



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

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Concept Stage | Date Prepared/Updated: 05-Sep-2018 | Report No: PIDISDSC24091



**BASIC INFORMATION**

**A. Basic Project Data**

Country Uzbekistan	Project ID P166615	Parent Project ID (if any)	Project Name Digital CASA - Uzbekistan (P166615)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date Dec 03, 2018	Estimated Board Date Mar 20, 2019	Financing Instrument Investment Project Financing
Borrower(s) Ministry of Finance	Implementing Agency Ministry for Development of Information Technologies and Communications		

**Proposed Development Objective(s)**

Digital CASA – Regional Program PDO: The proposed regional program PDO is to increase access to more affordable internet, crowd-in private investment in the ICT sector, and improve participating government’s capacity to deliver digital government services in Central Asia and parts of South Asia, through the development of a regionally integrated digital infrastructure and enabling environment.

Digital CASA – Uzbekistan PDO: The proposed country-specific PDO for Uzbekistan is to increase access to more affordable internet, crowd-in private investment in the ICT sector, and improve the government’s capacity to deliver digital government services in Uzbekistan, by contributing to the development of a regionally integrated digital infrastructure and enabling environment.

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

**SUMMARY**

<b>Total Project Cost</b>	300.00
<b>Total Financing</b>	100.00
<b>of which IBRD/IDA</b>	100.00
<b>Financing Gap</b>	200.00

**DETAILS**

**World Bank Group Financing**

International Development Association (IDA)	100.00
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IDA Credit	100.00
Environmental Assessment Category B - Partial Assessment	Concept Review Decision Track II-The review did authorize the preparation to continue

## B. Introduction and Context

### Country Context

- The Republic of Uzbekistan is a resource rich, doubly landlocked,<sup>1</sup> populous country in the heart of Central Asia.** At approximately 32 million, Uzbekistan has by far the largest population of the former Soviet republics in the region.<sup>2</sup> Nearly 60 percent of the population is under the age of 30, and approximately half lives in urban areas.<sup>3</sup> Real GDP growth has averaged 7.8 percent over the past decade, and the official poverty rate has been cut in half, declining to an estimated 12.5 percent in 2016. The Gross National Income (GNI) per capita was US\$1,980 in 2017 (Atlas method).<sup>4</sup>
- Despite its achievements in reducing poverty over the past ten years, Uzbekistan faces significant longer-term challenges in providing high-productivity, well-paid employment opportunities, especially for youth, and reducing the high disparity in living standards between rural and urban areas.** The unemployment rate stood at 5.2 percent in 2016.<sup>5</sup> Low average wages have resulted in a mass labor migration to Russia and Kazakhstan, as well as internal migration from rural areas to urban centers. In addition, climate change presents a substantial and immediate risk to Uzbekistan's economic development, particularly in the agricultural sector, on which the majority of the rural population depends either directly or indirectly.<sup>6</sup> The need to find new drivers of economic growth, accelerate private sector growth and modernize sectors of the economy is critical to ensure income growth and job creation for long-term sustainability of the country's social and economic gains.

### Sectoral and Institutional Context

- Uzbekistan has made progress over the past decade in improving the quality and access to Internet connectivity.** The Ministry for Development of Information Technologies and Communications (MDITC) reported that the country's international Internet bandwidth stood at 140 Gbps by mid-2018.<sup>7</sup> Fixed broadband household penetration has expanded rapidly over the past three years, though it is mostly concentrated in the capital and other large urban centers. Mobile broadband has grown even more rapidly, fueled by investments from three regional Mobile Network Operators;<sup>8</sup> mobile penetration in Uzbekistan was 72 percent as of year-end 2017. Approximately 90 percent of the population now has 3G or higher coverage.

<sup>1</sup> Uzbekistan is one of only two countries in the world that is doubly landlocked, i.e. surrounded by countries that are themselves landlocked.

<sup>2</sup> Kazakhstan has a population of approximately 18 million, Tajikistan has 9 million, and Turkmenistan and Kyrgyzstan each has 6 million.

