way
SEA	Sexual Exploitation and Abuse
SEP	Stakeholder Engagement Plan
SH	Sexual Harassment
SOP	Standard Operating Procedure
UU	Urban Unit
VAC	Violence Against Children
WB	World Bank

Executive Summary

Introduction

1. This Environmental and Social Systems Assessment Addendum (ESSA-AD) has been prepared by the World Bank (WB) Task Team to support the proposed restructuring of the Punjab Affordable Housing Program (PAHP). It supplements the Parent Program ESSA (ESSA-PP) prepared in January 2022. The ESSA-AD assesses the environmental and social (E&S) risks of the newly introduced components under the restructuring, including Beneficiary-Led Construction (BLC), demand-side financing, and home improvement grants (HIGs), while confirming that the ESSA-PP's risk assessment, mitigation measures, institutional recommendations, and Program Action Plan (PAP) remain foundational framework for the restructured Program.

2. The restructuring was necessitated of PAHP by significant implementation delays experienced under the original design, which relied heavily on delivery of built housing units through private and public sector schemes. The overall disbursement stands at approximately 20 percent as of August 2026, with only a small fraction of the targeted units possibly delivered by the original closing date. Key impediments included the limited availability of suitable public land, limited proposals from the private sector developers that meet the Program criteria, a weak financing and regulatory ecosystem for completed housing units, dampened demand due to suspension of the federal MPMG interest rate subsidy schemes, and macroeconomic volatility. The revised design seeks to address these constraints by adopting a more feasible and scalable approach centred on BLC, leveraging households' own land and supported by demand-side subsidies.

3. Under the proposed arrangements, the Punjab Housing and Town Planning Agency (PHATA) and the Program Management and Implementation Unit (PMIU) will retain overall oversight of the Program, and continue to manage the E&S risks of the public sector-delivered housing units. The Urban Unit (UU) will undertake E&S Screening, field verification, quality assurance/quality control (QA/QC), E&S compliance functions and grievance redress for the newly added BLC and HIG components. The Finance Department will oversee the channeling of funds for the implementation of the demand-side financing window, while the participating lenders and Microfinance Institutions (MFIs) will assess financial eligibility and manage loan disbursement to beneficiaries of the BLC component. **Environmental and Social Effects and Risk Assessment**

4. The BLC component is expected to generate positive environmental and social benefits by improving access to adequate and affordable housing for low-income and vulnerable households, thereby contributing to poverty reduction and improved living conditions. Potential adverse E&S impacts from BLC are generally expected to be low, localized, temporary, and reversible at the individual household level. These risks are primarily associated with house construction and include stress on local water resources and utilities, generation of construction and solid waste, noise, occupational health and safety (OHS) risks, community safety risks linked to OHS and Pesticides, Herbicides, and Termiticides (PHTs) use, and the possibility of encountering previously unidentified physical cultural resources during excavation. Activities involving land acquisition or resettlement, construction on land parcels with disputable ownership, development in environmentally sensitive or ecologically important areas, locations highly exposed to natural hazards, or development inconsistent with applicable zoning and planning requirements will be excluded. The principal social risk of the

newly added demand-side subsidies component is the potential of beneficiary mistargeting, namely the exclusion of eligible and deserving households or inclusion of ineligible households due to political, administrative, or other undue influence. Other risks include non-compliance with labor standards (safe practices, child labor, timely wage payments) and risks to community health and safety (e.g., open excavations, material storage). These risks were already identified in the original ESSA but are particularly applicable here with a large pool of beneficiaries.

5. The Program will address the risk of beneficiary mistargeting through transparent beneficiary selection using a digital-based Beneficiary Management Information System, predefined Proxy Means Test (PMT)-based targeting criteria, and Program eligibility criteria. It will establish a minimum target of **20 percent participation** by vulnerable population, including extremely poor households, women-headed households, and alternatively abled persons, facilitating their access to land and housing ownership and formal housing finance. Because BLC construction will likely rely on individual and informal construction workers, the Program will also raise awareness of OHS, appropriate use of PPE, use of PHTs, fair labor practices, prevention of child and forced labor, and community health and safety, through proper trainings, campaigns, and capacity building activities within local communities.

6. Based on the findings of this addendum, the overall E&S risk rating for the Program is revised from Moderate to **Substantial**. This revision is not due to a fundamental change in the nature or severity of the potential adverse impacts, which remain manageable. Instead, it reflects the increased implementation complexity and institutional challenges associated with managing a large number of small-scale, geographically dispersed, and owner-driven construction and home improvement activities. Managing this complexity requires robust institutional capacity, consistent field-level monitoring, and a highly functional and responsive Grievance Redress Mechanism (GRM).

Policy, Legal, and Institutional Framework

7. The applicable legal and regulatory framework for the BLC and HIG component is a mix of existing national and provincial laws and Program-specific instruments. Most BLC activities (individual house construction on existing plots) do not trigger the formal environmental assessment requirements (IEE/EIA) of the Punjab Environmental Protection Act (PEPA) 2012. However, they remain subject to other relevant laws, including the Punjab Local Government Act 2025, building bylaws, land use and zoning regulations, the Punjab Occupational Safety and Health Act 2019, the Punjab Restriction on Employment of Children Act 2016, and the Antiquities Act 1975.

8. The Program will manage E&S risks through a dedicated suite of instruments integrated into the PAHP Environmental and Social Compliance Framework (ESCF). Key instruments for the BLC component include:

- **E&S Eligibility Criteria:** For beneficiary screening and plot selection (e.g., clear land titles, location in approved scheme or development zones, outside of seismic zones or environmentally sensitive areas, not flood-prone, with basic infrastructure availability).
- **E&S Screening and Monitoring Checklists:** Applied at each disbursement stage to ensure compliance with OHS, waste management, and community safety requirements.

- **Construction Guidelines and OHS and PHTs SOPs:** Provided to beneficiaries to guide safe construction practices and management of hazardous materials.
- **Green Building Checklist:** To promote voluntary adoption of climate-resilient and resource-efficient measures in housing construction and improvement.

Capacity Assessment

9. The institutional capacity assessment finds that the PMIU has an established E&S team that will oversee the BLC activities, and the Urban Unit (UU) has strong technical capacity and extensive field presence for verification, monitoring, and construction supervision under the government's own housing program, Apni Chhat Apna Ghar (ACAG). PHATA is the main implementing agency for ACAG and has significant operational capability to manage the BMIS as well as the funds transfer for demand-side subsidies. MFIs have adequate systems for financial processing. However, field-level enforcement of building control and OHS requirements for individual house construction is traditionally weak. The Program will address this through the PMIU, PHATA, and UU's direct implementation, monitoring, and capacity-building roles.

Key Recommendations

10. The ESSA-AD recommends the following actions to be integrated into the Program Action Plan (PAP) or the Disbursement-linked indicators (DLI) matrix:

1. **Integrate BLC-Specific E&S Instruments** into the PAHP ESCF and operational arrangements.
2. **Define and Operationalize Institutional Roles** for E&S screening, field verification, QA/QC, and disbursement.
3. **Strengthen OHS and Construction Safety** through dissemination and implementation of Construction Guidelines and OHS & PHTs SOPs.
4. **Ensure Transparent and Inclusive Beneficiary Selection** using PMT-based targeting and meeting the 20% target for women-headed households.
5. **Maintain Stakeholder Engagement** in accordance with the SEP.
6. **Extend and Operationalize the GRM** for BLC, ensuring accessible channels and handling of sensitive grievances.
7. **Maintain E&S Records in BMIS** and undertake independent verification and QA/QC checks.

11. These actions are presented in a detailed Program Action Plan in Section 9. They will ensure that the expanded PAHP continues to operate within an adequate and effective E&S management framework, consistent with the World Bank's PforR Core Principles.

1. INTRODUCTION

1.1 Background

1. This Environmental and Social Systems Assessment Addendum (ESSA-AD) has been prepared by the World Bank (WB) Task Team for the proposed restructuring of the Punjab Affordable Housing Program (PAHP). The Parent Program ESSA (ESSA-PP) was approved in March 2022 to support the World Bank's financing of the Program. The ESSA-PP assessed the Program's environmental and social (E&S) management systems, identified potential risks, and proposed a Program Action Plan (PAP) to ensure compliance with the World Bank's Program-for-Results (PforR) Policy (OP/BP 9.00). The original Program Development Objective (PDO) is "to support the Government of Punjab (GoPunjab) in strengthening its housing institutions and systems and enhancing the quantity and quality of affordable housing supply", which remains unchanged after the proposed restructuring.

