

Public

Environmental and Social Data Sheet

Overview

Project Name:	Mongolia Development of Secondary Urban Centres
Project Number:	2019-0316
Country:	Mongolia
Project Description:	The proposed multi tranche investment program aims to support the government in establishing green, resilient, inclusive, and competitive urban centres in selected aimags (provinces) of Mongolia. The program, jointly financed with the Asian Development Bank, will comprise a sequenced set of investments to promote inclusive rural-urban transformation, including the most urgent and critically needed infrastructure.

EIA required:

The Project is a Framework Loan operation, which will be implemented in accordance with the Bank's Environmental and Social Standards. If located in the EU, some of the schemes might have fallen under Annex II of the EIA Directive and would need to be screened by the Competent Authority. A similar screening process takes place in Mongolia, and should any scheme be screened in by a competent authority, the Promoter shall deliver the Environmental Impact Study, and if applicable the social assessment, to the Bank, before the Bank funds can be allocated under the loan.

Project included in Carbon Footprint Exercise¹: no

(details for projects included are provided in section: "EIB Carbon Footprint Exercise")

Environmental and Social Assessment

Environmental Assessment

Legal framework

Environmental impact assessment in Mongolia is guided by the Law on Environmental Impact Assessment (2012) which is administered by the Ministry of Environment and Tourism (MET). The EIA protocol for all project interventions is two tiered, defined initially by a general EIA (GEIA) - initial screening, followed by either a full detailed EIA (DEIA) or an Environmental Management Plan (EMP). The initial GEIA is normally conducted by the MET, which identifies the required level of further impact assessment of a project.

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO2e/year absolute (gross) or 20,000 tonnes CO2e/year relative (net) – both increases and savings.

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For major projects, the GEIA prescribes the follow-up requirement a DEIA, whereas for minor impact projects, the GEIA can prescribe only that an environmental management plan (EMP) be prepared for the project.

The above-mentioned system largely responds to the standards of international financial institutions applicable to environmental protection. If gaps are identified, they will be filled in to fulfil the EIB requirements. The above framework is deemed adequate for the characteristics of this project by the EIB.

Given the Framework Loan nature of this operation, the project components have not yet been prepared to a level where formal screening according to the above system could take place. Nevertheless, for the Tranche 1 components, feasibility work has included environmental analysis to identify and assess environmental risks, and foresees that Environmental Management Plans would be required. EMPs have therefore been prepared as described below. Once the project components are developed further, the formal environmental screening process per the Mongolian regulatory framework will be carried out, and the required environmental documentation will be submitted, drawing on and updating as needed the analyses and EMPs carried out at the feasibility stage.

The Promoter

The Ministry of Construction and Urban Development (MCUD), is an overall Promoter who will bear the full responsibility for Project Implementation and will maintain a repository of environmental documents and report on them to the EIB. The implementation of the Project will be carried out by a Project Management Office established within the structure of MCUD. The implementation of the Project will be supported by a team of technical assistance consultants to be contracted by the PMO, and their costs are adequately budgeted by the Project.

The Project

The proposed Project is a framework loan to be implemented in two tranches over a period between 2021 and 2028 in secondary and tertiary urban centres of Mongolia. Each tranche will be prepared separately and governed by a separate Financing Contract. The tranche 2 will be prepared using the lessons learned from implementation of tranche 1, including also the environment and social aspects of the Project.

The Project has been prepared in response to the need to provide basic infrastructure to newly urbanized areas of secondary urban centres of Mongolia, which currently lack basic infrastructure. Therefore, the population residing in those areas has to resort to using pit latrines and individual water wells, which leads to health issues as well as negative environmental effects related to pollution of soil, ground water and surface water bodies with untreated sewage. Lack of paved roads in semi-arid climate and lack of centralized district heating which forces the population to use low emission heat sources is a source of air pollution, which contributes to respiratory illnesses in the local population.

Consequently, the Project will build the missing infrastructure. Among the infrastructure components to be build are wastewater treatment plants, sewerage and water mains, district heating, electricity and high-speed internet networks.

The investments described above will have positive impact on health of the residents of secondary urban centres of Mongolia, as well as on the environment, as the untreated wastewater will no longer be discharged directly to the environment, polluting soil and local water bodies. The quality of effluent will be according to the standards of Mongolia, which are in line with internationally accepted standards for effluent.

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The project will also provide district heating connections to the residents, enabling them to cease usage of local stoves. The new district heating connection combined with energy efficiency investments in local public buildings will lead to net decrease of heat demand in these local centres, enabling net reduction of consumption of coal which is the fuel used in district heating boiler houses and by the population using individual stoves. This district heating component, combined with paving of some of the local streets to reduce dust is expected to reduce air pollution, leading to reduction of respiratory diseases.