<sup>3</sup> <http://www.uz.undp.org/content/uzbekistan/en/home/countryinfo.html>

<sup>4</sup> <https://data.worldbank.org/indicator/NY.GNP.ATLS.CD?locations=UZ>

<sup>5</sup> <http://pubdocs.worldbank.org/en/421341493272766409/Uzbekistan-Snapshot-April-2017.pdf>

<sup>6</sup> <http://documents.worldbank.org/curated/en/485571468318338846/pdf/815890PUB0Redu00Box379836B00PUBLIC0.pdf>

<sup>7</sup> Though improved, this number is still insufficient to bring Uzbekistan above the minimum threshold of 10 kbps per person that would trigger significant digital development; the government's currently stated objective is to reach up to 1Tbps (32 kbps per person) by year-end 2018. UzTelecom's domestic capacity is 10 Gbps to regional centers and 1 Gbps to district centers.

<sup>8</sup> Although Beeline and Ucell combined hold 88 percent of the market, UzTelecom's mobile subsidiary Uzmobility's subscribership soon is expected to exceed one million, and the operator UMS, which temporarily suspended operations, has reentered the market. Strategic Evaluation of the Uzbekistan Broadband Market, Report, 2017.



4. **Still, Uzbekistan’s Internet adoption remains low due in part to market constraints affecting affordability.** Uzbekistan’s Internet sector has struggled as a result in part of its total reliance on terrestrial transit bandwidth and resulting dependence on neighbors. Despite its relatively high fixed broadband penetration, Internet penetration was reported to be 47 percent as of the end of 2017.<sup>9</sup> This ranks Uzbekistan at 58<sup>th</sup> out of 86 on the Inclusive Internet Index (III), which assesses countries based on internet availability, affordability, relevance (i.e. local content) and readiness of the public (skills, literacy, etc.) to use the internet. Affordability is Uzbekistan’s weakest indicator on the III, ranking 67<sup>th</sup> of 86 countries on the Internet price indicator.<sup>10</sup>

5. **Challenges remain in Uzbekistan’s telecommunications market that are constraining the country’s ability to unlock its full potential for growth of a digital economy.** The key limiting factor on the market is inadequate competition, which stymies investment and drives up prices. MDITC has a monopoly over the country’s international gateway, which it operates through UzTelecom. As a result, price for IP transit remains among the most expensive in the world, and the country’s bandwidth is critically low on a per capita basis. UzTelecom also maintains the most extensive long-haul network in the country, though the approximately 24,500 domestic fiber kilometers in service as of June 2018 is low for a country its size.<sup>11</sup> While no legal restrictions apply to other operators entering the market, including foreign-owned entities, there is anecdotal evidence that UzTelecom’s ISP receives preferential access and pricing for connectivity. Complex, nontransparent licensing processes for mobile network operators (MNOs) have led some foreign companies in the past to leave the market entirely, and existing tax structures discourage private MNO growth.

6. **Since the beginning of 2018, the Government of Uzbekistan has announced ambitious development goals for the telecommunications sector, including plans to liberalize markets and actively seek private investment.** The Government has set the challenging target of increasing broadband capacity by a factor of ten by the end of 2018 and deploying 277,000 km of fiber optic infrastructure across the country by 2021.<sup>12</sup> The Government recognizes that achieving its development objectives will require significant private sector investments, which in turn requires creating the necessary competitive conditions to mobilize – and maximize – the development potential of such investments. Creating these competitive conditions will require significant legal, regulatory and policy reforms, support for institutional capacity-building programs and sustained political will.

7. **The Government of Uzbekistan has also demonstrated a commitment to improving access to digital government services and adopting digital development approaches to economic growth.** The Government has announced plans to reach out to global service providers to set up data centers in Uzbekistan and is accelerating the implementation of the “E-Government Development Program 2013–2020”, designed to improve public service delivery and advance digital development in Uzbekistan. About 265 online services have been launched, a Virtual Reception of the President of Uzbekistan has been set up to collect user feedback on service quality, an Open Data Portal is operational since 2015, and “One-Stop-Shops” have been established in 194 districts of the country.

#### Relationship to CPF

8. **The Digital CASA Uzbekistan Project supports the core focus areas of the World Bank’s 2016-2020 Country Partnership Framework for Uzbekistan, as updated by the June 2018 Performance and Learning Review, in the following ways:**

**Focus Area 1. Sustainable transformation towards a market economy.** The project will provide particular support for the “New Connectivity Agenda to support greater openness and trade” by expanding the quality and quantity of internet access, thereby providing the digital infrastructure necessary for trade and ICT-enabled goods and services.

<sup>9</sup> Strategic Evaluation of the Uzbekistan Broadband Market Report, 2017

<sup>10</sup> <https://theinclusiveinternet.eiu.com/explore/countries/performance>

<sup>11</sup> MDITC data for year-end 2017.

