



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 05/16/2023 | Report No: ESRSA02670



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Uzbekistan	EUROPE AND CENTRAL ASIA	P179108	
Project Name	Uzbekistan Digital Inclusion Project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Digital Development	Investment Project Financing	5/22/2023	8/24/2023
Borrower(s)	Implementing Agency(ies)		
Republic of Uzbekistan	Ministry of Digital Technologies		

Proposed Development Objective

To support digital inclusion by expanding access to skills and to employment opportunities in the digital economy.

Financing (in USD Million)	Amount
Total Project Cost	50.00

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]

Uzbekistan is a lower-middle-income, mineral-rich, doubly landlocked Central Asian country with significant longer-term challenges in creating high-productivity employment and reducing the urban-rural gap in living standards, which are compounded by the ongoing COVID-19 pandemic. With over 35 million inhabitants, Uzbekistan has the largest population in Central Asia. Over the past decade, Uzbekistan has maintained high and stable economic growth rates decade (at 6.1 percent on average). However, Uzbekistan’s economic achievements have largely relied on a model driven by the state’s dominance in the economy, limited economic freedoms, and a restricted private sector. As a result, for decades the country has struggled to reach its full economic potential and generate full employment. Since 2017, the Government has launched reforms to radically open and transform Uzbekistan’s economy following 26



years of a closed and state-driven model. Economic policy has been reoriented to forge a competitive, market-led, private sector economy.

A high share of youth struggle to enter the labor force or obtain further education. Unemployment rates are higher among youth and employment outcomes are worse in terms of job security, social insurance, protection, and pay. Youth who are not in employment and not in education or in training (commonly referred as “NEETs”) represent 24 percent of the group between the ages of 16 and 24 years old, and 26.4 percent among those between the ages of 16 and 29. The NEET rate among young women was as high as 38.2 percent in 2017, four times the rate among young men, compared to only 9.4 percent of men in the same age group—a gap of 29 percentage points.

Following nationwide economic and social reform agenda, initiated in 2017, to reshape Uzbekistan and open up the country to the global economy, and by recognizing the critical role of digital development in Uzbekistan’s economic growth and job creation, the Government of Uzbekistan (GoU) has put digital transformation high on its strategic agenda. During the last five years, US\$2bn were invested into ICT sector development, including FDI of US\$700 mln. The Digital Uzbekistan 2030 Strategy sets general directions for digital transformation till 2030 and focuses on five priority areas: (1) Digital infrastructure; (2) e-Government; (3) Digital economy; (4) Digital technologies national market; and (5) IT education. Uzbekistan has made progress over the past decade in improving the quality and access to Internet connectivity, yet Internet adoption remains low, particularly among women, and investments are mostly led by public funds, while private investment is lagging behind, especially in rural and remote areas. The GoU is also paying significant attention to promoting and supporting the creation of IT-enabled jobs, including by supporting startups and young IT entrepreneurs and IT professionals, but the current ecosystem of digital entrepreneurship is still at an early development stage and the shortage of IT professionals is significant.

The Uzbekistan Digital Inclusion Project will support the development of the digital economy in Uzbekistan by focusing on the fundamentals for digital inclusion, including digital jobs creation for youth and women. The Project will ensure that the foundational aspects of BPO industry support have been put in place, including the legal and regulatory framework, basic digital and language skills training of the most disadvantaged, a comprehensive market analysis, and development of a BPO strategy supported with a robust industry promotion consisting of a marketing campaign and establishment of international industry promotion representations. The project will also support investments into regional infrastructure and incentives to the BPO companies with signed multiyear contracts.

Component 1: Digital Inclusion and Enabling Environment. This component will establish a solid foundation for the development of the BPO industry in Uzbekistan, starting with capacity building activities to produce a large pool of qualified labor in the regions equipped with necessary digital and soft skills. The component will further improve the institutional, legal, and regulatory framework to enable a favorable business environment for private investment in outsourcing services markets. It will also provide broader support for the development of the legal and regulatory frameworks for the digital economy, with a special focus on ensuring modern enablers and safeguards for data management, IP protection, company registration, data protection, and cybersecurity. The component will also help with the design of innovative financial mechanisms to attract private investment for the deployment of broadband in rural areas, potentially through PPPs and leveraging a financial intermediary approach.

