



# Initial Poverty and Social Analysis

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August 2019

## Mongolia: Ulaanbaatar Air Quality Improvement Program, Phase 2

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Asian Development Bank

## **CURRENCY EQUIVALENTS**

(as of 1 August 2019)

Currency unit	–	togrog (MNT)
MNT1.00	=	\$0.00038
\$1.00	=	MNT2,666.0

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
PBL	–	policy-based loan

## **NOTE**

In this report, "\$" refers to United States dollars.

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## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Mongolia	Project Title:	Ulaanbaatar Air Quality Improvement Program, Phase 2
Lending/Financing Modality:	Policy-Based	Department/Division:	East Asia Department/Environment, Natural Resources, and Agriculture Division

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

#### A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The program is phase 2 of the Asian Development Bank (ADB) policy-based loan (PBL) to support improved air quality in Ulaanbaatar, Mongolia. The program aims to reduce particulate matter of less than 2.5 micrometers in diameter emission and to improve air quality and related public health issues through (i) providing cleaner fuels and cleaner technologies for electricity, heating, and cooking as well as urgent health protection measures; (ii) strengthening environmental policy, the legal and regulatory framework, and its performance; and (iii) developing environmentally sound urban and energy plans. This is expected to benefit all citizens in Ulaanbaatar, including the poor and vulnerable people living in *ger* areas as well as other urban residents.<sup>a</sup> The proposed program is aligned with (i) the Mongolia National Program for Reducing Air and Environmental Pollution and its implementation action plan, and (ii) ADB's country partnership strategy for Mongolia, 2017–2020 and its overarching goal of sustaining inclusive growth.<sup>b</sup> The program is also aligned with the International Monetary Fund's poverty reduction strategy (2003) which recognizes air quality as a major public health issue and suggests measures to reduce the impact of air pollution in the city.

#### B. Poverty Targeting

General intervention  Individual or household (TI-H)  Geographic (TI-G)  Non-income MDGs (TI-M1, M2, etc.)

The program will help improve air quality in Ulaanbaatar and improve protection from pneumonia through a national vaccination campaign. The proposed program will benefit all residents in the city, including poor and vulnerable people, with improved air quality and improved health. The benefits will be derived from a combination of immediate short-term measures and longer-term strategic planning measures to improve building energy efficiency and clean energy supply. Anecdotal evidence suggests the worst air quality is in the *ger* areas where the poorest sections of the population live in informal housing and lack basic services.

#### C. Poverty and Social Analysis

**1. Key issues and potential beneficiaries.** Of Ulaanbaatar's population of approximately 1.6 million, about 60% live in *ger* areas that comprise about 80% of the city area, where poor, low income, and migrant people lack adequate public services including clean energy sources, formal waste collection, and water and sanitation. *Ger* areas are commonly not connected to the centralized heating system, and they rely on raw coal for heating, resulting in severe indoor and outdoor air pollution. Poor and vulnerable people living in *ger* areas and other parts of the city are generally at greater risk of poor health due to air pollution, because they lack (i) access to public information on air quality; (ii) living and working places protected against air pollution; (iii) choice of working hours and places; and (iv) affordable medical prevention or treatment for pollution-related health problems. Nationally, 32% of the population live below the poverty line. The program will benefit an estimated 2 million people, including the total population of Ulaanbaatar as well as 400,000 children nationally who will benefit from the health protection measures (children under 14 make up 25% of the national population and half of them reside outside Ulaanbaatar). Access to clean energy sources for heating is one of the basic needs of the beneficiaries. Broadly, the program will benefit the population in *ger* areas, the nonregistered population (e.g., visitors), and the public at large in Ulaanbaatar, because the program will help reduce pollution (e.g., black carbon) from burning raw coal, which the program aims to displace with cleaner heating and energy sources. Poor and vulnerable people are expected to be about 20% of the total beneficiaries.

**2. Impact channels and expected systemic changes.** There are two main impact channels. First, short-term measures—better distribution and uptake of cleaner coke briquettes and electric heaters, and installation of filters on heat-only boilers—will deliver immediate and significant air quality improvements. Second, longer-term strategic measures—including improved standards for energy efficient buildings and improved planning of greener development and eco-districts in the city and *ger* areas—will deliver sustained reductions in air pollution. The resulting improved air quality will significantly improve public health by reducing illness and related health care and medicine expenses and, potentially, the long-term pressure on the national health insurance scheme. It will particularly benefit children and the elderly, who are most vulnerable to cardiovascular and respiratory diseases. It will also benefit children outside Ulaanbaatar, as phase 2 has a national focus for its pneumonia vaccination campaign. Income losses from restricted economic activities due to the poor air quality will be avoided or mitigated, thereby increasing the work productivity in Ulaanbaatar. People, especially the poor and vulnerable, will benefit from increased job opportunities created by a greener economy in services such as the supply and distribution of clear coke briquettes, grid strengthening for domestic electric heaters, energy service company development and