<sup>12</sup> The Government’s estimated cost for this is US \$880 million.



Focus Area 2. Reform of select state institutions and citizen engagement. The project will support reforms of Telecom and ICT-sector related institutions to help bring in competition and private sector investments to spur digital development that has the potential to spill over into other sectors of the economy (e.g. agriculture). In addition, the project will particularly support the objective of a “new focus on citizen engagement” by helping the government enhance its digital infrastructure and connectivity to improve the efficiency and effectiveness of public service delivery and user feedback and leverage digital solutions, platforms and Open Data to increase efficiency, transparency and accountability for good governance.

Focus Area 3. Investing in people. The project will contribute to the objectives of “improving access to quality education and health services” and “effective social safety nets” through improved access to Internet, including for those living in rural areas, which creates opportunities for online educational services, and also development of digital platforms and solutions for delivering public services.

### C. Proposed Development Objective(s)

9. **The PDOs are proposed to be established at the Program and at country-specific levels.**

10. **Digital CASA – Regional Program PDO:** The proposed regional program PDO is to increase access to more affordable internet, crowd-in private investment in the ICT sector, and improve participating government’s capacity to deliver digital government services in Central Asia and parts of South Asia, through the development of a regionally integrated digital infrastructure and enabling environment.

11. **Digital CASA – Uzbekistan PDO:** The proposed country-specific PDO for Uzbekistan is to increase access to more affordable internet, crowd-in private investment in the ICT sector, and improve the government’s capacity to deliver digital government services in Uzbekistan, by contributing to the development of a regionally integrated digital infrastructure and enabling environment.

Key Results (From PCN)

12. **Key results of the Digital CASA Uzbekistan project will be measured in terms of the areas identified in the PDO both at program and country levels.** The program-level indicators, which are the same as in the Afghanistan and Kyrgyz Republic Digital CASA Projects to allow for program-level monitoring and evaluation (M&E), are:

- People provided with access to Internet (Number), Internet penetration sub-indicator (%)
- International Internet Bandwidth per Capita (kbps)
- Average retail price for 1 GB prepaid mobile data package (US\$)
- E-services and applications utilizing the shared services platforms (Number)
- Private sector investments committed through the project (US\$)

### D. Concept Description

13. **The Project will be structured along five components.** Component 1 (Regional Digital Connectivity Infrastructure) is designed to improve digital connectivity at the regional and national levels by supporting the establishment of redundant and resilient regional and national backbone networks. Component 2 (Datacenters, Regional Cloud Services, Digital Platforms and Smart Solutions) will focus on establishing solid technology foundations for the digital economy and digital government including regionally integrated shared datacenter infrastructure and digital platforms that can be reused at



regional and national levels for improved service delivery in key sectors. Component 3 (Enabling Environment for Digital Economy) aims to strengthen and harmonize—at the regional and national levels—the enabling environment for the digital economy, in particular, the laws, regulations, institutional, and human capacity. The aim of Component 4 (Digital Innovations, Entrepreneurship and Skills) is to make Uzbekistan a more attractive and competitive place to invest and innovate while ensuring that the benefits of digital technology are reaching all citizens. Component 5 (Project Management) will finance project management activities and associated institutional capacity building, including the setup and operation of a Project Implementation Unit (PIU).

## SAFEGUARDS

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

The project will be implemented country wide. It will connect the domestic fiber optic backbone of the country with other countries in the region and will also further develop the domestic fiber optic backbone. Although the exact locations are unknown at this stage, the client plans to use existing rights of way of the Government including roads and power transmission lines for fiber optic networks. Also the exact location of the premises for datacenters, for servers, and other e-infrastructure will be know only during the first stage of project implementation.

### B. Borrower’s Institutional Capacity for Safeguard Policies

The Ministry for Development of Information Technologies and Communications will be the implementing agency for the proposed Project. While specific implementation arrangements are still under discussion, given the MDITC's novelty to implementation of WB-funded projects, it may not have the necessary capacity to ensure compliance with the Bank's environmental and social safeguard policies. Therefore, a safeguards focal person will be hired who would oversee the implementation of the ESMF and its instruments as well as conduct trainings on various safeguards topics to the staff of the project, and contractors. The Bank will also discuss with the client potential citizen engagement tools to be used in this project.

