Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 10/30/2023 | Report No: ESRSA03097

I. BASIC INFORMATION

A. Basic Operation Data

Operation ID	Product	Operation Acronym	Approval Fiscal Year
P179204	Investment Project Financing (IPF)	Kazakhstan DARE Project	2025

Operation Name	Kazakhstan Digital Acceleration for an Inclusive Economy (DARE) Project

Country/Region Code	Beneficiary country/countries (borrower, recipient)	Region	Practice Area (Lead)
Kazakhstan	Kazakhstan	EUROPE AND CENTRAL ASIA	Digital Development

Borrower(s)	Implementing Agency(ies)	Estimated Appraisal Date	Estimated Board Date
Republic of Kazakhstan	Ministry of Digital Development, Innovations and Aerospace Industry of the Republic of Kazakhstan	05-Dec-2023	01-Oct-2024

Estimated Decision Review Date	Total Project Cost
09-Nov-2023	136,000,000.00

Proposed Development Objective

To support equitable access to high-quality and climate resilient broadband infrastructure in selected unserved and underserved areas of Kazakhstan.

B. Is the operation 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 Activities

[Description imported from the PAD Data Sheet in the Portal providing information about the key aspects and components/sub-components of the project]

The largest landlocked country in the world located at the crossroads of Europe and Asia, Kazakhstan, is a resource-rich, upper-middle-income economy that – prior to the Coronavirus (COVID-19) pandemic – demonstrated robust economic growth and poverty reduction but remained largely dependent on its natural resources and vulnerable to climate change. Despite being a landlocked country, Kazakhstan has multiple international gateways, ensuring sufficient

international capacity for current needs; however it would need to quadruple to cater to the strategic connectivity objective of 100 Mbps per household. The Government of Kazakhstan (GoKZ) has been able to achieve some progress in improving digital connectivity. It has deployed various instruments to address infrastructure gaps and ensure universal service. However, those do not address last mile connectivity needs and continuous efforts are needed to achieve the ambition of 100 Mbps per household, and sizable access, quality, and affordability challenges persist. The DARE Project will contribute to GoKZ's long-term green, resilient and inclusive development (GRID) objectives, including accelerating economic diversification underpinned by resilient and affordable digital infrastructure. The project will also finance critical regulatory reforms to promote private sector investments in the telecom sector and strengthen foundational enablers to spur growth of new digital markets, such as cloud and data infrastructure. Component 1: Resilient Digital Infrastructure. This component aims to finance the rollout of high-quality climate-resilient and low carbon digital infrastructure in villages covered under the GoKZ “250+” program and will first cater to four unserved and underserved regions of Kazakhstan (Akmola, Turkestanskaya, West Kazakhstan, and East Kazakhstan), connecting households, public institutions, businesses and mobile towers. The component will seek to leverage private capital for infrastructure investments towards deploying climate-resilient, low-carbon measures and future-proof digital connectivity infrastructure, leveraging matching grants to be provided to qualified internet service providers (ISPs) and MNOs towards two types of infrastructure projects: (1) Equitable access to digital infrastructure (US$70 million) – deploying backhaul and access networks to households, businesses and public institutions in selected areas and equipping schools in such areas with relevant IT equipment and internal wiring. Matching grants will be provided to qualified ISPs. (2) Improving 5G readiness of mobile infrastructure (US$20 million) – deploying resilient, climate-friendly, and future-proof backhaul infrastructure to underserved mobile towers that could be shared by more than one operator. Matching grants will be provided to qualified MNOs. Component 2: Enabling Environment for Digital Economy. This component aims to support telecommunications investments under Component 1 through improving Kazakhstan’s regulatory environment as well as to lay the grounds for development of cloud and data infrastructure market. Component will finance technical assistance (TA) activities to improve the telecom sector’s regulatory effectiveness and reduce market-entry barriers, while refining the regulatory framework to be more climate-informed. It will also aim to strengthen the data protection regulatory framework to grow Kazakhstan’s data and cloud industries. Component 3: Project Management and Implementation Support. This component will finance support to the Borrower’s project management and implementation of project-associated activities, including procurement, financial management (FM), monitoring and evaluation (M&E), project communications, as well as environmental and social safeguards and citizen engagement. It will cover the operating costs of the Project Implementation Unit (PIU). This component will also help strengthen the technical and functional capacity of the PIU, including the recruitment of expert consultants in key areas and the facilitation of on-the-job learning and competency transfer, including in disaster and climate risk management skills. It will also support independent audits, M&E (including collecting gender disaggregated data) and quality assurance to ensure compliance with best procurement and FM practices. Consistent with the GoKZ’s strategic priorities, the proposed DARE Project is fully aligned with the World Bank Group (WBG) Country Partnership Framework (CPF) for Kazakhstan for the period FY20-25. The DARE Project supports two priority areas identified by the CPF that remain critical for the economic recovery following COVID-19: (i) promoting inclusive growth; (ii) securing sustainable, resilient, and low carbon growth. In particular, under CPF Focus Area 1 (Promoting Inclusive Growth) the proposed DARE Project underpins Objective 1 (Strengthening Environment for Private Sector Development) and Objective 3 (Strengthening Connectivity Infrastructure and Regional Services Delivery for Better Local and Regional Integration) by supporting legal and regulatory reforms leveling the playing field in telecom, while improving digital connectivity and broadband service delivery. Under Objective 7 (Preserving and Restoring Natural Capital) of CPF Focus Area 3 (Securing Sustainable, Resilient, and Low Carbon Growth), the DARE Project will enhance the resilience of the digital connectivity infrastructure.