Component 2: Development of regional infrastructure and incentives for BPO. This component will support demand generation through financing of a program of incentives and preparing necessary office spaces for the incoming BPO companies with the objective of creating jobs in the regions. Specifically, the incentive package will include co-



financing with the BPO companies professional training, equipment, and operational costs. During the first phase, the component will finance refurbishment of up to 5 existing Uzbektelecom facilities, and based on the demand, the second phase may involve either rolling out the refurbishment of existing facilities in a larger number of locations or construction of new buildings for BPO centers.

Component 3: Location Attractiveness Promotion. This component will support enhancement of the digital brand of Uzbekistan, including cooperation with a foreign industry promotion company and creation of a network of international representation agencies with the aim to attract local and global BPO companies and private entrepreneurs into the BPO market in Uzbekistan. This component will also finance in-depth both local and global market analysis and development of the BPO strategy that will guide strategic decisions around selection of target sectors and regions as well as fine-tuning of the incentives package and development of promotion materials. Also, this component will support IT Park capacity in handling BPO transactions, management, and monitoring and evaluation of the project.

The Project contributes to achieving the core strategic priorities of the WBG’s Country Partnership Framework (CPF) FY22-FY26 for Uzbekistan. The Project supports CPF High-Level Outcome (HLO) 1 (Increase Inclusive Private Sector Employment), particularly CPF Objectives 1.2 (Enable Private Sector Growth and Investment) and 1.4 (Improve the Infrastructure for Competitiveness and Connectivity) by focusing on improving the enabling environment for expanding access to the Internet, especially in rural areas, and facilitating the development of innovative IT-enabled businesses and digital jobs. Furthermore, the project will support HLO 2 (Improve Human Capital) through improved digital skills, including for those living in rural areas, thereby creating opportunities for online educational and health services, as well as telework. Furthermore, the Project will contribute to expanding access to job opportunities for youth, women, and other vulnerable groups by up-skilling them to better align the workforce to employers’ demand for specialized digital skills and prepare it for the green and digital transition. In addition, the Project will support the cross-cutting CPF objective of closing gender gaps by prioritizing women, especially those residing in rural areas, as a target beneficiary group. Finally, the citizen engagement mechanisms integrated into the Project design will ensure the Project’s consistency with the CPF cross-cutting objective of strengthening citizen engagement and accountability for public services.

D. Environmental and Social Overview

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

Uzbekistan has witnessed continued rise in Internet penetration across the country. As of end 2021, about 80 percent of households in Uzbekistan have access to the internet and the majority of 35,000 social facilities (schools, preschools, healthcare facilities, and Makhalla citizens' gatherings) have been connected with high-speed Internet. Internet connection speeds remain relatively slow and subscribers experience poor connection quality and frequent disconnections; there have been some recent improvements. Although the price of broadband (both mobile and fixed) connectivity has continued to decrease in recent years, still further efforts is required to ensure meaningful digital connectivity (that is, connectivity which is available, accessible, relevant, affordable, safe, trusted, and user-empowering), increasing access to digital devices, enhancing local content, and developing the digital skills of the population. The government’s access control and content restrictions, are common occurrences. In sum, Uzbekistan has made considerable progress over the past decade in improving the quality of and access to the Internet, yet Internet adoption remains low, particularly among women, and those in rural and remote areas.



The proposed Project, the scope of which is expected to be country wide, will focus on the fundamentals for digital inclusion, including new digital jobs creation especially in the Business Processing Outsourcing (BPO) and Knowledge Processing Outsourcing (KPO) markets. The exact locations around which this digital market will emerge are not known at this stage.

D. 2. Borrower’s Institutional Capacity

The Ministry for Development of Information Technologies and Communications (MITC) of the Republic of Uzbekistan is responsible for the implementation of a unified state policy on information technologies and communications, implementing "e-government", developing integrated programs for the introduction and development of the national information and communication system according to international norms and requirements, including the protection and use of information etc. MITC, with support from the Government of Uzbekistan (GoU) IT Park (ITP), will be responsible for coordinating and ensuring that all relevant environmental and social requirements are properly included in the project tender documents. While MITC has little exposure to implementing ESF, component 3 will create a Project Implementation Unit (PIU) to support the Project. The PIU will provide overall project coordination and implementation support, including implementation planning, technical supervision, fiduciary management (financial management, procurement), environmental and social (E&S) implementation, and monitoring and evaluation. ITP will have E&S specialists within the responsible team who are familiar with both national requirements and the World Bank ESF. Additional capacity building, as needed, will be provided to those responsible for preparing and implementing the tender documents.