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

Kristine Schwebach, Social Safeguards Specialist  
Arcadii Capcelea, Environmental Safeguards Specialist  
German Stanislavovich Kust, Environmental Safeguards Specialist

### D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	Component 1 and 2 of the project will include physical works that may lead to adverse environmental and social impacts including occupational health and safety issues. Such works include, but are not limited to (a) completion of the regional backbone consisting of the existing regional fiber optic networks, newly laid backbone, and newly established cross-border fiber optic links; and (b) construction and rehabilitation of



facilities needed for various purposes: datacenter (which includes servers, data storage equipment, power, and conditioning/cooling systems), junction centers, and hub stations. The expected temporary environmental and social impacts are limited and typical to small/medium scale construction works, such as generation of dust, noise and vibration; movement of the construction vehicles and machinery; piling of construction materials; and accumulation of demolition/construction waste. Some associated risks may also include improper disposal of construction waste; asbestos; minor operational or accidental spills of fuel and lubricants from the construction machinery; improper reinstatement of construction sites upon completion of works; and labor safety issues. These risks can be managed by following good construction practices and site-specific environmental management plans. As the project locations will be not known before project appraisal the borrower will develop an Environmental and Social Management Framework (ESMF) which will include: (a) generic guidelines and procedures to avoid, mitigate, or minimize adverse environmental and social impacts of the potential activities; (b) description of the environmental and social screening process that will help to define the environmental category of site-specific activities; and (c) the requirements for site-specific environmental assessment and management plans. The ESMF will also include consideration of potential associated facilities, particularly related to installation of dedicated power generation (including back-up power generation), electrical transmission and distribution (including substations). Any potential Category A-type activities/subprojects, including associated facilities, will be excluded. The ESMF will be disclosed and publicly consulted with all stakeholders.

Performance Standards for Private Sector Activities OP/BP 4.03	No	The project will be implemented by the GoUz.
Natural Habitats OP/BP 4.04	No	The Project will not finance any activity that might trigger the OP on Natural Habitats, - the ESMF will provide clear guidance in this regard
Forests OP/BP 4.36	No	The project will not support any activities which might have impact on forested areas.
Pest Management OP 4.09	No	OP 4.09 on Pest Management is not triggered because Project activities will not involve purchase, use or



		storage of pesticides, nor will it support the procurement, or use of, or lead to the increased use of other agricultural chemicals.
Physical Cultural Resources OP/BP 4.11	No	The project will not support any activities with potential impacts on environment and also on PCRs. However, the ESMF will include guidelines for Chance Find Procedures according to national laws.
Indigenous Peoples OP/BP 4.10	No	No Indigenous people in Uzbekistan.
Involuntary Resettlement OP/BP 4.12	TBD	No involuntary acquisition of land is expected under this project. However, the possibility and need for triggering OP 4.12 on Involuntary Resettlement will be determined during project preparation. All permanent structures (i.e. Nodes for connecting fiber optic cables) will be constructed on available government land provided that the land in question is free of squatters and encroachment. Further, the cables will be buried along the roads and power transmission lines using the right of way. The project will follow Bank policy and standards which emphasizes minimizing involuntary land. Should OP 4.12 be triggered, a Resettlement Policy Framework (RPF) would be prepared and disclosed prior to Appraisal. No land acquisition would be undertaken, or impact on assets and livelihoods, until after proper procedures are followed and compensation provided. However, during preparation, it will be discussed with government if all infrastructure activities could occur on government land and right of ways such that the policy would not be triggered
Safety of Dams OP/BP 4.37	No	The project will not support any activities that might impact dam safety.
Projects on International Waterways OP/BP 7.50	No	The project will not support any activities that would trigger this OP.
Projects in Disputed Areas OP/BP 7.60	No	The project will be not implemented within any disputed territories.

**E. Safeguard Preparation Plan**

Tentative target date for preparing the Appraisal Stage PID/ISDS

Sep 28, 2018



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

The draft ESMF and, if needed, the RPF, documents will be prepared by the end of August, 2018 and by September 24, 2018 - will be disclosed and publicly consulted in the country and on the WB website. During the project implementation each proposed subproject will be subject to environmental screening and for all Category B activities there will be prepared an ESIA and/or an ESMP.

## CONTACT POINT

### World Bank

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Lead ICT Policy Specialist

### Borrower/Client/Recipient

Ministry of Finance

### Implementing Agencies

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## FOR MORE INFORMATION CONTACT

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## APPROVAL

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**Approved By**

Practice Manager/Manager:	Jane Treadwell	11-Aug-2018
Country Director:	Sascha Djumena	18-Sep-2018

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