D. Environmental and Social Overview

D.1 Overview of Environmental and Social Project Settings

[Description of key features relevant to the operation's environmental and social risks and opportunities (e.g., whether the project is nationwide or regional in scope, urban/rural, in an FCV context, presence of Indigenous Peoples or other minorities, involves associated facilities, high-biodiversity settings, etc.) – Max. character limit 10,000]

Given its location between China and the Russian Federation as well as its growing economic ties with the European Union, Kazakhstan lies at the heart of trade and investment opportunities linked to Eurasian connectivity. The country has vast natural resource wealth, being one of the world's most mineral-rich nations and among the top 15 in terms of oil reserves. It has been the economic success story of Central Asia, transitioning from a lower-middle-income to an upper-middle-income status in less than two decades. The country is currently at high risk for several climate change-related risks, including river and urban floods, landslides, water scarcity, wildfires, and extreme heat, as well as other natural disaster risks, such as earthquakes. The over-reliance on hydrocarbon resources has made Kazakhstan one of the largest per-capita greenhouse gas (GHG) emitters in Europe and Central Asia, placing it 21st globally for overall emission volume and 29th for gas flaring.

Key social characteristics of the country are as follows: - 60% of the population resides in rural areas; - the majority of the labor force has public employment in government and enterprises, a third are self-employed- most of whom registered as individual entrepreneurs and a sizable work in subsistence farming, fishery, and livestock production; - high percentage of self-employed and employed people in temporary jobs, especially in rural areas; - low level of youth employment; - large proportion of people of the NEET (Not in Education, Employment or Training) category, including fresh graduates; - level of income of the population remains one of the lowest in Kazakhstan; - women's role, especially, in agriculture and related enterprises as well as agriculture support/advisory measures need to be accentuated; - lack of women's organization networks which limits advocacy activities; -high share of self-employed citizens in the total number of recipients of targeted social assistance; and – low effectiveness of active measures to end poverty, where employment remains a problem. The 2021 WB Women, Business, and Law Index highlights gaps on laws and regulations affecting women's pay.

Kazakhstan is leading in Central Asia in terms of the number of people (79%) using the Internet. The digital infrastructure has improved, particularly in large urban areas, while significant gaps remain in rural and remote areas. At the same time, disadvantaged and vulnerable groups have fewer options to get connected, irrespective of their locations. The quality of internet services remains unreliable and has been put under further pressure in the wake of COVID-19 and the subsequent shift to teleworking, with more than 30 percent of users suffering internet outages in 2020.

Connectivity weaknesses have led the Minister of Education to declare that the Internet in Kazakhstan is not suitable for distance learning, after having tried, with no success, to deliver online classes to 2.5 million children during the COVID-19 confinement. In this context, modernizing public services, particularly in the social domain, while simultaneously closing a digital divide, becomes critical.

D.2 Overview of Borrower's Institutional Capacity for Managing Environmental and Social Risks and Impacts

[Description of Borrower's capacity (i.e., prior performance under the Safeguard Policies or ESF, experience applying E&S policies of IFIs, Environmental and social unit/staff already in place) and willingness to manage risks and impacts and of

provisions planned or required to have capabilities in place, along with the needs for enhanced support to the Borrower – Max. character limit 10,000]

The project will be implemented by the Ministry of Digital Development, Innovation, and Aerospace Industry (MDDIAI). The Ministry has previous experience working with the World Bank, implementing Fostering Productive Innovation Project (FPIP) P150402 under the World Bank's Operational Policies (OPs). The overall E&S performance of the FPIP is rated satisfactory (S) according to the latest ISR. Therefore, the MDDIAI under the ongoing FPIP project has some E&S risk management experience. However, as this will be the first project applying the Environmental and Social Framework (ESF) in MDDIAI, ESF training and direct support will be provided to the client to ensure the requirements of the ESF are satisfied. In addition, a capacity assessment will be conducted during project preparation, and any gaps and strengthening measures will be detailed in the Environment and Social Commitment Plan (ESCP).