2. This ESSA Addendum (ESSA-AD) has been prepared to assess the E&S implications of the proposed restructuring. It builds upon the ESSA-PP, ensuring that the analysis remains current and comprehensive for the restructured Program. The ESSA-PP remains the primary reference document for the original Program components and its recommendations continue to apply unless explicitly superseded or supplemented by this Addendum.

3. In accordance with the requirements of the World Bank Policy for PforR Policy, the original ESSA (ESSA-PP) was prepared to assess the degree to which the relevant PforR program's systems promote E&S sustainability and to ensure that effective measures are in place to identify, avoid, minimize, or mitigate adverse environmental, health, safety, and social impacts. The ESSA-PP, based on a comprehensive assessment, made recommendations to enhance E&S management as part of the PAP.

4. The ESSA-PP identified the overall E&S risks of the Program as Moderate and concluded that the housing sector E&S systems in terms of policies and procedures were adequate but lacking in human and financial resources for monitoring at a province-wide level. The recommendations in the ESSA-PP, such as developing site selection criteria with E&S considerations, conducting technical studies on wastewater treatment, preparing an Environmental and Social Compliance Framework (ESCF), and implementing institutional strengthening, remain integral to the restructured Program.

1.2 Program Status and Implementation Challenges

5. Since Program effectiveness in October 2022, 44 months have elapsed, while total disbursement stands at only US\$40 million, or about 20 percent of the total loan amount. Despite good progress in developing requisite systems and regulatory instruments, the Program has experienced serious delays in approving housing schemes and delivering affordable housing units through both public and private windows. Of the nine actions in the PAP, four time-bound actions have been delayed, while four recurrent actions are being implemented with varying degrees of delay. Consequently, overall Program implementation progress was rated Moderately Unsatisfactory (MU) in the April 2026 Implementation Status and Results Report (ISR).

6. Implementation delays stemmed from: (i) slow transfer of suitable public land to PHATA (first parcel took >2 years); (ii) limited proposals from the private sector developers that meet the Program criteria; (iii) weak financing ecosystem—developer finance and mortgages remain limited, while market relies on plot sales and pre-sales; and (iv) macroeconomic

disruptions, including suspension of the federal Mera Pakistan Mera Ghar (MPMG) subsidy scheme. These factors collectively constrained delivery under the original supply-driven design.

1.3 Rationale for Restructuring

7. The restructuring responds to the constraints to adjust the targets of delivery under supply-side interventions and supplement with feasible and scalable demand-side support to increase the quantity and quality of affordable housing in Punjab.

8. While the PAHP PDO remains unchanged, the Program is unlikely to achieve its original target of delivering housing units under the current design. The public response to the GoPunjab's new initiatives, namely the Apni Chhat Apna Ghar (ACAG) interest-free loan scheme and the Apni Zameen Apna Ghar (AZAG) free residential plot scheme, demonstrated a massive, unmet demand for affordable housing in Punjab. Approximately 1.2 million applications are pending under ACAG, underscoring the scale of the BLC demand.

9. The proposed restructuring directly responds to this demand by providing financial support to eligible beneficiaries, using a more flexible, demand-driven approach centred on Beneficiary-Led Construction (BLC) and home improvement grants (HIG). This approach is more scalable, as it allows public resources to be deployed as subsidies and supports credit-risk sharing rather than providing upfront capital for land and construction. It also aligns with the GoPunjab's policy objective of improving the affordable housing sector and filling the gap in affordable housing supply. The restructuring also seeks to further strengthen the capacities of key housing and planning agencies and institutionalize a sustainable affordable housing supply modality.

1.4 Purpose and Objectives of the ESSA Addendum

10. The ESSA-PP established the purpose of assessing E&S effects, the legal and policy framework, institutional capacity and performance, and measures required to address system gaps. This Addendum retains that purpose and applies it specifically to the incremental effects of the restructured PAHP.

11. The main purpose of this ESSA-AD is to assess the E&S implications of the proposed restructuring of the PAHP, specifically the newly introduced demand-side financing for BLC and HIGs.

12. The specific objectives are:

- Identify the potential E&S risks (both positive and adverse) arising from the new components (BLC, serviced plots, subsidies, HIGs).
- Assess whether the legal and regulatory framework, institutional capacity, and E&S management systems identified in the ESSA-PP are adequate for managing the risks of the restructured Program.
- Identify any gaps in the existing E&S framework and define additional mitigation and monitoring measures required.
- Propose proportionate recommendations to be incorporated into the Program's procedures, the ESCF, and the PAP to manage the incremental E&S risks effectively.

- Confirm that the E&S assessments, mitigation measures, and recommendations of the ESSA-PP remain valid for the unchanged components of the Program.

1.5 Methodology

13. The ESSA-AD follows the same methodology as the ESSA-PP to ensure consistency and complementarity. The assessment was conducted based on a documentary review, E&S risk screening and assessment, institutional analysis, stakeholder consultations, and a comparative assessment against the six PforR Core Principles. The key difference is the use of the 2026 Revised Concept Note of PAHP, prepared by the PMIU and approved by GoPunjab, to define the restructured Program's scope and the assessment of BLC modality.

14. The ESSA-AD preparation involved: (i) a comprehensive desk review of the ESSA-PP, restructuring proposal, and the 2026 Concept Note; (ii) consultations with key government institutions and MFIs; and (iii) focus group discussions with ACAG beneficiaries to gather insights on BLC implementation, construction quality, and E&S risks. The team also reviewed the relevant legal framework and drew on lessons from comparable WB-supported housing initiatives globally. The findings will inform revisions to the PAP. The ESSA-AD will be disclosed in-country and on the WB website prior to formal appraisal.

1.6 ESSA-AD Scope and Limitations

15. This Addendum focuses on the incremental E&S effects arising from the restructuring. It applies to the PforR activities under the new and revised sub-windows, specifically the public serviced plots (Window-1b), and demand-side subsidies, including BLC and HIGs (Window-1c). The IPF-financed activities (Windows 2 & 3) continue to be managed under the World Bank's Environmental and Social Framework (ESF) and are not within the scope of this addendum.

16. The Addendum is structured as follows:

- **Section 1:** Introduction
- **Section 2:** Description of the Restructured Program
- **Section 3:** Assessment of E&S Effects of the New Components
- **Section 4:** Policy, Legal, and Administrative Framework
- **Section 5:** Capacity Assessment
- **Section 6:** Comparative Analysis Against PforR Core Principles
- **Section 7:** Disclosure, Consultation, and Citizen Engagement
- **Section 8:** Recommendations and Program Action Plan

2. DESCRIPTION OF THE RESTRUCTURED PROGRAM

2.1 Description of the Proposed Changes

17. The proposed restructuring of PAHP is intended to: (a) ensure the delivery of core housing units under the public window as a proof of concept; (b) provide more comprehensive support to the housing sector through including demand-side financing for beneficiary households; (c) accommodate BLC of units as an additional modality of affordable housing supply, with E&S aspects integrated into the design; (d) simplify the private window to focus on piloting Affordable Private Housing Schemes (APHS) to encourage private sector supply; (e) revise the target values of the results indicators and the DLIs accordingly to better match the adjusted delivery modality and implementation schedule; and (f) further strengthen the capacities of key housing and planning agencies and institutionalize a sustainable affordable housing supply modality for future expansion.

18. The PDO of the Operation remains unchanged. The closing date of the operation shall be extended from June 30, 2027, to March 31, 2029 (an extension of 21 months). The Program (PforR window) shall retain the broad themes of the three results areas: (i) housing policies, reforms, and enabling environment; (ii) quantity and quality of housing supply; and (iii) screening, support, and monitoring of beneficiaries.

19. After the restructuring, the Program shall have a total funding envelope of US\$180 million for the PforR window (down from US\$185 million, with the rest transferred to the IPF windows), with the following modification to its sub-windows:

- **Window-1a (APHS):** Originally included infrastructure support to housing development through both APHS and JV schemes. Now revised to focus only on APHS schemes to test and demonstrate this delivery modality.
- **Window-1b (Public Sector):** Revised to "provision of core housing units and alternative low-cost housing solutions on public land, including apartment buildings with family flats (FF) and serviced plots for BLC."
- **Window-1c (Demand-Side Financing):** A new sub-window added for the "provision of smart subsidies to mobilize demand-side financing to target beneficiaries for purchasing constructed units, self-managing the construction of affordable housing units, or completing eligible home improvement activities for improving the liveability of their current housing", in order to encourage the offtake of units and extend the reach to low-income beneficiaries.

20. The IPF window shall also retain the original two windows, with a total funding envelope of US\$20 million:

- **Window-2:** Assistance for developing housing sector policy, strategy, and programs and strengthening its institutions and systems (budget increased from US\$8 million to US\$10 million).
- **Window-3:** Program management funds to the Urban Unit and PHATA (budget increased from US\$7 million to US\$10 million).

