



Initial Poverty and Social Analysis

Project Number: 56275-001
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Mongolia: Tavan Bogd COVID-19 Food Security and Inclusive Job Creation Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 18 October 2022)

Currency unit	–	togrog (MNT)
MNT1.00	=	\$0.000296
\$1.00	=	MNT3,270.50

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	Coronavirus disease
CSO	–	Civil society organization
FAST	–	Faster Approach to Small Nonsovereign Transactions
ESMS	–	Environmental and social management system
LLC	–	Limited liability company
TA	–	Technical assistance
TBF	–	Tavan Bogd Foods Limited Liability Company
TBF Pizza	–	Tavan Bogd Foods Pizza Limited Liability Company
TBG	–	Tavan Bogd Group
UB	–	Ulaanbaatar
UBF	–	Ulaanbaatar Flour Limited Liability Company

NOTE{S}

- (i) The fiscal year (FY) of UBF and TBF ends on 31 December.
- (ii) In this report, “\$” refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Mongolia	Project Title:	Tavan Bogd COVID-19 Food Security and Inclusive Job Creation Project
Lending/Financing Modality:	General Corporate Finance	Department/ Division:	Private Sector Operations Department/ Office of the Director General

I. POVERTY IMPACT AND SOCIAL DIMENSIONS
<p>A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy</p> <p>The project involves a senior loan to Ulaanbaatar Flour Limited Liability Company (UBF), and to Tavan Bogd Foods LLC (TBF) to support a stable supply of wheat flour for UBF and to help TBF enhance its operations by providing financing for the construction of its two new KFC and Pizza Hut warehouses, expansion of eight additional quick service restaurants, and maintenance capital expenditures.^a The project is aligned with the Asian Development Bank’s (ADB) 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”.^b The project is aligned with one of the strategic pillars of ADB’s country partnership strategy for Mongolia, 2021-2024: foster inclusive social development and economic opportunity.^c The project is also part of ADB’s Comprehensive Response to the COVID-19 Pandemic, which proposed \$20 billion to address the needs of ADB’s developing member countries as they respond to the COVID-19 pandemic.^d It will also complement the sovereign COVID-19 response program in Mongolia approved in 2020 by supporting enterprises along the same agricultural supply chain.^e</p>
<p>B. Poverty Targeting:</p> <p>General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)</p> <p>In 2020, about 27.8% of Mongolia’s population lived below the national poverty line.^f Poverty incidence in rural area was 30.5%, compared with an urban poverty rate of 26.5%.^g Most of the rural population is highly dependent on agriculture and animal husbandry.^h The project will contribute to poverty reduction by increasing the capacity, productivity, and income of smallholder farmers. 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 Ulaanbaatar and in rural areas.</p>
<p>C. Poverty and Social Analysis</p> <p>1 Key issues and potential beneficiaries. The primary beneficiaries of the project are the company’s suppliers (smallholder farmers several of whom are women), UBF and TBF existing and prospective employees. The project will provide direct benefits to employees of the company and its subsidiaries while indirect benefits will accrue to contractors and their employees in the supply chain. The project will build on ADB’s sovereign assistance program which focuses on the inclusion of persons with disabilities (PWDs) in society by including them in mainstream economic activities and employment and providing them access to services.</p> <p>2. Impact channels and expected systemic changes. The project will increase 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. It will also create employment opportunities during construction and operation through expansion of eight service restaurants and two warehouses.</p> <p>3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will focus on reviewing the companies’ existing management of environmental and social risks and its environmental and social performance. This will include review of existing systems and procedures used to identify and manage environmental and social risks and impacts with respect of operating quick service restaurants as well as examination of environmental and social risks and impacts with respect to the two warehouses. ADB will work with UBF and TBF to ensure their Environmental and Social Management Systems (ESMSs) address identified risks and impacts in manner that meets safeguard requirements of ADB and applicable legislation.</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?</p> <p>In 2020, the Gender Development Index for Mongolia was relatively high and improving which is largely explained by women’s higher average longevity and educational levels compared to men. Despite the GDI improvement, there are pressing issues in economic and social fields that demand urgent attention.ⁱ In 2019, only 53% of working-age women participated in the labor force compared to 68% for men.^j Women of various ages with differing levels of</p>

education highlighted pronounced gender-specific barriers that hinder their access to jobs and career opportunities. They spend longer periods looking for jobs, encounter a limited number of occupations open to them, and are paid less than men.^k The Mongolian Labor Code promotes employment of persons with disabilities (PWDs) however the law does not seem to achieve significant results.^l In 2014 economic activity among PWD 15 years old and above was 25% compared to 62% in the general population. PWD employment rates show a gender gap: economic activity among women with disabilities are lower than men with disabilities (22% female versus 27% male) with women more likely to be engaged in unpaid work.^m

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 access to and use of opportunities, services, resources, assets, and participation in decision-making? Yes No

During gender due diligence potential gender measures to be examined include TBF restaurants display gender equality messaging in-store, gender equitable access to new operational jobs, hiring of people with disabilities in a gender equitable manner, a staff training module on gender equality and disability inclusion, and internships for women at UBF

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

Yes No

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 EMPOWERING THE POOR

1. **Who are the main stakeholders of the project, including beneficiaries and affected people? Explain how they will each participate in the project's design.** The expected beneficiaries of the project are UBF and TBF, their employees and suppliers and contractors, as well as population and businesses the companies serve.