Public Disclosure

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC) Moderate

Environmental Risk Rating Moderate

Key environmental impacts emanate from Component- 2. According to Component-2, the first phase will finance the refurbishment of up to 5 existing Uzbektelecom facilities. The second phase may involve either rolling out the refurbishment of existing facilities in a larger number of locations and only a very small probability that it will support construction of new buildings for BPO centers based on the demand. This will be revisited at the time of appraisal to confirm the risk rating at that time. Environmental risks are expected to be temporary, typical and manageable, and associated with medium-scale construction works. Main impacts will be caused by the generation of dust, noise, and vibration; working of the construction vehicles and machinery; accumulation of demolition/construction waste, management of e-wastes; occupational health and safety risks associated with such construction etc. Addressing the risks, an Environmental and Social Management Framework (ESMF) with Environmental and Social Management Plan, and other ESF instruments will be prepared prior to the appraisal. The ESMF will outline the guiding principles of environmental screening, assessment, review, management, and monitoring procedures for all envisaged activities. The ESMF, once acceptable to the WB, will be shared with all stakeholders and disclosed nationally and on the WB’s external website.

Social Risk Rating Moderate



At this point, project activities are not expected to require the involuntary acquisition of land. As far as Component 2 is concerned no new buildings will be constructed, and existing buildings will require only repair and rehabilitation. Should the need for land acquisition, however, emerge during preparation, a Resettlement Policy Framework (RPF) will be developed to enable the project to appropriately identify, address and mitigate adverse socioeconomic impacts. Beyond land acquisition other social risks include the exclusion of vulnerable and marginalized groups from employment opportunities with the BPO companies and potential incidents of SEA/SH (see below) during construction activities.

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:

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The environmental and social risks are rated moderate .

Towards addressing the risks, the following instruments will be prepared prior to the appraisal and shall be living documents and can be updated during implementation as needed: (i) Environmental and Social Management Framework (ESMF); (ii) Stakeholder Engagement Plan (SEP); and (iii) Labor Management Procedures (LMP). A Data Privacy/ Protection Plan will be prepared as a part of the regulatory reforms and institutional development measures during project implementation, and will be annexed to the ESMF.

Key environmental and social risks/ impacts emanate from Component- 2. No new buildings will be constructed, and existing buildings will require only repair and rehabilitation. Environmental risks and impacts are expected to be temporary and mitigable and are typical to those associated with small/medium scale construction works. They include: generation of dust, noise and vibration; movement of the construction vehicles and machinery; piling of construction materials; accumulation of demolition/construction waste, management of e-wastes; occupational health and safety risks associated with such construction, installation activities, electric shocks during installation, risks from working at heights, using improper protective equipment; nuisance related to vibration and noise during installation activities; minor operational or accidental spills of fuel and lubricants from the construction machinery; improper reinstatement of construction sites upon completion of work; connections for facilities and businesses and supply of broadband infrastructure such as, but not limited to: and pandemic risks due presence and movement of workforce from non-local labor.

There is also potential indirect risk from e-waste associated with the likely increases in use of electronic equipment driven by increased IT/ digital connectivity. Consideration will be given during the development of digital regulations and strategies (under Component 1) to identify the actors of the sector and strengthen their capacity for sorting, collecting, and valuing e-waste.



The project is taking a framework approach because the sub-projects to be financed cover a diverse range of construction and extension activities, most of which will not be identified until after implementation begins. The ESMF will cover: (a) relevant ESF Standards and the World Bank Group’s Environmental Health and Safety Guidelines; (b) generic guidelines and procedures to avoid, mitigate, or minimize adverse environmental and social impacts of the potential activities; (c) description of the environmental and social screening process that will help to define the environmental category of site-specific activities; (d) description of implementing arrangements; (e) the criteria for determining acceptable environment and social risks for proposed sub-projects; (f) guidance for preparing site-specific Environmental and Social Impact Assessments (ESIAs), as and when required; (g) generic checklists to manage adverse impacts for the small- and medium scale construction of digital infrastructure and installation of digital equipment envisaged by the project; (h) environment and social monitoring and reporting requirements; (i) a section on proposed capacity building activities to help the implementing agencies comply with the ESF; and (j) and expected costing implications.

