



Initial Poverty and Social Analysis

Project Number: 50088
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Mongolia: Upscaling Renewable Energy Project

An initial poverty and social assessment (IPSA) is prepared in the early stage of the project cycle to assess the significance of social issues for a project. In accordance with ADB's public communications policy (PCP, 2005), the IPSA is disclosed upon completion.

Asian Development Bank

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Mongolia	Project Title:	Upscaling Rural Renewable Energy Investment Program
Lending/Financing Modality:	Sector Lending	Department/ Division:	EARD/EAEN

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

Mongolia is divided into five regions, (i) Central, where the capital city of Ulaanbaatar is located, and dominates in terms of population and nominal gross domestic product, and has a significantly lower poverty rate at 16.4%, (ii) Northern, with the biggest economy apart from Ulaanbaatar, with about one-fifth of a nominal gross domestic product of Ulaanbaatar in 2014, (iii) Southern, where the smallest population in the country resides but significant mining development activities are going, (iv) Western, where poverty ratio is the second highest in the country (26% in 2014), and (v) Eastern, where poverty ratio is the highest in the country (31% in 2014).

Similar to the geographic division, the power network independently comprises of four systems: (i) the Central energy system, which is the largest system covering northern, central, and southern Mongolia, (ii) the Western energy system [with peak demand of 32 megawatts (MW)], which covers Bayan Ulgii, Uvs, and Khovd *aimags*, (iii) the Altai-Uliastai energy system (with peak demand of 15 MW), which covers the middle-western *aimags* such as Govi-Altai, Zavhan, Bayankhongor, Arkhangai, and Huvsgul, and (iv) the Eastern energy system (with peak demand of 36 MW), which covers Dornod, Shkhbaatar, and Khenti *aimags*.

The Government of Mongolia has ambitious targets of renewable energy integration into the power system under the State Policy on Energy 2015–2030, which targets the share of renewable energy in the total generation capacity to 20% in 2023 and to 30% in 2030. Subsequently, the government has prepared the Renewable Energy Investment Plan together with multilateral development banks to strategize investments in renewable energy. For the central energy system, where affordability is high, and has a track record of renewable energy project invested by private sector with feed-in-tariff system, private sector-driven renewable energy development is the key driver which may be financially supported by the multilateral development banks such as the International Finance Corporation, European Bank for Reconstruction and Development, and private sector operation from ADB. On the other hand, investments in renewable energy to other energy systems which cover relatively poor regions will be taken care by the government and sovereign financing from ADB and the World Bank.

The proposed project will demonstrate distributed renewable energy supply in three batches focusing on relatively poor regions. The first batch will focus its investment in the Western energy system. The system heavily depend on power supply (73%) by import from the People’s Republic of China and the Russian Federation, and the remaining 27% is supplied by Durgun hydro power plant (12 MW installed capacity) located in Durgon soum, Khovd *aimag*.

The proposed core-subprojects in the first batch will invest in the (i) construction of 10 MW each solar photovoltaics plant in Myangad soum, Khovd *aimag*, and Omnogovi soum, Uvs *aimag*, (ii) construction of 5 MW wind power plant in Ulaangom, Uvs *aimag*, (iii) rehabilitation of currently non-operational Uench small hydropower plant (installed capacity of 0.96 MW) in Uench soum, Khovd *aimag*, and (iv) installation of heat pump heating system in schools and hospitals in *aimag* centers of Khovd and Uvs. A total of 26 MW of installed capacity in renewable energy will supply 40 gigawatt-hour in the western region grid system, which potentially reduces dependence on power import from neighboring countries from 73% to 46%. Also, it will contribute to increase the renewable energy share in the power system from the current 10% to 13%.

Non-core subprojects in the second and third batches will replicate the similar application in middle-western and eastern regions of Mongolia. The detailed project sites will be identified during the implementation of the first batch of the project.

The proposed project is closely aligned with (i) the Midterm Review of Strategy 2020,^a which identifies environmentally sustainable growth as a priority for helping developing member countries move onto a low-carbon growth path by introducing renewable energy; (ii) the Mongolia country partnership strategy (2012–2016),^b which supports energy access in remote rural areas; and (iii) ADB’s Energy Policy (2009),^c which prioritizes renewable energy development.

