



# Initial Poverty and Social Analysis

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Project Number: 54360-001  
May 2021

## Proposed Administration of Grant Mongolia: Renewable Heating Demonstration in Remote Areas (Financed by the Japan Fund for Poverty Reduction)<sup>1</sup>

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

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<sup>1</sup> JFPR is a possible funding source subject to approval of the Government of Japan.

## CURRENCY EQUIVALENTS

(as of 3 May 2021)

|               |   |              |
|---------------|---|--------------|
| Currency unit | – | togrog (MNT) |
| MNT1.00       | = | \$0.0003511  |
| \$1.00        | = | MNT2,848.17  |

## ABBREVIATIONS

|       |   |   |
|-------|---|---|
| ADB   | – | Asian Development Bank                                  |
| CHP   | – | combined heat and power                                 |
| DMF   | – | design and monitoring framework                         |
| EA    | – | executing agency  |
| EBRD  | – | European Bank for Reconstruction and Development        |
| FiT   | – | feed-in-tariff  |
| GHG   | – | greenhouse gas  |
| GIZ   | – | Deutsche Gesellschaft für Internationale Zusammenarbeit |
| JFPR  | – | Japan Fund for Poverty Reduction                        |
| JICA  | – | Japan International Cooperation Agency                  |
| MOE   | – | Ministry of Energy                                      |
| NAPSI | – | Northeast Asia Power System Interconnection             |
| NDC   | – | Nationally Determined Contribution                      |
| PMO   | – | project management office                               |
| PRC   | – | People's Republic of China                              |

## WEIGHTS AND MEASURES

|                     |   |                           |
|---------------------|---|---------------------------|
| CO <sub>2</sub> -eq | – | carbon dioxide equivalent |
| Gcal                | – | giga calorie              |
| kWh                 | – | kilowatt-hour             |
| MW                  | – | megawatt                  |
| mt                  | – | million ton               |
| PV                  | – | photovoltaic              |

## NOTE

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

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:       | Renewable Heating Demonstration in Remote Areas |
| Lending/Financing Modality: | Project Grant | Department/Division: | EARD/EASI                                       |

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| <b>I. POVERTY IMPACT AND SOCIAL DIMENSIONS</b>   |
| <p><b>A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy</b><br/>         Access to affordable, reliable, sustainable, and modern energy for all (Sustainable Development Goal 7) remains a challenge for Mongolia. Due to the long heating season and reliance on coal, Mongolia has one of the highest per-capita greenhouse gas emission rates and suffers from poor air quality leading to high rates of associated illness. This project will demonstrate how renewable heating supply systems can significantly reduce emissions while maintaining the safety and health of building occupants. The project is aligned with Mongolia's Nationally Determined Contribution to the United Nations Framework Convention on Climate Change, which targets emission reductions of 22.7% by 2030 compared to a business-as-usual scenario. The project is also aligned with the Action Plan of the Government of Mongolia for 2020-2024, requiring government to increase the access to quality heat supply. The location in the South Gobi region supports the government's aim to have balanced development and reduce the rate of migration to Ulaanbaatar.</p> <p>The project is aligned with the ADB's country partnership strategy for Mongolia, 2017-2020, which targets increased use of renewable energy, and the project is included in the country operations business plan for Mongolia, 2021 (formerly, Pro-Poor Rural Energy in Rural Remote Areas Project).</p> |
| <p><b>B. Poverty Targeting</b><br/> <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.)</p> <p>The project will demonstrate a renewable heating system in a community building in the South Gobi region. Its deployment will reduce localized air pollution, the effects of which can disproportionately impact the children, the elderly, and the vulnerable. The system will also be installed in a building that is used by the public to ensure value to members of the community.</p>  |
| <p><b>C. Poverty and Social Analysis</b></p> <p>1. Key issues and potential beneficiaries.<br/>         The expected beneficiaries of the project grant are rural residents including low-income households. Access to electricity and heating supply is a basic need for Mongolians, and adoption of renewable energy based systems will result in reduced air pollution and greenhouse gas emissions.</p> <p>2. Impact channels and expected systemic changes.<br/>         The project will provide clean heating services for a building that is used by the community. The project will reduce air pollution, which is associated with respiratory disease, and it will support safe and healthy indoor conditions for building users.</p> <p>3. Focus of (and resources allocated in) the transaction TA or due diligence.<br/>         Project due diligence will focus on collecting data on public buildings and their use to ensure that the site selected is a building used by community members to ensure direct benefits for users.</p>  |
| <b>II. GENDER AND DEVELOPMENT</b>  |
| <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?<br/>         Labor force participation rate for women in Mongolia is 53% in 2019 compared with 65.5% for men. Occupational segregation is evident. The association of Mongolian Women in Science, Technology, and Math (STEM) indicates that in 2016 while women comprised 58% of university students, they only represented 29% of the students in engineering and information and communication fields. Under Loan 3874-MON, ADB is supporting Mongolia to develop the first gender strategy for the energy sector.<sup>a</sup> This grant will promote capacity building of women in the sector as heating technicians and regional leaders in project areas. During due diligence specific gender gaps will be identified that could be addressed within the scope of the grant and sex-disaggregated data will be collected. Overall, the project will benefit women and men equally by providing access to clean and reliable heating and improving air quality.</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 type="checkbox"/> Yes   <input checked="" type="checkbox"/> No</p>   |