21. The DLI matrix of the Program has been revised in accordance with the newly revised sub-windows. A new DLI will be added to measure the delivery of demand-side subsidies to eligible beneficiaries. Other DLIs related to housing supply (Private and Public sectors) and the Green Building bonus are revised to incorporate BLC and serviced plots.

2.3 Disbursement Linked Indicators and Verification Protocols

22. The E&S risks and impacts associated with the original activities (APHS, Public Sector housing) were comprehensively assessed in the ESSA-PP. These risk and impact assessments, mitigation measures, and recommendations will remain valid and integral to Program implementation.

23. The ESSA-AD will use the revised DLI structure rather than the ESSA-PP original nine-DLI table. The Concept Note describes ten revised DLIs, with particular E&S relevance to DLIs 3, 7, 8, 9 and 10 as presented in **Table 1**.

Table 1: Revised DLIs and E&S Relevance to Addendum

DLI	Revised DLI	E&S relevance to ESSA-AD
7	Affordable housing solutions constructed by public sector: DLR 7.1 units; DLR 7.2 serviced plots leading to BLC	Core BLC entry point; serviced plots require land, site, infrastructure and E&S eligibility.
8	Systematic identification and management of beneficiaries: DLR 8.1 BMIS; 8.2 units; 8.3 BLC serviced plots	Core social inclusion, targeting, ownership/co-ownership, transparency and monitoring entry point.
9	Green and resilient sites and housing design: DLR 9.1 guidelines; 9.2 Green Unit Bonus	Core environmental/climate-resilience entry point for BLC and other housing.
10	Demand-side support mechanism: DLR 10.1 construction/purchase subsidy; DLR 10.2 HIG	Core beneficiary-level social and construction-risk entry point.

2.3 Institutional and Implementation Arrangements

24. The ESSA-PP assigns overall responsibility to HUDD with assistance from UU, while PHATA leads capital-investment implementation and achievement of relevant results. The restructuring retains PHATA and UU as key implementing agencies and identifies PMIU-PAHP under HUD&PHE Department as the executing arrangement. The demand-side subsidies component, which supports the BLC, HIGs and affordable housing purchases, is the principal new activity introduced under the restructuring. It will be implemented through the following arrangements:

Institution	ESSA-AD responsibility for BLC and HIGs
HUD&PHE / PMIU-PAHP	Overall Program oversight; developing SOPs and standard templates for BLC and HIGs; managing GRMs; ensuring ESSA-AD actions are integrated into revised procedures and implemented; co-signing for transferring the demand-side subsidies to beneficiaries.
PHATA	BLC/serviced-plot implementation; managing of BMIS; tracking beneficiary delivery; co-signing for transferring the demand-side subsidies to beneficiaries.
UU	Full responsibility for E&S Screening, field-based verification, E&S compliance including OHS, and quality assurance (QA/QC) using standardized checklists. HMIS/BMIS/PMIS and systems support; data, monitoring and beneficiary information systems.
Finance Department (FD)	Responsible for managing Window 1c on demand-side financing and managing the escrow account for disbursements.
Microfinance Institutions (MFIs)	Financing partners responsible for assessing applicants' financial eligibility and managing loan disbursement to beneficiaries.
IVA	Independent verification of DLR achievement evidence in accordance with approved verification protocols.

2.4 Results Monitoring and Evaluation

25. E&S monitoring will be integrated into the established PMIS/BMIS/GRM and Program reporting mechanisms of PHAP, rather than created as a parallel system. DLI 4 requires an operational PMIS; DLI 8 requires BMIS; and the revised Concept Note provides for implementation status reporting and independent verification.

2.5 Disbursement Arrangements

26. E&S and OHS-related evidence will be linked to the relevant DLR verification where the DLI/DLR itself incorporates E&S requirements, particularly DLI 3, DLI 7, DLI 8 and DLI 9. The ESSA-AD has not created additional disbursement conditions beyond those approved under the restructuring; instead, it specifies the E&S evidence required for implementation and quality assurance.

2.6 Capacity Building

27. The ESSA-PP identified limited capacity within HUDD/PHATA for implementation of the E&S compliance framework and recommended the engagement of permanent E&S specialists, designation of focal persons, capacity-building and training, field-level monitoring, and strengthening of the GRM. The BLC and HIGs delivery modality further increases the need for field-level technical and E&S capacity, as construction activities are dispersed across individual households. Accordingly, the PMIU will use its already established dedicated E&S team to support PHATA in managing and monitoring E&S requirements. The PMIU E&S team will also provide oversight of the UU for implementation of the BLC and HIGs component. The UU has proposed the staffing and institutional requirements for field-level E&S screening, field verification, monitoring, and reporting for the implementation of the BLC and HIGs component.

3. ENVIRONMENTAL AND SOCIAL EFFECTS OF THE NEW COMPONENTS

3.1 Boundaries Setting and Risk Management in the Program Design

28. The ESSA-PP established that the Program would exclude activities with significant adverse E&S impacts and identified land acquisition, resettlement, parcels with disputable ownership, environmentally sensitive locations, non-compliant zoning and other significant impacts as exclusions. These boundaries remain the starting point for the restructured Program.

29. For BLC and HIGs component, the boundary will additionally ensure that Program support does not finance construction on land with unresolved ownership/encumbrance issues, sites where the Program would cause displacement, environmentally sensitive or high-hazard locations that cannot be safely managed, or construction practices involving prohibited hazardous child labor.

3.2 Description of activities under Different Windows

Window-1: Fund for investments

30. The ESSA-PP Window-1A and Window-1B analysis remains applicable to APHS and public housing. The newly added BLC and HIG activities under Window 1C will be implemented through the PforR modality, while E&S requirements for Windows 2 and 3 will be addressed separately under the IPF modality. The activities involving land acquisition or resettlement, environmentally sensitive areas, locations highly exposed to natural or climate-related hazards, non-compliance with zoning or planning requirements, or other potentially significant adverse E&S impacts will be excluded from BLC financing.

31. In line with the core principles and initial screening, the relevant E&S risks within the new BLC, HIGs, and the overall demand-side financing component are elaborated in the Section 3.2 below.

Window-2: Housing Policy, Institutions and Systems

32. The ESSA-PP institutional strengthening and systems recommendations remain relevant. The revised Concept Note specifically includes technical assistance for beneficiary targeting, complementary housing interventions, demand-side assistance, implementation frameworks, operational guidelines, monitoring systems, digital platforms and BLC quality assurance.

Window-3: Program Management and Capacity Building

33. The Addendum retains the ESSA-PP requirement for E&S oversight and capacity building. BLC-specific training will cover screening, minimum standards, worker/household safety, child labor, waste, climate resilience, gender/inclusion and GRM.

3.3 Environmental Effects

34. The BLC component, which involves the construction or improvement of individual houses on serviced plots, is expected to generate positive environmental benefits by improving living conditions for low-income and vulnerable communities.

35. The introduction of the demand-side subsidies to support home purchase, BLC and HIGs, will also have potentially have some temporary adverse environmental effects. The effects of the original Windows (1a, 1b) remain as assessed in the ESSA-PP (Moderate risks).

36. BLC and HIGs, by promoting owner-driven construction and home improvements, will significantly improve living conditions for low-income and vulnerable households in overcrowded and substandard housing. The provision of serviced plots with basic infrastructure (water, sanitation, electricity) will enhance local environmental health and contribute to more sustainable urban development compared to unplanned informal settlements. The Program also promotes climate-resilient designs and resource-efficient construction through an advisory Green and Resilient Affordable Housing Checklist with corresponding bonus for additional demand-side subsidy as part of the DLI matrix, encouraging adaptation to climate change.