operation, and construction of energy efficient buildings. These new employment opportunities will offset losses from older, more polluting activities such as selling raw coal for domestic consumption.
3. <b>Focus of due diligence.</b> The project team will develop a summary poverty reduction and social strategy based on a rapid assessment of proposed policies that will be supported under phase 2. The team will conduct the assessment by examining the PBL policy matrix and will finalize it during the project preparation.
4. <b>Specific analysis for policy-based lending.</b> Amid efforts to stabilize the economy, it is a social and political imperative to implement measures to curb air emissions from key sectors. In the short term (1–3 years), such measures can reduce current high levels of air pollution and the resulting negative health impacts and ensure protection for the most vulnerable groups, despite fiscal consolidation efforts under the ongoing International Monetary Fund program. In the medium to long term (4–10 years), the program addresses the air pollution threat in two ways: (i) establishing economic incentives and supporting frameworks to encourage and/or facilitate private action (e.g., green financing for new and renovated buildings, energy service company delivery of retrofits); (ii) embedding necessary standards and policies into the legal framework with incentives for the Government of Mongolia to do so; and (iii) identifying infrastructure investments to deliver clean heating services which can form the basis for future financing by the public and private sectors and by development partners.
<b>II. GENDER AND DEVELOPMENT</b>
1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? Women play a critical role in household work, such as cooking, heating, and caring for children and older people. Women are adversely affected by indoor as well as outdoor air pollution. Improved air quality is expected to benefit women as well as men. The project team will (i) consult stakeholders including women during the phase 2 preparation to further identify gender issues, design activities that target female-headed households, and collect data disaggregated by gender; and (ii) formulate strategic long-term measures such as urban planning and green building design so that women benefit at least proportionally.
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 Women are expected to benefit from (i) improved indoor and outdoor air quality and (ii) better designed climate resilient eco-districts serviced by clean and safe public transport, achieved through increased support for cleaner energy sources for heating their homes and improved energy efficiency. It will be important that female-headed households benefit at least proportionally to the rest of the population.
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 program is not expected to widen gender inequality.
4. Indicate the intended gender mainstreaming category: <input type="checkbox"/> GEN (gender equity) <input checked="" type="checkbox"/> EGM (effective gender mainstreaming) <input type="checkbox"/> SGE (some gender elements) <input type="checkbox"/> NGE (no gender elements)
<b>III. PARTICIPATION AND EMPOWERMENT</b>
1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design. The main stakeholders of the program include government ministries and municipal agencies that are relevant to air quality improvement and strategic planning that affects long-term energy supply and energy efficiencies of developments and individual buildings. The project team will (i) engage non-government and community organizations or groups—particularly those working on air pollution, energy, energy efficiency, and cleaner public transport issues—in program design and implementation; and (ii) engage in policy dialogues with relevant government agencies and consult with other stakeholders as part of the process to develop the phase 2 policy matrix.
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? The project team will undertake surveys and consult with beneficiaries and other stakeholders while preparing the PBL. The project team will conduct community engagement campaigns to raise awareness.
3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design? Relevant civil society organizations consulted include Parents Against Smog and Local Solutions, among others. The project team will consider their feedback in the project design. <input checked="" type="checkbox"/> Information generation and sharing (M) <input checked="" type="checkbox"/> Consultation (L) <input type="checkbox"/> Collaboration <input type="checkbox"/> 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? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

<p>Consultation with beneficiaries in <i>ger</i> areas will need to ascertain their knowledge, awareness, and practice regarding their use of clean coke briquettes and other measures such as the uptake of electric stoves and installation of filters on heat-only boilers. It is important to ensure that there will be no barriers for behavioral changes and no issues of access and affordability for the beneficiaries, particularly the poor and vulnerable people.</p>
<b>IV. SOCIAL SAFEGUARDS</b>
<b>A. Involuntary Resettlement Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
<p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>The project is not expected to involve land acquisition and resettlement impacts. As part of the processing of the PBL, a matrix of potential environmental and social impacts of the policy actions will be prepared, and a due diligence on an electricity substation and storage facilities for distribution of briquettes to <i>ger</i> households will be conducted to confirm such facilities do not involve any land acquisition and resettlement issues.</p>
<p>2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input checked="" type="checkbox"/> Social impact matrix (Corrective Action Plan to be prepared if outstanding or legacy issues are found.)</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>
<b>B. Indigenous Peoples Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
<p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>The PBL supports only policies to improve air quality that will benefit all residents in Ulaanbaatar. It will not target or have differential impacts on any specific ethnic minority communities that would trigger ADB's indigenous peoples' policy requirements under the Safeguard Policy Statement. The project team will develop an impact matrix of policy actions during the PBL preparation to confirm that there are no such impacts.</p>
<p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input checked="" type="checkbox"/> Social impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>
<b>V. OTHER SOCIAL ISSUES AND RISKS</b>
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input checked="" type="checkbox"/> Creating decent jobs and employment (L) <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability</p> <p><input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p>
<p>2. How are these additional social issues and risks going to be addressed in the project design?</p> <p>Poor and vulnerable people will benefit from increased job opportunities through cleaner energy sources and a better living environment.</p>
<b>VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT</b>
<p>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?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>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?</p> <p>A social development specialist will prepare the summary poverty reduction and social strategy based on the rapid assessment of policy actions. A gender specialist will develop the gender action plan. The project team has allocated the budget for related surveys.</p>

<sup>a</sup> *Gers* are traditional portable round tents covered with skins or felt and used as dwellings by nomads in the steppes of East Asia. *Ger* areas comprise traditional *gers* and houses often constructed with poorly insulating materials.

<sup>b</sup> Government of Mongolia. 2017. *Mongolia National Program for Reducing Air and Environment Pollution, 2017–2025*. Ulaanbaatar. ADB. 2017. *Country Partnership Strategy: Mongolia, 2017–2020*. Manila.