2. **Who are the key, active, and relevant CSOs in the project area?** The nature of ADB's investment (general corporate finance) does not envisage engagement with specific CSOs.

3. **Are there issues during project design for which participation of the poor and vulnerable is important?**

Yes No but poor and vulnerable households that maybe affected by the project will be identified during due diligence to ensure their views and concerns are heard. If yes, what are these issues?

4. **How will the project ensure the participation of beneficiaries and affected people, particularly the poor and vulnerable and/or CSOs, during project design to address these issues?**

The companies' stakeholder engagement, customer relations and grievance redress mechanism provide for opportunities to account for views and concerns of communities and local CSOs.

5. **What level of CSO participation is planned during the project design?**

Information generation and sharing ___ Consultation ___ Collaboration ___ Partnership

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 is not expected to result in involuntary resettlement impacts since land for the two warehouses does not require expropriation and lease/purchase agreements for the quick service restaurants are being concluded on a willing buyer-willing seller basis. The due diligence will include a social compliance audit which will confirm if construction of the warehouses is to result in any temporary or permanent impacts to private land or livelihoods. The due diligence will explore possibility of UBF's and TBF's ESMSs to adopt screening and categorization, aligned with the ADB requirements, that will exclude acquisition and development of sites involving involuntary resettlement.

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

<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? Yes No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No</p> <p>Proceeds from the proposed ADB loan facility will not be used to fund any construction or expansion of physical assets which involve activities that may directly or indirectly affect indigenous peoples or vulnerable ethnic minorities. The project will not result to commercial development of the cultural resources and knowledge of Indigenous Peoples, physical displacement from traditional or customary lands, and commercial development of natural resources within customary lands.</p> <p>3. Will the project require broad community support of affected indigenous communities? Yes 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> <table border="0"> <tr> <td>Indigenous peoples plan</td> <td>Indigenous peoples planning framework</td> <td>Social impact matrix</td> </tr> <tr> <td>Environmental and social management system arrangement</td> <td></td> <td>None</td> </tr> </table>	Indigenous peoples plan	Indigenous peoples planning framework	Social impact matrix	Environmental and social management system arrangement		None
Indigenous peoples plan	Indigenous peoples planning framework	Social impact matrix				
Environmental and social management system arrangement		None				
V. OTHER SOCIAL ISSUES AND RISKS						
<p>1. What other social issues and risks should be considered in the project design?</p> <p>Creating decent jobs and employment (L) Adhering to core labor standards (L) Labor retrenchment Spread of communicable diseases, including HIV/AIDS (L) 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 _____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design? UBF and TBF will be required to implement recommendations of the environmental and social examination and social compliance audit. The Project will also be required to comply with national labor laws and implement its ESMS which will set out measures and procedures to comply with the internationally recognized core labor standards, pursuant to ADB's Social Protection Strategy (2001).</p>						
VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT						
<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>Yes No</p> <p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis; and the participation plan during the transaction TA or due diligence? ADB will engage with the client and will work closely with the independent consultants during the due diligence process to review provided documentation and engage in discussions with relevant specialists.</p>						

ADB = Asian Development Bank, CSO = civil society organization, ESMS = environmental and social management system, IPSA = initial poverty and social analysis, TA = technical assistance.

^a TBF includes Tavan Bogd Pizza LLC which is expected to be demerged from TBF by December 2022.

^b ADB. 2019. *Strategy 2030 Operational Plan for Priority 5: Promoting Rural Development and Food Security, 2019–2024*. Manila.

^c ADB. 2021. *Country Partnership Strategy: Mongolia, 2021–2024—Laying Resilient Foundations for Inclusive and Sustainable Growth*. Manila.

^d Government of Mongolia. 2016. *Action Program of the Government of Mongolia for 2016–2020*. Ulaanbaatar.

^e ADB. 2020. *Report and Recommendation of the President to the Board of Directors: COVID-19 Rapid Response Program*. Manila.

^f ADB. 2022. *Basic Statistics 2022*. Manila.

^g The World Bank. 2021. Press Release: Mongolia' 2020 Poverty Rate Estimates at 27.8 Percent.

^h C. Annor-Frempong and D. Rasmussen. 2015. *Mongolia: Agricultural Productivity and Marketing Report*. Ulaanbaatar.

ⁱ United Nations Development Programme. [Human Development Reports](#). accessed 27 May 2022.

^j ADB. 2019. Mongolia: Technical Assistance Report. [Moving Gender Equality Forward through Civil Society Engagement](#).

^k Mongolian National Statistics Office. 2017. Labor Force Surveys.

^l Law of Mongolia. [Labour Code, 1999, Article 111, Employment of Disabled and Midgets](#). As Modified by the Law of 22 May 2003. Ulaanbaatar.

^m Mongolian National Statistics Office. Labor Force Surveys 2014.