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| <p>3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?<br/> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>   |
| <p>4. Indicate the intended gender mainstreaming category:<br/> <input type="checkbox"/> GEN (gender equity) <input type="checkbox"/> EGM (effective gender mainstreaming)<br/> <input checked="" type="checkbox"/> SGE (some gender elements) <input type="checkbox"/> NGE (no gender elements)</p>   |
| <p><b>III. PARTICIPATION AND EMPOWERMENT</b></p>   |
| <p>1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.<br/> The main stakeholders of the project are government officials involved in procurement of heat supply equipment, building managers responsible for maintenance of heat supply equipment, and community members who would benefit from reduced use of high-polluting coal for energy supply. Officials involved in procuring and maintaining the heating equipment will be consulted to ensure sustainability of the individual system and scalability of the proposed technology.</p> <p>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?<br/> Accessibility, and quality of service will all be assessed during the project design phase to ensure the demonstration has the potential to lead to broader adoption of the technology. Because the project requires no behavior change by community members using the building, their participation is not required at the design phase. However, the project aims and benefits will be widely shared, including the health benefits of cleaner energy supply for heat.</p> <p>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?<br/> <input checked="" type="checkbox"/> Information generation and sharing (M) <input checked="" type="checkbox"/> Consultation (M) <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership<br/> Some CSOs in Mongolia are tracking progress on greening the energy supply and achieving the sustainable development goals. Opportunities will be explored to involve CSOs in project sharing events during design, and they will be included in knowledge sharing events and partnering opportunities for broader knowledge sharing through CSO platforms during implementation.</p> <p>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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No<br/> There are no issues in project design requiring participation of poor and vulnerable populations.</p> |
| <p><b>IV. SOCIAL SAFEGUARDS</b></p>  |
| <p><b>A. Involuntary Resettlement Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p>   |
| <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<br/> In selecting the project site for the demonstration, one of the criteria will be confining works within the existing site or vacant unencumbered state-owned land, free of any dispute, or legacy of outstanding issues of past acquisition.</p> <p>2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?<br/> <input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix<br/> <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>  |
| <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>   |
| <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<br/> The Khalkh make up the majority of the population in the Southern Gobi region (Census, 2015). The project activities are not targeted or expected to impact distinct and vulnerable groups of ethnic minorities that would trigger ADB SPS requirements on indigenous peoples.</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?<br/> <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social impact matrix<br/> <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>  |
| <p><b>V. OTHER SOCIAL ISSUES AND RISKS</b></p>   |

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

- Creating decent jobs and employment    Adhering to core labor standards    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 project will create jobs during construction and operation. The contractors will be required to adhere to national labor standards, safety regulations and equal pay for equal work.

#### **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

There are no social risks anticipated as a result of the project. Opportunities for greater gender benefit will be evaluated during due diligence.

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?

An ADB gender specialist will support the team in identifying possible means of maximizing gender benefits under the project.