The Project Implementation Unit (PIU) will be housed by MDDIAI and will be responsible for the overall Coordination of the DARE. The head of the PIU, reporting directly to the Vice Minister of Digital Development, will also coordinate procurement and supervision of verification activities and E&S risk management performance, as well as monitoring and evaluation (M&E) and consolidation of the Project reports while serving as the main counterpart for the WB. The digital government support center was established on April 19, 2022. This center is a subordinate organization of the Ministry and will assist in the implementation of Component 2. It will serve as a methodological and coordinating core to support project management processes, business process reengineering, functions and services of state bodies, and examination of draft regulatory legal acts for digitalization. The PIU will recruit one environmental specialist and one social specialist to ensure the Project's compliance with the ESF requirements.

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

A. Environmental and Social Risk Classification (ESRC) — Moderate

A.1 Environmental Risk Rating — Moderate

[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 4,000]

The Environmental Risk rating is considered to be Moderate. These risks and impacts are linked to activities from the provision of a matching grant under sub-component 1.2, including the deployment of backhaul, access network, operation, and maintenance of last-mile digital infrastructure to households and public institutions. This will finance activities that may include network cabling, installation of IT equipment, etc. However, none of the components will finance major civil works, therefore no significant environmental impact and OHS-related risk are envisaged. The most likely environmental risks and impacts may include some level of occupational health and safety (OHS) risk during deployment access network, environmental pollution from management, and disposal of electronic waste (e-waste) as a result of the decommissioning of hardware and digital devices. Component 1 will assist TA (Technical Assistance) operations, therefore the outputs of the TA activities will not result in any environmental risk. While, component 2 intends to support social systems and services, improving the efficiency of public data processing, data sharing, and management. Likewise, component 3 will include activities to improve digital skills. The operations activities of data

centers and data sharing/management, and this shall need to be managed for energy efficiency, however, resource efficiency risks and impacts are also expected to be minimal. Moreover, the client capacity is not considered a substantial risk factor, bearing in mind the nature and foreseeable environmental risks of the project. s. The PIU shall require a capacity-building plan to adequately manage any potential environmental risks in a manner that is consistent with the ESSs and satisfactory to the Bank.

A.2 Social Risk Rating Moderate

[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 4,000]

The Project is expected to have positive social impacts through promoting enabling regulatory environment for the telecom sector and for data protection. The project by design will aim to avoid activities that may involve physical/economic displacement and/or loss of structures/vegetation. No temporary limitation of access to commercial, institutional establishments and residential properties is expected, as the project will have only minor works, such as the installation of underground fiber optics cabling along the roads and/or aerial cabling for digital infrastructure deployment in selected non- or under-served rural areas. Social risks include: (i) Exclusion of vulnerable sections of society from project benefits and opportunities; (ii) Data protection and Privacy and the fundamental rights and freedoms of persons that are related to that data; and (iii) Lack of meaningful and effective stakeholder engagement, public and beneficiary outreach.

[Summary of key factors contributing to risk rating. This attribute is only for the internal version of the download document and not a part of the disclosable version – Max. character limit 8,000]

B. Environment and Social Standards (ESS) that Apply to the Activities Being Considered

B.1 Relevance of Environmental and Social Standards

ESS1 - Assessment and Management of Environmental and Social Risks and Impacts Relevant

[Explanation - Max. character limit 10,000]

ESS1 standard is relevant, however, the environmental risk is rated as Moderate given the fact that the project activities shall not finance subprojects involving any major civil works and or other activities leading to significant risk or could pose irreversible environmental, social, and serious OHS consequences. The provision of matching grants under Subcomponent 1.2 will only facilitate the deployment of IT infrastructure by deploying backhauls and access networks to the households and public institutions in selected areas including equipping schools in such areas with relevant IT equipment and internal wiring and fiberoptics cabling networks. These activities will not involve in financing major civil works and thus will not impose serious environmental and (OHS) Occupational Health and Safety concerns. Similarly, no key environmental and social risks have been identified aside from the management of project workers, risks related to COVID-19 exposure, resource efficiency related to operationalizing a backup generator, power supply to servers and IT equipment, cloud management, and operation of data centers. However, these risks and impacts are also expected to be manageable.