3.3.1 Risks

37. The E&S risks associated with individual BLC and HIGs activities are generally localized and temporary and are considered manageable through the Program's E&S measures. However, the scale, geographic dispersion, decentralized nature, and cumulative implementation requirements of the BLC/HIGs component increase the overall complexity of E&S risk management.:

- **Stress on Local Water Resources:** Increased water demand for construction may place additional pressure on available surface and groundwater resources, particularly where existing resources are limited or during dry seasons.
- **Physical Cultural Resources (PCRs):** There is a possibility of encountering previously unidentified PCRs during excavation. Such resources may be inadvertently disturbed or damaged if appropriate chance-find procedures are not followed.
- **Solid and Construction Waste:** Construction activities generate excavated material, construction debris, and packaging waste. Improper handling and disposal may result in localized environmental impacts, including risks related to soil contamination.
- **Noise:** Temporary noise may be generated by construction activities and by vehicles transporting materials, potentially causing short-term disturbance to nearby residents.
- **Occupational Health and Safety (OHS):** Workers hired by the plot/house owner are likely to be informal and may have limited awareness of OHS requirements. Potential risks arise from excavations, working at heights, manual handling of materials, electrical hazards from local grids, and the use of construction tools and equipment without proper safety measures.
- **Community Health and Safety:** Movement of material transport vehicles and the presence of open excavations, material storage along roads, exposure of community specially children to construction sites, falling objects, blockage to pedestrian and emergency access to neighbouring properties pose safety risks to nearby residents and road users, especially in dense areas.
- **Use of Pesticides, Herbicides, and Termiticides (PHTs):** The use of Pesticides, Herbicides, and Termiticides (PHTs) during and after house construction presents a moderate risk to human health and the environment. Potential adverse impacts include acute poisoning and chronic health conditions among workers and residents, contamination of soil and groundwater, and harm to non-target species, including beneficial insects and wildlife. To manage this risk, the Program requires a hierarchy of controls that prioritizes prevention and non-chemical methods, such as physical barriers (sand, mesh, plastic sheeting), bait stations, and termite-resistant materials) over chemical treatment, which is permitted only as a last resort where non-chemical measures are insufficient, in accordance with Good International Industry Practice

(GIIP). A residual risk persists due to the potential for improper application, mishandling, or unauthorized use of chemicals, which will be addressed through targeted training, awareness campaigns, and compliance monitoring under the Program's Environmental and Social Compliance Framework (ESCF).

- **Increased Load on Existing Utilities:** Clustering of BLC-supported houses may increase demand on existing water supply, sewerage, and drainage infrastructure where systems have limited capacity, potentially affecting service levels.

3.3.2 Mitigation

38. To ensure that risks remain within acceptable limits, the Program has adopted E&S eligibility criteria for BLC and HIGs beneficiaries, designed to avoid or minimize risks at the outset. Key elements include; location within an approved scheme, legal and verified land ownership, non-location in flood-prone or environmentally sensitive areas, availability of road access, a safe water supply source, and a feasible wastewater management solution (e.g., connection to a network or a properly designed septic tank). Land with anti-encroachment drives conducted post-Program effectiveness is excluded.

39. To further manage risks, the Program will implement E&S Screening and Monitoring Checklists inclusive of OHS requirements. These checklists will be applied at the time of beneficiary eligibility verification and monitored at subsequent disbursement stages.

40. A Green and Resilient Affordable Housing Checklist has also been developed to guide and incentivize beneficiaries to incorporate practical measures, such as energy-efficient appliances, rainwater harvesting, and natural ventilation. These are advisory and promoted through awareness campaigns to encourage voluntary adoption.

41. PMIU has to develop Guidelines on Minimum Standards for Housing Construction inclusive of OHS SOPs as integral part to provide guidance on OHS risks and managing health and safety risks and ensuring construction quality during house construction. These will be disseminated to all BLC beneficiaries.

42. PMIU has developed comprehensive Environment, Health, and Safety (EHS) Guidelines and SOPs for the use PHTs. These guidelines and SOPs will be applicable to BLC component, and these will be disseminated to all BLC beneficiaries.

43. While the EHS Guidelines and SOPs for the use of PHTs (Pesticides, Herbicides, and Termiticides) represent an important mitigation measure, several additional considerations are required to ensure alignment with Core Principle 1 (environmental management of hazardous materials) and Core Principle 2 (protection of natural habitats, soil, and water resources):

(a) Soil and Water Contamination Pathways: Termiticide application during soil treatment prior to foundation laying carries a risk of chemical leaching into shallow groundwater, adjacent soil profiles, and surface drainage channels, particularly on peri-urban and smaller urban plots located near irrigation channels, agricultural land, or natural drainage paths prevalent across Punjab. These pathways can affect soil biota, surrounding vegetation, and downstream aquatic ecosystems, and must be explicitly acknowledged and addressed in the EHS Guidelines. Where BLC plots are located in proximity to such sensitive receptors, additional precautionary measures, including exclusion zones from water bodies and drainage channels, should be specified.

(b) Landscaping Activities: Where beneficiaries undertake landscaping or vegetation management as part of plot development, the use of herbicides or pesticides for plant control introduces additional risks to local flora, soil organisms, and fauna. The EHS Guidelines should explicitly address landscaping-related chemical use, including the requirement to avoid herbicide application near drainage paths or permeable soil surfaces.

44. These risks will be managed through a series of measures, including:

- **E&S Eligibility Criteria:** Ensures plots are in approved schemes, have clear title, and are not in environmentally sensitive or high-risk areas.
- **E&S and OHS Screening Checklist:** Applied at the first tranche of disbursement to assess plot suitability.
- **E&S Monitoring Checklists:** Applied at the second and third tranches to ensure compliance with construction guidelines and OHS SOPs.
- **Construction Guidelines, PHTs Guidelines and SOPs, and OHS SOPs:** Disseminated to beneficiaries to provide guidance on safe construction practices, management of PHTs use, waste management, and community safety.
- **Green Building Checklist:** Promotes voluntary adoption of climate-resilient and resource-efficient measures.
- **Chance-Find Procedures:** Established to guide the handling of any archaeological discoveries. Chance-Find Procedures will be established to guide the handling of any archaeological or physical cultural resource discoveries during BLC construction. Given that foundation excavation (a standard activity in all BLC construction) is one of the most common triggers for chance finds in Punjab's archaeologically rich landscape, it is essential that the chance find procedure is explicitly embedded as a named, step-by-step procedure in the construction manual and field checklist provided to UU field staff and beneficiaries. The procedure shall, at minimum, specify: (i) immediate stoppage of excavation work upon discovery of any potentially significant find; (ii) notification of the PMIU E&S team and, where applicable, the relevant district authority within 24 hours; (iii) prohibition on removal, disturbance, or sale of any discovered item pending assessment; and (iv) conditions for resumption of construction. This procedure should be communicated to beneficiaries in pictorial format as part of the BLC onboarding materials/construction manual.

3.4 Social Effects

45. The BLC and demand-side financing components are expected to have significant beneficial social impacts. Through direct financial support (demand-side subsidies) to low-income households, the Program will facilitate access to affordable housing and improve living conditions. It promotes gender equity through a minimum 20 percent target for women-headed households, helps women overcome barriers to land ownership, and introduces special measures for vulnerable groups. The use of a Proxy Means Test (PMT)-based selection process, ensures that benefits reach the poorest and most vulnerable.

3.4.1 Risks: The principal social risk is the potential for exclusion of eligible and deserving households or inclusion of ineligible households due to political, administrative, or other undue influence. This risk was already identified in the original ESSA but is particularly relevant with a large pool of beneficiaries.

47. Other social risks include:

- **Non-compliance with Labor Standards:** The use of informal workers in BLC can lead to below-minimum wages, unsafe working conditions, and child labor.
- **Impacts on Existing Settlements:** The clustering of BLC houses in an area may put pressure on existing public services and infrastructure.
- **SEA/SH/VAC:** This risk is assessed as low due to the use of local, informal labor.

3.4.2 Mitigation

48. These risks will be managed through:

- **Transparent Beneficiary Selection:** Using PMT-based targeting for determining eligibility and using the digital-based BMIS to screen all applications will help mitigating this risk.
- **Stakeholder Engagement and GRM:** Ensuring a robust GRM with confidential channels for sensitive cases is available to all beneficiaries.
- **Awareness Campaigns:** Educating beneficiaries and workers on fair labor practices, OHS, use of PHTs and the prevention of child labor and GBV/SEA/VAC.

49. To mitigate the risk on social inclusion, the Program employs a robust, objective, and transparent selection process:

- Beneficiaries are selected mainly from the existing ACAG waiting list, combined with new applications through BMIS, both groups of applications will be screened using the same set of eligibility criteria that will be made public.
- The PMT targeting strategy and subsidy design will be progressive to ensure prioritization to the poorest and most vulnerable households.
- The Program's beneficiary selection criteria are based on internationally recognized principles to minimize inclusion and exclusion errors.
- Inclusionary Measures: Enforcing the 20% target for women-headed households and making special provisions for vulnerable groups.

50. Risks related to non-compliance with labor standards, OHS SOPs, PHTs SOPs and child labor are relevant to BLC, as beneficiaries typically engage informal or small-scale construction workers. To address this, the Program will run awareness campaigns for BLC beneficiaries on good practices, including OHS, use of PHTs, fair and timely payment of wages, prevention of child and forced labor, and measures to protect community health and safety.

51. Land acquisition is not supported under the new components, as BLC is implemented on in-situ plots with clear land title and within approved housing schemes, thereby avoiding displacement and associated risks.