The ESMF will be publicly consulted on with all stakeholders and interested parties and, once acceptable to the Bank, disclosed both nationally and on the World Bank’s external website.

The project investments will focus on regulatory reforms and institutional measures in the telecommunication sector and the broader digital economy, digital skills capacity building for target groups, The project shall pay special attention to including vulnerable groups to ensure that the services developed are adapted to the needs and expectations of diverse groups, including vulnerable and disadvantaged ones. The Stakeholder Engagement Plan to be developed will include outreach and engagement mechanisms to inform and to engage vulnerable groups in project activities at the local level.

ESS10 Stakeholder Engagement and Information Disclosure

Individuals and groups likely to be affected (direct beneficiaries) have been identified in broad generic terms. They include key government departments, telecommunication service, e-service providers, educational institutions and providers of training service, project affected communities and public service users. However, detailed identification of project-affected stakeholders will be made during the preparation. Initial mapping of other interested parties such as parliamentarians, other relevant/ related government agencies/authorities, internet service providers, software developers, construction firms, private companies and CSOs will be done prior to Appraisal. Given the highly diverse stakeholder profile and that their expectations and orientation, as well as the capacity to interface with the project, are different, a Stakeholder Engagement Plan (SEP) will be developed. This will enable the project to identify elaborately different stakeholders and provide an approach towards reaching each of the subgroups. The SEP will also identify impediments, if any, to reaching out to stakeholders as well as providing guidance on building the capacity of the client in engaging with stakeholders. The project will take special measures to ensure that disadvantaged and vulnerable groups (low- income rural women, people with disabilities, households in remote areas) have equal opportunity to access information, provide feedback, or submit grievances.

The SEP shall ensure that key stakeholders in the project are informed about and included in discussions about project design and implementation. The SEP will include information about and analysis of (i) stakeholders; (ii)



planning engagement modalities, namely effective communication tools for consultations and disclosure; (iii) enabling platforms for influencing decisions; (iv) defining roles and responsibilities of different actors in implementing the SEP; and (v) a grievance mechanism (GM). The GM will be accessible and transparent, with publicly available records of complaints and their outcomes.

A draft of the SEP will be prepared by the client, disclosed publicly as early as possible and its implementation will begin during the project preparation itself. The SEP will be updated as preparation advances and throughout project implementation. The client will also develop and put in place a Grievance Mechanism (GM) to enable stakeholders to air their concerns/ comments/ suggestions, if any. A separate window will be opened under the GM to address issues related to SEA/SH.

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

The Project could encompass the following categories of workers: direct workers, contracted workers, and primary supply workers (this will be confirmed and updated during Appraisal). Direct workers are those deployed as ‘technical consultants’ by the project. The government officials shall be governed by a set of civil services codes, and the technical consultants by mutually agreed contracts. Contracted workers will be employed as deemed appropriate by contractors, sub-contractors, and other intermediaries, details of which will be known as and when activities' implementation begins. The LMP will include guidance about primary supply workers, as appropriate.

The project proposes some small to medium scale infrastructure for the construction of buildings/ networks; therefore, contractors are expected to be from the local vicinity. Further, most of the labor will be locally hired except for a few skilled workers. So, potential labor influx problems are unlikely. Uzbekistan prohibits the deployment of child labor as forced labor. Provisions will be made in the project to train and hire as many people as possible from local communities where the activities are taking place. The ESMF will include Environmental, Health and Safety (EHS) aspects, including specific instruments that will need to be prepared either by the client or the contractors prior to commencement of works (EHS checklists, codes of conduct; safety training, etc.) Civil works contracts will incorporate social and environmental mitigation measures based on the WBG EHS Guidelines and the ESMF; other referenced plans e.g., Stakeholder Engagement Plan (SEP), RPF, etc. as well as specific language referencing the prioritization of the hiring of unskilled local labor. All civil works contracts will include industry standard Codes of Conduct with measures for addressing SEA/SH. A locally based Grievance Mechanism (GM) specifically for direct and contracted workers will also be established by the project.