Densification of existing unplanned residential areas - areas which were not planned for residential construction, where, as a consequence, no infrastructure was built, apart from electricity connection, but where the growing population settled anyway, often using traditional Mongolian *ger*² as a homestead - will enable the cities to respond to growing population numbers without increasing the surface area of the city.

Finally, the project will provide for additional flood protection measures, in response to more frequent occurrences of seasonal flooding and will enable harvesting of excess rainwater for use by the local agriculture.

The five project sites for tranche 1 are not in, or near protected areas or critical wildlife habitat and are not inhabited by rare or endangered wildlife.

Investment financed by tranche 2 will be located in the same locations as tranche 1; however, new locations may be added. The new potential locations have been identified already and selected to ensure that they are not located in vicinity of critical wildlife habitat and are not inhabited by rare or endangered wildlife and where the investment is unlikely to have a negative impact on environment and biodiversity, i.e. areas designated as protected under the legislation of Mongolia.

In addition to the above components, the project will provide for energy efficiency investments in existing public buildings and it will finance construction of a number of rooftop and ground-based solar panel installations to increase share of renewable energy in the energy production mix in the Western region of Mongolia, providing for additional greenhouse gases emission reductions.

The potential impacts of the construction of new and upgraded infrastructure (i.e., utility trunks lines, roads, buildings, drainage, riverbank & dyke improvements, water supply canals) for the urban areas and for the new industrial processing areas for SMEs involved in agricultural processing (note, that these expected industrial processing facilities are outside of the scope of the Project) will be in the form of short-term disturbances and impacts from civil works activities.

The Aimag (Region) Environmental Management Plans (EMPs) developed for the Project provide impact mitigation plans, environmental monitoring plans, and specify the institutional responsibilities and capacity needs for the environmental management of the Project. The EMPs will need to be reviewed and updated at the detailed design phase to ensure that these EMPs fully address the potential impacts of the final project component designs.

² Ger is a movable structure, resembling a large tent, traditionally used by nomad population of Mongolia

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Social Assessment, where applicable

The project is structured as a multi sector framework loan. It will have positive social impacts in the regions of intervention, in terms of improved access to water and improved sewage system. The schemes (sub-projects) foreseen as part of the framework loan pipeline, will also improve the living conditions of those willing to adhere to the pilots, granting them access to water and district heating system, road connection system, community infrastructure as well as giving them the opportunity to restore their housing or alternatively access to new affordable apartment units.

The proposed schemes (sub-projects) are likely to have some social negative impacts:

- Limited to possible disruption of services, noise and temporary occupation of public and private space, during construction phase.
- Some permanent involuntary resettlement (economic and physical) due to the construction works related to water, wastewater, heating system and housing schemes. The final design for the lining of pipes and wires will aim at avoiding or at least minimizing resettlement impacts in the project areas. The affected entities identified in pre proposed schemes are 29 (26 households, 3 organizations and businesses), affected land parcels 21 (20 partially, 1 fully).

In case of economic or physical displacement related to civil works, the Promoter will be responsible for the preparation of resettlement documentation as required by the EIB standard on involuntary resettlement. A Resettlement Policy Framework (RPF) has already been drafted (financed by ADB); its update will be part of an environmental and social management framework (ESMF) that will be prepared for the project.

Public consultation meetings and individual meetings were conducted in and around October 2019. These meetings identified resettlement issues and concerns, and appropriate impact mitigations actions. The public consultation meetings with the affected households and households living in the project areas were held in aimag centers of Uvs, Bayan-Ulgii, and Khovd, and two soum centers of Umnugovi and Deluun.

The socio-economic survey of the affected households and entities, and data collection for the affected land and property valuation also took place in October 2019. Its results were integrated into the resettlement framework and it will be updated as needed.

The main PMO/MCUD along with the regional PIUs and the aimag governments will be responsible for the overall implementation and compliance with the RPF. Compliance with EIB standard and with the final version of RPF as well as its implementation are also included as undertakings in the loan agreement. The implementing entities will have the support of a technical assistance and an external consultancy will be hired for monitoring the implementation of the resettlement.

The housing schemes foreseen under this framework loan have been prepared incorporating lessons learned from projects previously implemented by other IFIs in the country. The adhesion of the local population in pilots Ger areas will be voluntary. The households in the pilot areas will be given the opportunity to have a technical unit (access to water, toilet, heating system) against several options. They will also have the opportunity to access newly built apartments or material to improve (for energy efficiency and connection purposes) their own constructions. This voluntary participation is detailed in a Voluntary participation in ger areas plan soon to be finalized by the promoter (financed by ADB). It includes as well criteria and support opportunities for occupants of land (*Ger areas*) without recognized/ recognizable titles to land, to access affordable housing units and finance (for instance in case of relatives living in the same plot of land of the Ger owner).