52. Given the small-scale, individual nature of BLC, a large labor influx and associated risks of SEA/SH/VAC are not expected. However, based on experience on other BLC projects,

complaints are expected from the applicants who do not qualify against the criteria. The Program will maintain a robust GRM to handle any complaints that may arise.

53. PMIU will coordinate with Local Governments and WASAs to ensure service provision through service agreements.

3.4 Overall E&S Risk Assessment

54. The environmental and social risks associated with the BLC component are considered manageable and are not expected to result in significant, irreversible, or large-scale adverse impacts. At the level of an individual beneficiary-supported house, the anticipated environmental and social impacts are generally localized, temporary, and readily mitigable through the eligibility criteria, E&S screening and monitoring checklists, Construction and OHS SOPs, PHTs SOPs, beneficiary awareness measures, and grievance redress mechanisms established under the Program.

55. The BLC and HIGs component also incorporates measures to avoid higher-risk locations and activities at the outset, including restrictions on plots in environmentally sensitive or flood-prone areas, requirements for secure land tenure and basic infrastructure, and the application of appropriate wastewater management solutions. Accordingly, the upward revision of the overall E&S risk rating to Substantial does not reflect a fundamental change in the nature or severity of the impacts expected from individual BLC/HIGs activities. Rather, it reflects the increased complexity and implementation challenges associated with managing a large number of small-scale, dispersed activities through decentralized and predominantly owner-driven construction arrangements.

56. The revised rating also reflects three important implementation considerations. First, the E&S capacity of the implementing agencies, particularly for supervising decentralized levels, remains limited relative to the scale and breadth of the proposed activities. Effective management of BLC/HIGs risks will require consistent supervision of screening, documentation, monitoring, follow-up, and corrective action across a large number of beneficiaries and locations. Second, the wide geographical coverage of BLC/HIGs significantly increases the operational burden of E&S management. Although individual houses are small in scale, the cumulative number and geographic dispersion of activities will require large number of screenings and monitoring at different stages of implementation. Experience from similar operations indicates that small and localized activities can nevertheless present considerable implementation challenges where they are numerous, dispersed, and undertaken by individual households or small-scale contractors, particularly in ensuring consistent application of E&S and OHS requirements and timely identification and resolution of non-compliance. Third, the addition of BLC/HIGs substantially increases the importance and expected workload of the Program's grievance mechanism. The greater number of beneficiaries and direct interaction between Program-supported activities and communities is likely to generate a higher volume and wider range of complaints, including complaints related to beneficiary selection, construction impacts, labor practices, community safety, and service access.

57. Experience from other similar projects demonstrates that an increase in grievances does not necessarily indicate inadequate E&S performance, as complaints may arise even where program requirements are carefully designed and fully implemented. Nevertheless, the Program will need to maintain a sufficiently robust, accessible, responsive, and adequately resourced GRM, including confidential channels for sensitive complaints.

4. POLICY AND LEGAL FRAMEWORK FOR MANAGING E&S IMPACTS

4.1 Introduction

58. The ESSA-PP legal and regulatory framework remains applicable unless the restructuring introduces a new activity requiring a different legal instrument. The ESSA-PP specifically identifies the Punjab Environmental Protection Act 2012 amended in 2025, Punjab Water Act 2019, planning/building requirements, labor legislation, and relevant PHATA rules among the applicable framework.

4.2 BLC Specific Framework

59. BLC-specific application of the existing framework

- Applicable planning/building approval requirements remain relevant to serviced plots and BLC construction.
- Environmental requirements identified by the ESSA-PP continue to apply to activities falling within their legal thresholds; the Addendum does not waive other statutory requirements.
- Worker rights and occupational safety requirements remain applicable to where workers/masons are engaged.
- Water, sanitation, drainage and waste requirements should be reflected in BLC technical guidance and site screening.
- Existing environmental and social eligibility/exclusion criteria remain applicable to BLC.
- The ESSA-PP also recommended construction SOPs, OHS SOPs, PHTs SOPs, E&S screening, PCR/chance-find procedures, and protection of vulnerable groups as components of the Program's E&S management framework.

60. Individual house construction under the BLC component generally does not trigger the environmental assessment requirements (IEE/EIA) applicable to larger development projects under the Punjab Environmental Protection Act 2012 amended in 2025. However, relevant land-use, building control, worker safety, child labor, and cultural heritage requirements remain applicable. The following laws, rules, and regulations are particularly relevant, which were included in the ESSA-PP, and these are explained below in context of BLC component.

61. The ESSA-PP comprehensively assessed the federal, provincial, and local E&S management systems and found them to be generally appropriate and comprehensive. This Addendum focuses on the applicability of the legal framework to individual house construction under the BLC component.

62. Most BLC activities (individual house construction on existing plots) do not trigger the environmental assessment requirements (IEE/EIA) for larger development projects under the Punjab Environmental Protection Act (PEPA) 2012 amended in 2025. However, they remain subject to other relevant laws, including:

- **Punjab Local Government Act 2025 (PLGA 2025):** This is the principal legislation governing approval and development control for housing schemes. It mandates LGs to regulate land use, approve housing schemes, and provide water supply and sewage services. BLC eligibility criteria require plots to be in approved schemes and comply with building bylaws.
- **Building Bylaws of Local Governments (LGs) and Development Authorities (DAs):** These bylaws provide detailed specifications for building construction,

including land use classification (residential, commercial, etc.), and requirements for open spaces, building height, and parking, ensuring houses are built to minimum standards.

- **Punjab Land Use (Classification, Reclassification and Redevelopment) Rules 2009 (PLUR 2009):** These rules classify land into different use classes (residential, commercial, agricultural, etc.), and the BLC eligibility criteria ensure that plots are designated for residential use.
- **Punjab Housing and Town Planning Agency Land Use Rules 2017 (PHATA-LUR 2017):** These rules define land use classes, including special development zones and notified areas, to regulate development and protect sensitive areas.
- **Punjab Private Housing Schemes and Land Sub-division Rules 2022 (PPHS&LSR 2022):** These rules establish evaluation criteria, including that the housing scheme site should not be prone to flooding. This is a key element of the Program's E&S eligibility criteria for BLC component.
- **Punjab Housing and Town Planning Agency, Building and Zoning Regulations 2020 (PHATA-BZR 2020):** These regulations provide specifications for construction in various residential zones.
- **The Punjab Occupational Safety and Health Act, 2019:** This Act provides the legal framework for protecting workers from occupational health and safety risks. It places responsibility on persons controlling workplaces to provide safe conditions, PPE, and necessary information and supervision. Its requirements are particularly relevant to BLC construction activities.
- **Punjab Restriction of Employment of Children Act 2016:** The Punjab Restriction on Employment of Children Act 2016 completely bans the employment of children under 15 years of age in any commercial establishment or factory. It also introduces a protective category for adolescents aged 15 to 18, strictly prohibiting them from engaging in hazardous occupations that could harm their health or safety. Furthermore, the Act heavily increases penalties and prison terms for violators while empowering local inspectors to enforce strict compliance across the province.
- **Pakistan Antiquities Act 1975 and Punjab Antiquities Amendment Act 2012:** These acts require that all accidental discoveries of antiquities (objects over 75 years old) are reported to the relevant authorities, safeguarding Pakistan's cultural heritage during construction activities.

63. The Program's E&S management relies on the existing legal framework, and the Program-specific E&S instruments are described in this Addendum.

5. CAPACITY ASSESSMENT FOR MANAGING ENVIRONMENTAL AND SOCIAL EFFECTS

5.1 Introduction

64. The ESSA-PP included a capacity assessment of key institutions (HUDD, PHATA, WASAs, LG&CDD, EPA, Labor Dept.). It identified weak capacity for monitoring, particularly in the EPA and Labor Department. This section updates the assessment with a focus on the capacity of institutions directly involved in the new BLC and demand-side components.

65. House construction does not fall within the purview of the Punjab Environmental Protection Act (PEPA), 2012, as amended in 2025. Accordingly, direct involvement of the Punjab Environmental Protection Agency (EPA) is not envisaged for the BLC component. However, the institutional and capacity-strengthening recommendations included in the ESSA-PP will continue to apply at the overall Program level.

66. The Labour Department does not generally undertake labour inspections for individual house construction activities. Given the largely informal arrangements for engaging labour for household-level construction, routine labour inspections by the Department are not envisaged under the BLC component. Nevertheless, the relevant institutional and capacity-strengthening recommendations included in the ESSA-PP will continue to apply at the overall Program level.

67. The capacity assessment is based on consultations with relevant stakeholder institutions conducted through in-person interviews and discussions, as part of the ESSA-AD preparation process.