ESS3 Resource Efficiency and Pollution Prevention and Management



The anticipated project activities will include some minor works and supply of IT equipment, such as servers, data storage equipment, power, and air conditioning/cooling systems, but no new construction will be required. Use of GHG and Ozone friendly coolant use in air conditioning Under Component 1.

In this respect, the ESMF and sub-project construction ESMPs will address (i) establishing and adhering to general good management, (ii) emissions (including dust, noise, etc.) control, and (iii) proper waste management including hazardous, such as handling asbestos containing material as well as E-waste, domestic solid and construction waste management. Indiscriminate handling of E-wastes could result in adverse impacts due to potential toxicity of material, or pollution of air, water or land if extraction of precious metals and other valuables is undertaken in an unscientific manner. Their persistence in the environment makes it even more important to manage these in a proper way. Procedures for handling e-waste will be developed and included in the ESMF.

Measures to ensure resource efficiency (water, energy, construction material) will be also included in the ESMF and will be further detailed in the respective ESMPs prepared for specific sub-project sites.

ESS4 Community Health and Safety

Community health and safety risks and impacts may occur during retrofitting/renovation of buildings as part of sub-projects activities. Risks include construction noise and air quality, transport and traffic management and waste management including hazardous waste. Large scale labor influx and worker accommodation are not expected. The ESMF, construction ESMPs and the SEP will identify stakeholders and the likely impacts of rehabilitations on community health and safety, as well as mitigation measures, monitoring and reporting requirements. Site-specific construction ESMPs (such as transport and traffic management plan) will include measures addressing disturbance of the community members as well as the staff in the buildings in addition to training programs, relevant stakeholder engagement activities and site safety awareness and access restrictions, depending on the level of risk.

The contractors will be required to appoint a focal person who will keep local communities informed of project implementation schedule, expected impacts and other issues of interest for them, and receive grievances or feedback from them.

The contractors will be required to implement the Code of Conduct (CoC) and train its employees on the prohibition of SEA/SH. As a part of stakeholder engagement activities, communities will be made aware of the project CoC and channels where they can report SEA/SH cases.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

At this point, project activities are not expected to require land acquisition. As far as Component 2 is concerned no new buildings will be constructed, and existing buildings will require only repair and rehabilitation. Should the need for land acquisition, however, emerge during preparation, a Resettlement Policy Framework (RPF) will be prepared, consulted upon and disclosed to enable the project to appropriately identify, address and mitigate adverse socioeconomic impacts.



ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

Since most of the activities are likely to be in/close to population centers, the Project is not expected to have any significant impact on biodiversity, critical habitats, or the management of living natural resources due to the limited nature of the proposed physical interventions. Nonetheless, ESMF will deal with biodiversity and living natural resource issues, in the regions, which are close to the protected areas. The ESMF will specifically include national details on protected areas, critical habitats, the presence of endangered species, etc. The ESMF Criteria for selection of sub-projects will preclude sub-projects that are located in or transverse protected areas or critical habitats as well as providing criteria and instructions for conducting preliminary Biodiversity Assessments for sub-projects near to or within non-excluded natural habitats.

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

Based on the screening against ESS 7, this ESS is not considered relevant to the project.

ESS8 Cultural Heritage

Uzbekistan is home to a rich and unique cultural heritage that include many ancient sites. The ESIA/ESMP will include a section on protection of Cultural Heritage (CH) including check-lists for "chance find" procedures to be carried out if artefacts are discovered during construction. Construction close to any important cultural assets will take into account local regulations on the subject. At this stage, it is not expected that the project will have significant impacts on Cultural Heritage.

ESS9 Financial Intermediaries

This standard is not currently relevant as no financial intermediaries are party to the project implementation modality.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework? No

Public Disclosure



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

The borrower framework will not be used in part or as a whole for this Project. However, the proposed operation will comply with relevant national legal and regulatory requirements.

IV. CONTACT POINTS

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Borrower/Client/Recipient

Borrower: Republic of Uzbekistan

Implementing Agency(ies)

Implementing Agency: Ministry of Digital Technologies

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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