ESS10 - Stakeholder Engagement and Information Disclosure Relevant

[Explanation - Max. character limit 10,000]

The project portrays a highly diverse and heterogeneous stakeholder profile across the length and breadth of the country – executive and policy-making authorities, regulating bodies, implementing agencies, internet providers and telecom operators, electricity distribution system operators, energy transmission systems operators, social services delivery administrators, drugs tracking information system administrators, civil servants' training institutions, in-service educator training institutions, public sector agencies and consultants (IT and infrastructure design engineers), contractors, residents of Kazakhstan (urban and rural), Project affected people, NGOs and Civil Society Organizations. Activity spread too, correspondingly, is quite diverse – the sectors like economy, health, education, energy, communication, etc. For convenience, stakeholders can be classified into four groups – direct beneficiaries/affected people (internet providers, social public institutions, residents, digitally unskilled labor force, and other vulnerable subgroups); enablers (ministries/agencies who make policies and strategies); service providers such as regulating bodies, state funds, holdings, healthcare and educational institutes, contractors, consultants, etc.; and other interested parties – NGOs, associations, networks. A draft SEP has been prepared, and will be consulted upon, and disclosed prior to Appraisal and its implementation will begin during the project preparation itself. This will enable the project to identify 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 reflecting/ building the capacity of the client in engaging with stakeholders. The project will take special measures to ensure that disadvantaged and vulnerable groups have equal opportunity to access information, provide feedback, or submit grievances. The client will also develop and put in place a project-specific Grievance Mechanism (GM) to enable stakeholders to air their concerns/ comments/ suggestions, if any, on environmental and social issues in the project.

ESS2 - Labor and Working Conditions Relevant

[Explanation - Max. character limit 10,000]

This ESS is relevant to the project. The project is expected to employ direct and contracted workers. Direct workers could be either government civil servants or those deployed as 'technical consultants' by the project. The former will be governed by a set of civil services codes, the latter 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 project proposes some small-scale infrastructure deployment activities in selected rural areas and accessing the underutilized fiber optic infrastructure owned by the electricity sector operators in urban areas under Component 1. The expectation is that most of the labor will be locally hired except for a few skilled workers. So, the labor influx problem is not envisaged. Kazakhstan prohibits the deployment of child labor, so no child labor risks and impacts are anticipated. The client will prepare an LMP which will set out details for the Contractors to prepare their labor management plans, including terms, and conditions of employment, nondiscrimination, and equal opportunities, and worker's organizations. 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.) Matching grant contracts will incorporate social and environmental mitigation measures based on the WBG EHS Guidelines and the ESMF. All contracts to be signed under Component 3 will include standard Codes of Conduct with measures to address Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) risks. A locally based Grievance Mechanism (GM) for project workers shall be arranged.

ESS3 - Resource Efficiency and Pollution Prevention and Management Relevant

[Explanation - Max. character limit 10,000]

ESS3 is relevant to the project. However, the project does not expect to finance any major civil works or other activity which use or production of chemical products, or development and emissions of hazardous and non-hazardous chemical pollutants in the solid, liquid, or gaseous phases, nuisance odors, noise, vibration, radiation, electromagnetic energy, and the creation of potential visual impacts.

ESS4 - Community Health and Safety Relevant

[Explanation - Max. character limit 10,000]

Though relevant, community health and safety may not be critical, as the project beneficiaries will be informed and consulted on the activities planned and to be implemented during the project life cycle. The project is expected to have small-scale activities on infrastructure deployment in selected un- and under-covered populated rural areas under Subcomponent 1.2. The Project will ensure that proponents of and contractors for sub-projects are responsive to the preferences and needs of community members, including women and vulnerable groups. The ESMF will include an assessment of community health and safety risks; HIV/AIDS and sexually transmitted diseases; site safety awareness and access restrictions; and labor influx (including management of SEA/SH risks). The site-specific instruments to be developed during implementation will include relevant mitigation measures. There is no potential risk of project staff exposure to COVID-19 since no labor-intensive works are planned under the project activities, but backhauling, and installation of IT cabling, etc. may have some OHS-related risks. The project will exercise appropriate precautions for COVID-19 prevention and control its spread during the project implementation stage.

ESS5 - Land Acquisition, Restrictions on Land Use and Involuntary Resettlement Not Currently Relevant

[Explanation - Max. character limit 10,000]

ESS5 is not relevant at this stage. The project by design will avoid land acquisition that may involve physical/economic displacement and/or loss of land and physical structures/vegetation. It is expected that the project will involve some minor level of underground fiber optics cabling, primarily along the public right-of-way. Should a need for land acquisition arise during project preparation or implementation, the relevant instruments (RF, RPs) will be prepared.