5.2 Housing and Urban Development Department (HUD) and Punjab Housing and Town Planning Agency (PHATA)

68. The ESSA-PP identified HUDD's role in overall Program oversight. The restructuring requires HUDD/PMIU to ensure that the revised BLC and demand-side modalities remain within the approved E&S system and that E&S actions are integrated into Program governance.

69. PHATA becomes especially important under the revised design because it is responsible for DLI/DLR results involving public housing, serviced plots, beneficiaries and green/resilient housing. The ESSA-PP recommendation for permanent E&S specialists and field monitoring therefore remains directly applicable to PHATA, under HUD, has developed substantial institutional capacity through its role as the lead agency for GoPunjab's ACAG and AZAG programs. PHATA has allocated significant human resources to these initiatives. While its capacity for E&S management in the context of BLC is strengthened by the PMIU E&S team, it is directly supported by the UU E&S team, which performs key screening, verification, QA/QC and E&S compliance functions. Overall, PHATA with the support of PIU and UU E&S teams is assessed to have adequate capacity for supervision and oversight of the BLC component.

5.3 Program Management Implementation Unit

70. The PMIU has an established E&S team (Environment, Social Development, Gender Specialists) that has performed satisfactorily on the Parent Program. The core E&S team comprises the following specialists:

- Senior Specialist – Environment
- Senior Research Analyst – Environment

- Senior Specialist – Social Development
- Senior Research Analyst – Gender & Social Inclusion – Vacant
- Senior Research Analyst – Social Development
- Grievance Officer -Vacant

71. The E&S core team has been supporting PHATA and the Program in the preparation and implementation of the Environmental and Social Compliance Framework (ESCF); conducting E&S screening of APHS scheme sites; undertaking IESE/ESIA studies for selected sites; stakeholder engagement events, conducting research on technical issues like wastewater management and treatment, carrying out compensation assessments of Sialkot site including preparing Resettlement Action Plan (RAP), supporting settlement arrangements for affected persons, and supervising and monitoring the performance of E&S consultants.

72. For the BLC component, the PMIU E&S team will have an overall supervisory and oversight role for E&S management. The team will periodically supervise the activities of the Urban Unit (UU) through desk reviews of the HMIS and BMIS, supplemented by field monitoring and verification. Based on the existing composition and experience of the team, the PMIU is assessed to have adequate capacity to effectively supervise implementation of the BLC component.

73. It is, however, recommended that all vacant positions should be filled in. These positions will play an important role in supporting the development and implementation of systems for the appropriate selection of BLC beneficiaries; implementation of Program incentives and support measures for women and vulnerable groups; and supervision and monitoring of social inclusion measures throughout implementation of the BLC component.

74. In addition to the PMIU E&S core team, the PMIU has proposed budgetary allocations in the PC-1 under “Survey Data Collection and Data Analysis” for the following positions and functions that are particularly relevant to the decentralized implementation of the BLC component:

- Field Manager – Environment
- Survey Management Staff
- Regional Supervisors (one in each district and two in Lahore)
- Enumerators
- Monitors/Supervisors (one in each district for M&E)
- Monitoring & Assessment Surveyors

75. The ESSA Addendum endorses these proposed budgetary allocations, as they will strengthen the PMIU’s capacity for effective field-level verification, monitoring, data collection, and supervision of the geographically dispersed activities under the BLC component.

5.4 Urban Unit (UU)

76. UU is an established implementation partner with a strong track record of providing technical and advisory services. It serves as the implementation partner for ACAG, where it has successfully managed the end-to-end process for approving approximately 165,000 loans. For BLC, UU will be responsible for E&S screening, field verification, grievance redress and E&S compliance. It has ~200 field staff, an established E&S team, and a comprehensive digital BMIS. The following is the organogram of UU E&S team shown as **Figure 1**:

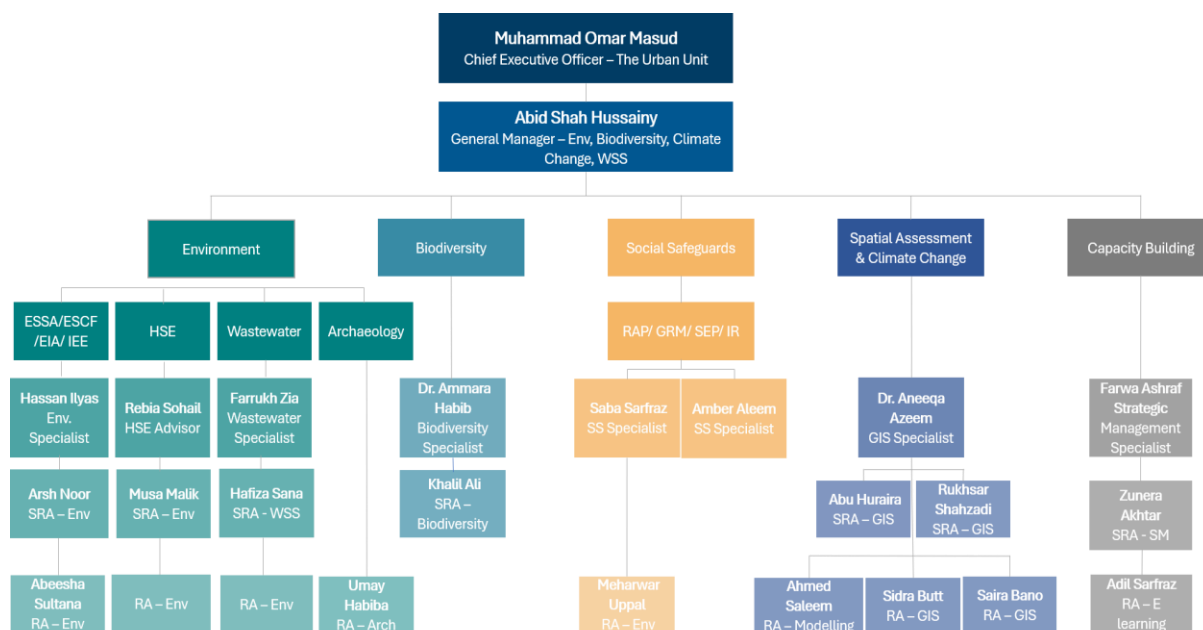


Figure 1: Organogram of UU E&S Team

77. UU has deployed a comprehensive approach and robust digital systems (BMIS) for beneficiary identification, screening, and selection. It has an established E&S team and approximately 200 field staff dedicated to the Program, with the capacity to process about 1,000 applications per day.

78. UU has made a proposal to PAHP for executing its mandated tasks. UU has proposed to appoint the following E&S team to execute the E&S activities for BLC component:

- Deputy General Manager E&S-one
- Environmental and Social Safeguards Specialist-two
- Social Safeguards Specialist-two
- E&S Safeguards Officer-8

79. ESSA-AD endorsed the proposal of the UU for the appointment of E&S team.

80. UU and PMIU have jointly refined the E&S Screening Checklist to align with the PforR Core Principles and the ESSA-AD recommendations. UU's capacity to undertake its assigned functions under the BLC component is assessed as satisfactory once the above additional hiring is completed.

5.5. Commercial Banks and Microfinance Banks and Microfinance Institutions

81. PAHP offer demand subsidies which can be used as “downpayment” support to eligible households when seeking a housing loan (mortgage or construction loan) underwritten by commercial banks, micro-finance banks and micro-finance institutions. The participating lenders will make their own credit decisions including the loan amount, interest rate, and tenor. Primary responsibility for E&S compliance of BLC beneficiaries will remain with PMIU and UU.

82. BOP, with approximately 550 branches across Punjab, is a key financing partner for ACAG. It has an established, end-to-end digital system for processing applications and assessing the financial eligibility of borrowers. E&S considerations, such as checking for flood-prone locations and land titles, are already part of its assessment process.

83. BOP will incorporate the additional requirements of the WB-supported BLC component, particularly those related to strengthening inclusion. Primary responsibility for E&S compliance will remain with UU and PMIU; BOP's role is primarily financial. Its institutional capacity is assessed as satisfactory.

84. Participating MFIs (e.g., KASHF, ABHI Bank) are also financing partners under ACAG and are expected to have similar operational capabilities. A detailed assessment of their capacity will be completed as part of the ongoing implementation arrangements.

85. Overall, the institutional capacity for managing the E&S effects of the BLC component is assessed as adequate to satisfactory, primarily due to the strong operational roles of the PMIU and UU. The program's success depends on fully operationalizing these roles and ensuring that the E&S instruments are effectively applied and monitored at the field level.

