



## Initial Poverty and Social Analysis

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### MON: Wheat Supply Chain and Food Security Project

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Asian Development Bank



## **ABBREVIATIONS**

ADB	–	Asian Development Bank
FAO	–	Food and Agriculture Organization
GAP	–	Gender Action Plan

## **NOTE**

- (i) In this report, "\$" refers to United States dollars.

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## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Mongolia	Project Title:	Wheat Supply Chain and Food Security Project
Lending/Financing Modality:	Project Loan	Department/Division:	Private Sector Operations Department Office of the Director General

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The project is aligned with ADB's Strategy 2030, which calls for ADB to "scale up its financing for agribusiness" and "promote gender equality in at least 75% of the number of ADB's committed operations by 2030".<sup>a</sup> The project is aligned with all three strategic pillars of ADB's country partnership strategy for Mongolia, 2017–2020: (i) promoting economic and social stability, (ii) developing infrastructure for economic diversification, and (iii) strengthening environmental sustainability.<sup>b</sup> The project is also aligned with the ADB Independent Evaluation Department's validation of the country partnership strategy, which emphasizes promoting diversification of the economy with a focus on improving the productivity of agribusinesses.

The project is consistent with the Strategy 2030's Operational Plan for Priority 1 (Addressing Remaining Poverty and Reducing Inequalities) by improving standards of living of wheat farmers and workers during COVID-19, Operational Plan for Priority 2 (Gender Equality and Women's Empowerment) to protect women workers and farmers and Operational Plan for Priority 5 (Promoting Rural Development and Food Security, 2019–2024), which calls for (i) "modern, sustainable, and responsible corporate farming models"; (ii) the "integration of farmers, agribusinesses, and consumers into efficient and sustainable value chains"; and (iii) "promote food security and increase agricultural productivity to provide sufficient, safe, and affordable food to the poor". The project is also part of ADB's Comprehensive Response to COVID-19 Pandemic which proposed \$20 billion to address the needs of ADB's developing member countries (DMCs) as they respond to the COVID-19 pandemic.<sup>c</sup>

The project will complement ADB's sovereign assistance programs in Mongolia. The Agriculture and Rural Development Project has provided financing to two wheat and wheat seed producing companies (Uguuj Mandal Uul and Khurkh Gol). The project will create synergies with a sovereign KSTA under approval, Managing the Risk of Food Insecurity in Mongolia during COVID-19 Crisis, which aims to identify opportunities to strengthen the resilience of food supply chains to food insecurity risks. As the project seeks to increase local vegetable procurement of TBF, it will align with the aims of a sovereign loan promoting vegetable production. The project will also complement recently approved sovereign COVID-19 response projects in Mongolia

#### B. Poverty Targeting

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

The project will contribute to poverty reduction by increasing the capacity, productivity, and income of smallholder farmers and retail sellers. In addition, the project will directly and indirectly contribute to poverty reduction locally by creating new employment opportunities and other sources of income for workers in rural areas.

#### C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. ADB's 2019 Basic Statistics indicate that in 2017, about 29.6% of Mongolia's population lived below the national poverty line.<sup>d</sup> Poverty incidence in rural area was 31%, compared with an urban poverty rate of 27%. Most of the rural population is highly dependent on agriculture and animal husbandry.

2. Impact channels and expected systemic changes. project will increase the procurement from farmers and others in the supply chain thereby providing rural households with improved access to the formal supply chain and helping to improve their livelihoods and incomes as well. It will also create employment opportunities.

3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will assess the existing environmental and social policies and procedures of the company.

