



Initial Poverty and Social Analysis

May 2019

Mongolia: Developing Cross-Border Economic Zone

This document is being disclosed to the public in accordance with ADB's Access to Information Policy.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 11 May 2019)

Currency unit	–	togrog (MNT)
MNT1.00	=	\$0.003785
\$1.00	=	MNT2,641.50

ABBREVIATIONS

ADB	–	Asian Development Bank
CBEZ	–	cross border economic zone
TA	–	technical assistance

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Mongolia	Project Title:	Developing Cross-Border Economic Zone
Lending/Financing Modality:	Project	Department/Division:	East Asia Department/ Public Management, Financial Sector, and Regional Cooperation Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS
<p>A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy The proposed project is aligned with Mongolia Sustainable Development Vision 2030^a and directly supports the Action Program of the Government of Mongolia, 2016–2020,^b which includes activities boosting the operations of free economic zones and promoting trade and manufacturing in trade zones to ensure sustainable economic growth. It is aligned with the Asian Development Bank’s (ADB) Country Partnership Strategy for Mongolia 2017–2020, particularly under the strategic pillar 2 on developing infrastructure for economic diversification. Increased manufacturing and economic activities in the free zone is expected to provide employment and livelihood to the population benefiting the country.</p>
<p>B. Poverty Targeting <input checked="" type="checkbox"/> General intervention <input type="checkbox"/> Individual or household (TI-H) <input type="checkbox"/> Geographic (TI-G) <input type="checkbox"/> Non-income MDGs (TI-M1, M2, etc.) The project generates employment during construction and operation period of free zone infrastructure and facilities. The 2016 pre-feasibility study estimated that around 9,400 jobs will be created in the first phase of implementation up to 18,240 in the next phases subject to investments of potential industries and services. The value-added from the proposed Zamyn-Uud–Erenhot cross-border economic zone (CBEZ) owing to increased sales or exports will increase Mongolia’s gross domestic product by up to 2.1%.</p>
<p>C. Poverty and Social Analysis</p> <p>1. Key issues and potential beneficiaries. Poverty rate in Mongolia has increased from 21.6% (2014, baseline) to 29.6% of 3.1 million people in 2016 (Source: National Statistics Office). The immediate beneficiaries of the project will be skilled and semi-skilled workers or laborers of export-oriented industries or small- and medium-enterprises interested to participate in the global and regional supply chain through trade and cross-border investments as well as providers of ancillary or support services to the enterprises or entities. Jobs generated will benefit the local population of Dornogovi <i>aimag</i> and Mongolia in general. In addition, the social infrastructure planned in the CBEZ and within the Zamyn-Uud <i>soum</i> (district) will improve access to social services in the local community.</p> <p>2. Impact channels and expected systemic changes. The project will benefit the poor by having better opportunities to raise income and improve their sustainable employment and decent work. To generate employment and increase Mongolia’s value-added, consideration for enterprises or industries should include those that foster export-oriented production, transport and logistic services, trade, and tourism.</p> <p>3. Focus of (and resources allocated in) the transaction TA or due diligence. As local education, finance and social development are often lacking in border region, the project will need to incorporate these aspects in incentives or operational plan for enterprises to invest in technical vocational education and training or transfer of technical know-how to free zone’s workers or employees. Through such intervention, the capacity of Mongolia in terms of providing skilled and semi-skilled labor will improve and increase their value-add and average earnings.</p> <p>4. Specific analysis for policy-based lending. Not applicable.</p>
II. GENDER AND DEVELOPMENT
<p>1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? Current unemployment rate in Ulaanbaatar is 8.9% and 5.9% for male and female, and in Dornogovi <i>aimag</i> is 7.2% for male and 4.8% for female, respectively. However, on the average, monthly wages of male workers are higher than female workers in both Ulaanbaatar and Dornogovi by 23% and 39%, respectively.</p> <p>2. Does the proposed project or program have the potential to contribute to the promotion of gender equity and/or empowerment of women by providing women’s access to and use of opportunities, services, resources, assets, and participation in decision making? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Gender equity will be promoted within the CBEZ activities to give equal access to opportunities and narrow the gaps in salaries. A gender action plan will be prepared during transaction technical assistance or due diligence to protect the rights of women. Employment opportunities and potential for growth in terms development of sectors that create jobs for women, including cross-border trade opportunities will be explored during due diligence.</p> <p>3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The project is unlikely to have adverse impact on the community at large.</p> <p>4. Indicate the intended gender mainstreaming category: <input type="checkbox"/> GEN (gender equity) <input type="checkbox"/> EGM (effective gender mainstreaming) <input checked="" type="checkbox"/> SGE (some gender elements) <input type="checkbox"/> NGE (no gender elements)</p>

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? The main stakeholders are private firms or companies, workers and skilled labors, the local community within the Zamyn-Uud soum and Dornogovi *aimag*. The transaction TA will include a market survey to see how the local industry can take full advantage of the Zamyn-Uud–Erenhot CBEZ and consultation meetings will gather inputs from the local residents of Zamyn-Uud soum or neighboring *aimags* on settlement issues and broadly how they can benefit from the CBEZ.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable, and excluded groups? What issues in the project design require participation of the poor and excluded? Consultations will be conducted for the poor, vulnerable, and excluded groups and the TA consultants will assess if relevant training programs can be designed and delivered during project implementation.

3. What are the key, active, and relevant civil society organizations (CSOs) in the project area? What is the level of civil society organization participation in the project design?

Information generation and sharing (M) Consultation (M) Collaboration Partnership

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how should they be addressed? Yes No If issues are identified at later stage, the TA consultants will examine the issues as appropriate.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No Zamyn-Uud has a territory of 48.6 thousand hectares, of which 70% comprise state special purpose land where the Mongolia free zone is located. There are no residents but there may be lease agreements granted to operators or investors in the zone. This will be confirmed during project preparation.

2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process? Resettlement plan Resettlement framework Social impact matrix

Environmental and social management system arrangement None

B. Indigenous Peoples Category A B C FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No There are no residents nor specific communities of ethnic minorities or groups in the project area, therefore, the ADB Policy on IP will not be triggered by the project.

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No

3. Will the project require broad community support of affected indigenous communities? Yes No

4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process?

Indigenous peoples plan Indigenous peoples planning framework Social impact matrix

Environmental and social management system arrangement None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

Creating decent jobs and employment (H) Adhering to core labor standards (M) Labor retrenchment

Spread of communicable diseases, including HIV/AIDS (M) Increase in human trafficking (M) Affordability

Increase in unplanned migration (M) Increase in vulnerability to natural disasters Creating political instability Creating internal social conflicts Others, please specify _____

2. How are these additional social issues and risks going to be addressed in the project design? Specific measures will be designed as part of the transaction TA or due diligence. Health Impact Assessment for special economic zones may be considered for the project.

VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA or due diligence process to better analyze (i) poverty and social impact, (ii) gender impact, (iii) participation dimensions, (iv) social safeguards, and (v) other social risks. Are the relevant specialists identified? Yes No

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis, and participation plan during the transaction TA or due diligence? Gender and social development specialists will be engaged under the transaction TA to conduct the required analysis.

^a Government of Mongolia. 2016. *Mongolia Sustainable Development Vision 2030*. Ulaanbaatar.

^b Government of Mongolia. 2016. *Action Program of the Government of Mongolia, 2016–2020*. Ulaanbaatar.