6. COMPARATIVE ANALYSIS OF BORROWER E&S MANAGEMENT SYSTEMS AND BANK POLICY CORE PRINCIPLES

86. The following section analyzes the restructured Program's systems against the six PforR Core Principles, with a specific focus on the BLC component. The ESSA-PP provided a comprehensive baseline analysis for the original Program. The Addendum does not repeat the full baseline analysis and only highlights the incremental considerations for BLC.

87. The Table 2 provides a comparative analysis of the Program's systems against the PforR Core Principles, specifically for the BLC component.

Table 2: Comparative analysis of the Program's systems for the BLC Component

Core Principle	BLC incremental assessment	Additional requirement
Core Principle 1 – Environmental and Social Management	Decentralized construction increases risk of inconsistent application of screening, construction safety and monitoring.	BLC E&S screening, minimum standards, compliances with construction guidelines, OHS SOPs, PHTs SOPs, stage checks, records and risk-based monitoring.
Core Principle 2 – Natural Habitats and Physical Cultural Resources	Household plots may be dispersed and may encounter sensitive areas or chance finds.	Site E&S screening, exclusion of sensitive sites and chance-find procedure.
Core Principle 3 – Public and Worker Safety	Self-build/informal construction creates direct household and worker safety risks.	OHS SOPs and PHTs SOPs awareness building, safety checklist, training, safe excavation/ electrical/fire practices and incident reporting.
Core Principle 4 – Land Acquisition	BLC involves beneficiary-owned/private land with clear title. Program support will support displacement..	Land/plot verification and exclusion of unresolved cases.
Core Principle 5 – Indigenous Peoples and Vulnerable Groups	Direct household support increases importance of transparent and equitable access.	PMT targeting, 20% women target, accessible outreach, ownership/co-ownership and support to vulnerable groups.
Core Principle 6 – Social Conflict	Selection, plot allocation, subsidy and construction-quality decisions may generate complaints.	Transparent beneficiary selection criteria, information, appeals/GRM and timely resolution.

88. The ESSA-PP already identifies exclusion of poor/vulnerable groups, elite capture, unsafe construction employment, GBV/SEA/SH and violence against children as social risks and recommends GRM, consultation and protection of vulnerable groups.

6.1 Core Principle 1: Environmental and Social Management

Environmental and social management procedures and processes are designed to promote sustainability, avoid or mitigate adverse impacts, and promote informed decision-making.

Table 3: Core Principle 1 - Environmental and Social Management

Key Planning Elements	System Assessment	Capacity Assessment	Recommendations
(a) Program procedures operate within an adequate legal and regulatory framework to guide E&S impact assessment at the program level	The legislative framework for BLC comprises the PLGA 2025, building bylaws, PLUR 2009, PHATA-LUR 2017, PPHS&LSR 2022, and PHATA-BZR 2020. The Punjab Restriction of Employment of Children Act 2016 prohibit child labor. The Punjab Occupational Safety and Health Act 2019 demands safe construction practices. The Antiquities Acts require chance-find procedures.	Most housing schemes comply with the legal framework at the approval stage. However, enforcement of building bylaws and OHS on individual house construction sites is weak. The Labor Department has limited capacity to enforce the OHS Act for small-scale construction. The capacity to implement the Antiquities Acts is limited. However, their monitoring roles will be limited in case of BLC.	PMIU should incorporate BLC E&S instruments into the PAHP ESCF. PMIU, UU, BOP, and MFIs should implement the eligibility criteria for beneficiary selection. PHATA and PMIU should coordinate with relevant Local Governments, the Labor Department, and the Directorate General of Archaeology and organize periodic capacity-building workshops.
(b) Consideration of strategic, technical, and site alternatives (including the "no action" alternative)	The E&S eligibility criteria for beneficiary selection and the E&S screening process ensure that houses will only be selected if they are located within residential zones of approved housing schemes; have clear land ownership titles; and are not located within flood zones, natural drainage paths, critical habitats, or environmentally sensitive areas.	PHATA, PMIU, and UU have adequate capacity to implement the E&S eligibility criteria and screening instruments.	PHATA, PMIU, and UU will implement the E&S eligibility criteria, E&S screening, OHS SOPs, PHTs Sops, and other instruments during beneficiary selection and at subsequent disbursement stages.
(c) Explicit assessment of potential induced,	The E&S eligibility criteria, Green Building Checklist, efficient resource use, and	As above.	As above.

Key Planning Elements	System Assessment	Capacity Assessment	Recommendations
cumulative, and transboundary impacts	climate-resilient designs will help avoid or minimize cumulative impacts in densely populated areas.		
(d) Identification of measures to mitigate adverse environmental or social impacts that cannot be otherwise avoided or minimized	The program will use the screening and monitoring checklists to assess impacts and monitor these.	As above.	As above.
(e) Clear articulation of institutional responsibilities and resources to support implementation of plans	The Program has an institutional arrangement with clear mandates: PHATA/PMIU for supervision; FD for disbursement; BOP/MFIs for financial eligibility; and UU for supervision and E&S activities.	Finance Department, PHATA, PMIU, BOP, MFIs, and UU demonstrate adequate capacity to execute their designated responsibilities.	Partner institutions should execute mandated activities through a cooperative and coordinated system.
(f) Responsiveness and accountability through stakeholder consultation, timely dissemination of program information, and through responsive grievance redress measures	The Program and its E&S system were developed through consultations. The beneficiary selection process is transparent. The Green Building Checklist, OHS SOPs, PHTs SOPs, and Construction Guidelines will be disseminated. The Program has a comprehensive GRM system.	The Program system ensures responsiveness and accountability and engages stakeholders at all stages. The Program GRM is has been operationalized and responsive and accessible.	Partner institutions will implement the Program's accountability system with meaningful stakeholder engagement throughout implementation.

6.2 Core Principle 2: Natural Habitats and Physical Cultural Resources

Procedures are designed to avoid, minimize, and mitigate adverse impacts on natural habitats and physical cultural resources.

Table 4: Core Principle 2 - Natural Habitats and Physical Cultural Resources

Key Planning Elements	System Assessment	Capacity Assessment	Recommendations
Environmental and social management procedures and processes are designed to avoid, minimize, and mitigate against adverse impacts on natural habitats and physical cultural resources.	Various Acts and Regulations protect agricultural lands, forests, environmentally sensitive areas, and areas of historical significance from residential development. The Program avoids adverse impacts through the E&S eligibility criteria and E&S Screening and Monitoring Checklists. Construction Guidelines, and PHTs SOPs. The Antiquities Acts require chance-find procedures.	As per recommendations in CP1 and CP3.	PMIU, PHATA, and UU should apply E&S eligibility criteria, E&S screening, and PHTs SOPs to avoid impacts on natural habitats and PCRs. Chance-find procedures should be included in the Construction SOPs.

6.3 Core Principle 3: Public and Worker Safety

Program procedures ensure adequate measures to protect public and worker safety against potential risks associated with construction and/or operations.

Table 5: Core Principle 3 - Public and Worker Safety

Key Planning Elements	System Assessment	Capacity Assessment	Recommendations
(a) Promotes community, individual, and worker safety through the safe design, construction, operation, and maintenance of physical infrastructure	National building codes regulate house construction to protect health, safety, and welfare. The Punjab Occupational Safety and Health Act 2019, PEC Occupational Safety and Health Code of Practice for the Construction Sector of Pakistan 2025,	Monitoring capacity for building codes, OHS Act, and Works Rules is weak at departmental but their role will be limited in BLC and most of the monitoring will be carried out by UU, PMIU and PHATA. Local Government building control	PHATA, PMIU, and UU should engage relevant Local Governments and the Labor Department in implementing the OHS and Construction SOPs.

Key Planning Elements	System Assessment	Capacity Assessment	Recommendations
	and Punjab Local Government (Works) Rules 2017 focus on the safety of construction workers.	inspectors focus on bylaw compliance..	
(b) Promotes the use of recognized good practice in the production, management, storage, and disposal of hazardous materials	The use of certain hazardous materials, such as fuels, and lubricants will be managed through the SOPs for OHS and PHTs, and Construction Guidelines adopted by the Program.	PHATA, PMIU, and UU demonstrate adequate capacity for the implementation of Construction Guidelines, SOPs for OHS, PHTs, and E&S eligibility criteria.	PHATA, PMIU, and UU should implement Construction Guidelines, and SOPs for OHS and PHTs, and E&S eligibility criteria. Use of asbestos should be not allowed for the construction of houses.

6.4 Core Principle 4: Land Acquisition

Land acquisition and loss of access to natural resources are managed in a way that avoids or minimizes displacement.