### II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program?

Mongolia is making progress on gender equality including the creation of the Promoting Gender Equality law in 2011 together with tangible implementation measures. Despite this progress, pressing gender issues continue to demand urgent attention.<sup>h</sup> During the socialist regime in Mongolia the labor force participation rate was high, 78.5 percent in 1992. However, during the transition to capitalism in the early 1990s there was an economic downturn which led the labor force participation rate to drop to only 66 percent by the year 2000. Unfortunately, since 2009 the reduction in labor force participation has become increasingly gendered with women suffering significantly lower labor force participation rates than men.<sup>i</sup> As of 2018, women were participating in the labor force at a rate of 53.4% versus

69.5% for men.<sup>j</sup> The most likely explanation for this gender gap is conscious and unconscious bias against women in the workforce, particularly against women of reproductive age.<sup>k</sup>

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? ☒ Yes ☐ No

The project will seek to promote gender equality and the empowerment of women through increasing participation of women in the economic aspects of the wheat value chain, reducing sexual harassment risk in the work place, and exploring communication channels that UBF and TBF can leverage to promote gender equality messaging.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

☐ Yes ☒ No

The project will not result to adverse impact to women and/or girls but will rather seek to contribute to opportunities for economic growth for women through the company and the wheat value chain.

4. Indicate the intended gender mainstreaming category:

☐ GEN (gender equity) ☒ EGM (effective gender mainstreaming)

☐ SGE (some gender elements) ☐ NGE (no gender elements)

### III. PARTICIPATION AND EMPOWERMENT

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 company enjoys good relationships with different stakeholders. Its public messaging and communication forums are geared to improving community awareness on health sanitation, hygiene and public health issues. The company also actively engages with surrounding communities to improve its relations, resolve any concerns and also for planning and implementation of community development activities.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable, and excluded groups? Through ongoing consultations and dialogue process the project will contribute to strengthening stakeholder relationships and capacity building.

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 (L) ☐ Consultation (L) ☐ 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

Potential issues related to the participation of the local communities, especially the poor, in the project design was assessed during audit and due diligence.

### 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 The project will not result in increase of any land footprint of the operations of the company. No involuntary resettlement impacts are envisaged

2. Strategy to address the impacts. No expected impact.

3. 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 No impacts on Indigenous Peoples are envisaged from the operations of the company.

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   ☒ Adhering to core labor standards (L)   ☐ Labor retrenchment  
☐ Spread of communicable diseases, including HIV/AIDS   ☐ Increase in human trafficking   ☐ Affordability  
☐ Increase in unplanned migration   ☐ 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? The company's operations comply with the national labor laws. The project will contribute to job opportunities and income-generating activities in rural areas.

#### 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   ADB's internal staff will be involved in the DD process.

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? ADB staff will participate in the due diligence.

<sup>a</sup> ADB. 2019. *Strategy 2030 Operational Plan for Priority 5: Promoting Rural Development and Food Security, 2019–2024*. Manila.

<sup>b</sup> ADB. 2017. *Country Partnership Strategy: Mongolia, 2017–2020—Sustaining Inclusive Growth in a Period of Economic Difficulty*. Manila.

<sup>c</sup> Government of Mongolia. 2016. *Action Program of the Government of Mongolia for 2016–2020*. Ulaanbaatar.

<sup>d</sup> ADB. 2019. *Basic Statistics 2019*. Manila.

<sup>e</sup> C. Annor-Frempong and D. Rasmussen. 2015. *Mongolia: Agricultural Productivity and Marketing Report*. Ulaanbaatar.

<sup>f</sup> World Economic Form. 2019. *Mongolian National Statistics Organisation: Gender Gap Index 2019*. Geneva.

<sup>g</sup> Mongolian National Statistics Office. 2017. *Labor Force Surveys*.

<sup>h</sup> Government of Mongolia National committee on Gender Equality. 2019. *Mongolia Gender Situational Analysis: Advances, Challenges and Lessons Learnt Since 2005*. Ulaanbaatar.

<sup>i</sup> Government of Mongolia. [Mongolian Statistical Information Service](#) (accessed 10 October 2019).

<sup>j</sup> World Economic Form. 2019. *Mongolian National Statistics Organisation: Gender Gap Index 2019*. Geneva.

<sup>k</sup> Mongolian National Statistics Office. 2017. *Labor Force Surveys*. Ulaanbaatar.