B. Poverty Targeting:

General Intervention
 Individual or Household (TI-H)
 Geographic (TI-G)
 Non-Income MDGs (TI-M1, M2, etc)

The investment program will improve access of renewable based electricity and heating supply in western and eastern *aimags*, which are relatively poor regions.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries.

The expected direct beneficiaries of the investment program are rural residents including low-income households. Access to renewable based electricity and heating supply is one of the basic needs of potential beneficiaries. Affordability might be considered a constraint among low-income rural households to access electricity and heating services.

2. Impact channels and expected systemic changes.

The project will provide renewable-based electricity and heating services to rural households including low-income households in the investment program areas. Switching from coal-based to renewable-based heating system in schools and hospitals under the investment program will (i) reduce cases of respiratory diseases through improved indoor and outdoor air quality; and (ii) improve the schooling and treatment conditions through adequate and reliable heating services.

3. Focus of (and resources allocated in) the PPTA or due diligence.

The PPTA will focus on (i) collecting social and poverty data; (ii) identifying project benefits by income groups; (iii) assessing affordability for accessing the renewable-based electricity and heating; and (iv) assessing types of employment opportunities, and identifying effective measures to improve employment opportunities for local people including the poor and women.

II. GENDER AND DEVELOPMENT

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

The proposed project will support the renewable-based heating system for schools and hospitals. Coal-based space heating has a higher impact on school girls and female patients in terms of increasing incidence of respiratory diseases related to indoor air pollution.

2. Does the proposed project or program have the potential to make a contribution 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 Please explain.

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

Yes No Please explain

The project will not have adverse impact on women and/or girls or widen gender inequality.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity theme) 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.

Main stakeholders of the project are the Ministry of Energy, Western Region Energy System, Altai-Uliastai Energy system, Eastern Region Energy System, National Renewable Energy Center, local government, and existing electricity and heat users in the project targeted areas. They have been participating in the project design through consultations and series of review and approval processes. Potentially affected communities will participate in public consultations during the domestic environment impact assessment preparation and will also have an opportunity to engage in project design improvement through potential public consultation meetings and other communication channels that will be set during the project preparation stage as well as project implementation.

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?

Accessibility and affordability of renewable based electricity and heating services among various income groups will be assessed during the PPTA implementation through social survey and interviews.

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?

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

Consultation with potential electricity and heat users and local government will be conducted to improve the project design.

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? Yes No
 The PPTA will conduct targeted consultation for rural low income households to address affordability issue in the project design.

IV. SOCIAL SAFEGUARDS – for tranche 1

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

According to the pre-feasibility study report, the proposed project will not entail permanent or temporary physical displacement or economic displacement as (i) solar and wind power plants will be located in the unused government owned land which is next to the existing substations, (ii) rehabilitation of small hydropower plant will be commenced in existing premises, and (iii) shallow ground heat pump will be installed in existing buildings.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?

- Resettlement plan Resettlement framework Social impact matrix
 Environmental and social management system arrangement None – Due diligence will be conducted.

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

Some of the proposed subproject areas include various Mongol ethnic groups which are all similar to the Khalh mainstream group and none are vulnerable due to ethnicity. The project will benefit all rural households and is not expected to have adverse impact on any households, because the project focuses on energy supply rather than delivery. Nonetheless, due diligence will be conducted during the PPTA to confirm this categorization.

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 PPTA or due diligence process?

- Indigenous peoples plan Indigenous peoples planning framework Social Impact matrix
 Environmental and social management system arrangement None – Due diligence will be conducted.

V. OTHER SOCIAL ISSUES AND RISKS

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

- (L) Creating decent jobs and employment (L) Adhering to core labor standards Labor retrenchment
 Spread of communicable diseases, including HIV/AIDS Increase in human trafficking (M) 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?

Standard assurances on labor will be included in the project agreement. The main concern is affordability, as discussed earlier, which is a central theme of the program design.

VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (vi) 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 PPTA or due diligence?

A total of 6 person-months of social safeguard and analysis specialists (international for 2 person-months, and national for 4 person-months) will be hired to conduct social due diligence during PPTA implementation.

ADB = Asian Development Bank, MW = megawatt, PPTA = project preparatory technical assistance

^a ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

^b ADB. 2012. *Country Partnership Strategy: Mongolia, 2012–2016*. Manila.

^c ADB. 2009. *Energy Policy*. Manila.