Table 6: Core Principle 4 - Land Acquisition

Key Planning Elements	System Assessment	Capacity Assessment	Recommendations
Land acquisition and loss of access to natural resources are managed in a way that avoids or minimizes displacement.	No land acquisition will be required for the implementation of the BLC component. House construction will be undertaken in situ on existing plots within clear title and/or already approved housing schemes.	Note Applicable (NA)	NA

6.5 Core Principle 5: Indigenous Peoples and Vulnerable Groups

Due consideration is given to cultural appropriateness of, and equitable access to, program benefits, giving special attention to the rights and interests of indigenous peoples and to the needs or concerns of vulnerable groups.

Table 7: Core Principle 5 - Indigenous Peoples and Vulnerable Groups

Key Planning Elements	System Assessment	Capacity Assessment	Recommendations
Undertake free, prior, and informed consultations where Indigenous Peoples may be affected. Ensure that Indigenous Peoples can participate in devising opportunities.	Indigenous Peoples are not identified in Punjab for purposes of this Program.	NA	NA
Give attention to groups vulnerable to hardship or disadvantage, including, as relevant, the poor, the disabled, women and children, the elderly, or marginalized ethnic groups.	The Program will mitigate the risk of exclusion by applying the PMT score; adopting internationally recognized selection criteria; ensuring 20% participation by women-headed households;; and introducing special arrangements to increase access for vulnerable households.	PHATA, PMIU, and UU have the capacity to implement the inclusionary measures.	PMIU, PHATA, and UU will apply PMT-based targeting and Program criteria to ensure the inclusion of poor and vulnerable groups, including at least 20% women-headed households.

6.6 Core Principle 6: Social Conflict

Avoid exacerbating social conflict, especially in fragile states, post-conflict areas, or areas subject to territorial disputes.

Table 8: Core Principle 6 - Social Conflict

Key Planning Elements	System Assessment	Capacity Assessment	Recommendations
Avoid exacerbating social conflict, especially in	The Program has a systematic approach: prioritizing poorer	The Program system demonstrates adequate	Partner institutions should implement the SEP and use the GRM effectively to manage

Key Planning Elements	System Assessment	Capacity Assessment	Recommendations
fragile, post-conflict, or territorially disputed areas. Consider conflict risks, including distributional equity and cultural sensitivities.	households based on PMT; making special provisions for women and vulnerable groups; developing criteria based on internationally recognized principles; applying E&S eligibility criteria; and implementing a robust GRM. The system emphasizes transparency and accountability through the SEP.	capacity to manage social conflict risks.	and address any social conflict arising from perceived inequities in beneficiary selection.

7. DISCLOSURE AND CONSULTATION

7.1 Disclosure

89. This draft ESSA-AD will be disclosed in-country and on the World Bank's external website following the incorporation of feedback from stakeholders, the final ESSA-AD will be disclosed.

7.2 Stakeholder Consultations

90. The Program will ensure proactive and inclusive public consultation and citizen engagement (CE) throughout implementation. The framework for CE includes transparency in beneficiary selection, application of eligibility criteria, and a robust GRM. Participatory and inclusive CE tools will include public awareness campaigns, community consultations, and focus group discussions with vulnerable groups.

91. The framework for CE includes:

- **Information Dissemination:** Use of culturally appropriate mediums (e.g., mass communication, local languages, community meetings) to raise awareness about the Program, beneficiary selection, and E&S requirements.
- **Public Participation:** Planning and design of housing schemes will involve target beneficiaries and communities.
- **Inclusive Consultations:** Focus group discussions with vulnerable groups (women, elderly, persons with disabilities, religious minorities) to ensure their needs are considered.
- **Feedback Integration:** Feedback from consultations will be incorporated into the Program design and implementation.

92. A consultation workshop on the Draft ESSA-AD was held on September 15, 2026, with key stakeholders to seek feedback from stakeholders, including representatives of government departments, private developers, civil society, and financial institutions to seek feedback. The key points discussed are summarized below and the list of participants is annexed as **Annex?**

8. GRIEVANCE REDRESS AND CITIZEN ENGAGEMENT

8.1 Introduction

93. The Program is using a robust GRM system and portal, which serves as the institutional GRM for PHATA and PMIU and will also cover activities financed under the BLC component. The GRM is a centralized, web-based platform designed to promote transparency, accountability, and standardized grievance resolution. It supports multi-channel grievance logging (web, mobile app, SMS), real-time tracking, and automated escalation workflows. The system integrates social safeguards, including confidential channels for handling sensitive cases like GBV/SEA/SH. The Grievance Redress Committees (GRCs) have been notified and trained. The composition of the GRCs will be adjusted to include UU and other stakeholders, if needed.

8.2 Key Features of the GRM

94. The key features of the GRM includes:

- **Multi-Channel Access:** Grievances can be logged through a website, SMS, or in person, ensuring accessibility for those without internet access.
- **Real-Time Tracking:** Complainants can track the status of their grievance through a unique ID.
- **Escalation:** The system has manual escalation workflows to ensure timely resolution. Grievances are escalated to higher authorities if not resolved within stipulated timeframes.
- **Confidentiality:** The system includes confidential channels for sensitive cases like GBV/SEA/SH to protect the complainant's identity.
- **Integration of Social Safeguards:** The GRM is designed to handle social and environmental complaints, including issues related to beneficiary selection, OHS, community safety, and labor practices.
- **Accessibility:** The GRM portal is accessible through PHATA's PMIS website. Stakeholders and beneficiaries may also access the PITB and Chief Minister's Office GRMs as alternative channels.

95. The GRM portal is accessible through the following links:

- <https://phatapmis.punjab.gov.pk/grievance-redress-mechanism>
- <https://phataconst.punjab.gov.pk/>

96. In addition, stakeholders and beneficiaries may access the PITB and Chief Minister's Office GRMs.

9. RECOMMENDATIONS AND PROGRAM ACTION PLAN

97. This section presents specific recommendations to strengthen E&S management for the restructured Program, particularly for the BLC component. The E&S assessments, mitigation measures, and recommendations of the ESSA-PP remain applicable. The **Table 9** includes actions are recommended to strengthen E&S management of the new components and to inform the revised PAP.

Table 9: Program Action Plan for BLC Component

No.	Action	Responsibility	Timeline / Completion Indicator
1	Integrate BLC E&S instruments, including eligibility criteria, E&S Screening and Monitoring Checklists, OHS SOPs and PHTs, the Green Building Checklist, and verification protocols, into the PAHP ESCF and relevant operational arrangements.	PMIU, PHATA, UU	Before BLC disbursement: revised ESCF and operational arrangements incorporating BLC E&S instruments approved and adopted.
2	Define and operationalize institutional roles for E&S screening, supervision, field verification, QA/QC, financing, and loan disbursement.	FD, PHATA, PMIU, UU, MFIs	Before full-scale implementation: roles reflected in agreements, Construction Guidelines, SOPs for OHS and PHTs, and implementation arrangements.
3	Strengthen OHS, PHTs, and construction safety through dissemination and implementation of Construction Guidelines, SOPs for OHS and PHTs and coordination with relevant Local Governments and the Labor Department.	PHATA, PMIU, UU	Throughout implementation: Construction Guidelines, SOPs for OHS and PHTs disseminated, stakeholders oriented, and Construction Guidelines, SOPs for OHS and PHTs compliance incorporated into monitoring.
4	Ensure transparent and inclusive beneficiary selection using PMT-based targeting and Program	PMIU, PHATA, UU, BOP, MFIs	Throughout beneficiary selection: records demonstrate application of criteria, the women-headed

No.	Action	Responsibility	Timeline / Completion Indicator
	eligibility criteria, including at least 20 percent participation by women-headed households and measures for vulnerable households.		household target, and inclusion measures for vulnerable households.
5	Maintain stakeholder engagement, disclosure, and beneficiary awareness.	PMIU, PHATA, UU	Throughout implementation: consultations, awareness campaigns, and disclosure documented and reported.
6	Extend and operationalize the PHATA/PMIU GRM for the BLC component, including accessible channels, tracking, escalation, confidentiality, and handling of sensitive grievances. Update the composition of GRCs, if needed.	PMIU, PHATA	Before and throughout implementation: functional GRM available to beneficiaries; grievances tracked, resolved, and periodically reported; access channels verified as functional.
7	Maintain E&S screening, monitoring, verification, and corrective-action records in the BMIS and undertake second-line verification and random QA/QC checks.	UU, PMIU	Throughout implementation: E&S records maintained in BMIS and periodic QA/QC and corrective-action follow-up documented.

Annex 1: Detailed BLC E&S Risk Screening and Monitoring Checklist

Annex 2: Summary of Stakeholder Consultations

Annex 3: List of Participants