ESS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources Not Currently Relevant

[Explanation - Max. character limit 10,000]

ESS6 is not relevant. The project is not anticipated to have activities with an impact on biodiversity or living natural resources. The project implementation sites will be within the existing public health facilities' boundaries. However, the ESMF includes specific measures to avoid or minimize these negative impacts.

ESS7 - Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities Not Currently Relevant

[Explanation - Max. character limit 10,000]

The standard is not relevant because no Indigenous Peoples, as defined in ESS 7, are known to reside in Kazakhstan.

ESS8 - Cultural Heritage Relevant

[Explanation - Max. character limit 10,000]

Although no impacts on cultural heritage are anticipated, the project ESMF will incorporate "chance finds" procedures in the ESMF in case physical cultural resources are encountered during construction.

ESS9 - Financial Intermediaries Not Currently Relevant

[Explanation - Max. character limit 10,000]

The standard is not relevant because no Financial Intermediaries are involved in the project activities.

B.2 Legal Operational Policies that Apply

OP 7.50 Operations on International Waterways No

OP 7.60 Operations in Disputed Areas No

B.3 Other Salient Features

Use of Borrower Framework No

[Explanation including areas where "Use of Borrower Framework" is being considered - Max. character limit 10,000]

No Borrower Framework is being considered.

Use of Common Approach No

[Explanation including list of possible financing partners – Max. character limit 4,000]

There are no anticipated co-financiers.

B.4 Summary of Assessment of Environmental and Social Risks and Impacts

[Description provided will not be disclosed but will flow as a one time flow to the Appraisal Stage PID and PAD – Max. character limit 10,000]

The Environmental and Social Risks Rating is "Moderate" due to the project scope and financing activities. The DARE project will not support subprojects with major civil works; however, some activities under Component-1.2 include small matching grants to qualified Internet Service Providers for deploying backhaul and access networks to households and public institutions. Internet cables shall be installed along existing electricity poles with no or minor civil works if required.

The potential environmental risks associated with these activities are mainly OHS-related and include falls from heights and electrical hazards. Similarly, component-2 intends to support social systems and services, improving the efficiency of public data processing, sharing, and management. Likewise, component 3 will include activities to enhance digital skills. Potential environmental risks associated with the other components include procurement of e-related goods that are not energy-efficient, and minor e-waste generation is foreseen only after its decommissioning.

The main social issues and risks associated with the Project relate to (i) ensuring that the project is as inclusive as possible and efforts are made to reach out to all sections of society and to provide universal accessibility; (ii) data management, ensuring the protection of personal data and the fundamental rights and freedoms of persons that are related to that data; and (iii) implementing meaningful and effective stakeholder engagement and public and beneficiary outreach. The project is rated low for SEA/SH risks at this stage and will be re-assessed during the appraisal stage. The expectation is that most of the labor will be locally hired, so labor influx is not envisaged. The project recognizes the following standards as relevant: ESS 1, ESS 2, ESS 3, ESS 4, ESS8 and ESS 10.

To address E&S risks, the client shall prepare and disclose (i) ESMF, (ii) SEP, and (iii) LMP prior to the project appraisal. These will be living documents that can be revised or updated during implementation as found necessary. The E&S commitment plan (ESCP) will include appropriate actions with time-bound commitments related to implementation of these documents and other institutional arrangements.

C. Overview of Required Environmental and Social Risk Management Activities

C.1 What Borrower environmental and social analyses, instruments, plans and/or frameworks are planned or required by implementation?

[Description of expectations in terms of documents to be prepared to assess and manage the project's environmental and social risks and by when (i.e., prior to Effectiveness, or during implementation), highlighted features of ESA documents, other project documents where environmental and social measures are to be included, and the related due diligence process planned to be carried out by the World Bank, including sources of information for the due diligence - Max. character limit 10,000]

ESMF, SEP and LMP

III. CONTACT POINT

World Bank

Task Team Leader:	Natalija Gelvanovska-Garcia	Title:	Senior Digital Development Specialist
Email:	ngelvanovska@worldbank.org		
TTL Contact:	Mikhail Bunchuk	Job Title:	Senior Digital Development Specialist
Email:	mbunchuk@worldbank.org		

IV. FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects

V. APPROVAL

Task Team Leader(s):	Natalija Gelvanovska-Garcia, Mikhail Bunchuk
ADM Environmental Specialist:	Obaidullah Hidayat
ADM Social Specialist:	Gernot Brodnig