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The project will be implemented in phases using pilot areas in each Aimag. This will allow the introduction of lessons learned and continuous adjustment to the need of the inhabitants of each Aimag.

The schemes foreseen in the first tranche of the project are not expected affect directly or indirectly the life of ethnic minorities or Indigenous people. Nevertheless, a mechanism for meaningful engagement of Ethnic minorities (and IPs) and a planning framework has been prepared by the promoter and will be updated as part of the ESMF and project implementation manual.

Mongolia has ratified all Fundamental ILO Conventions. The Promoter will ensure that agreements with the selected contractors include occupational and community health & safety provisions (including Gender Based Violence) and access to grievance mechanisms for workers, as part of their contracts and that works are carried out in line with the applicable national requirements, ILO standards and EIB standards. The Promoter will provide EIB with an annual independent assessment of labour and OHSS on sites.

A gender analysis has been undertaken for the project (by the promoter with support of ADB). It identifies gender gaps in the project areas and women's specific needs as it relates to the focus of the project. A gender action plan has also been developed in response to the identified gaps and needs with concrete activities. The gender action plan targets to increase the number of female-headed households with improved water, sanitation and heating systems, to enhance women's participation in community centres and to increase the number of TOSK housing units with female ownership

Public Consultation and Stakeholder Engagement

The Promoter has already prepared a project-wide grievance mechanism and a stakeholder engagement and consultation plan (to be updated for EIB schemes as part of ESMF). This plan aims to guide the Promoter, PMO and respective consultancy service teams through the consultation and participation process with the project key stakeholders for successful detailed project design and implementation. Several consultations and public meetings were conducted with project beneficiaries on the project principles. Consultations revealed an interest in participating in the design and construction of public spaces and social amenities.

The technical assistance will support the PMO in the development of training and information session targeting project affected population. The purpose will be to promote water and energy rational use, financial literacy and maintenance of the new infrastructure.

Vocational and entrepreneurship trainings will be offered as well to stimulate opportunities for self employment and enterprise creation

The promoter will conduct an annual independent review of the grievance mechanism.

Other Environmental and Social Aspects

An Environmental and Social Management Framework (ESMF) will be prepared as part of Project Operational Manual and will include the updated version of the resettlement policy framework, Ethnic minorities/Indigenous people engagement and planning (requiring FPIC when applicable) framework, stakeholder engagement and consultation plan and the management of grievances.

The framework will be prepared for the project, prior to allocation of funds on works' contracts for sub-projects co-financed by EIB (prior to first allocation).

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The ESMF will include, inter-alia, procedures for:

- Environmental and Social Standards screening of sub-projects and mitigation requirements or plans (such as: critical habitat assessments, due diligence on resettlement, indigenous people plan, among others);
- Preparation of sub-project Environmental Management Plan (EMP), where needed;
- Procedures for mainstreaming Environmental and social standards in construction contracts and in supervision;
- Procedures for the safe and meaningful engagement with stakeholders in COVID-19 environment.

The ESMF will define the requirements and the level of Environmental and Social documents needed for each scheme (sub-project). All standards related instruments will be disclosed in-country and on the EIB website in due course.

Civil works will not commence on any specific sub-project until it is confirmed that Project Affected People (PAPs) are treated in accordance with the principles of the project's ESMF.

The Promoter, through the PIU and external technical assistance will be responsible for managing, monitoring and updating the ESMF.

The Promoter will ensure full compliance of the sub-projects with applicable Mongolian legislation and EIB Environmental and Social Standards, and will be subject to reporting requirements to the Bank.

Conclusions and Recommendations

Overall, the promoter has identified the projects' environmental and social impacts and has proposed mitigation measures in line with EIB standards.

Promoter with the support of a technical assistance has adequate capacity to manage the identified social and environmental impacts. Therefore, subject to conditions mentioned below, the Project is acceptable to the Bank in environmental and social terms.

Before Submission of the first Sub-Project (Scheme) Allocation, the Promoter shall present to the Bank an Environmental and Social Management Framework (ESMF) including environmental screening, Resettlement policy framework, ethnic minorities/Indigenous people planning Framework, Stakeholder Engagement Framework, Grievance Mechanism, labour and occupational health and safety provisions. The ESMF will be prepared by the Promoter/Project Management Organisation and endorsed by the authorities that will be primarily involved in its implementation.

The Promoter undertakes to implement each sub-project in accordance to the finalised Project Implementation Manual, the ESMF, and in accordance to EIBs Environmental and Social Standards, and will consult with the Bank prior to entering into any material amendments to these documents.

For all subprojects under the proposed framework loan, the Promoter/Project Management Organisation will submit, if required by the ESMF, and to the satisfaction of the Bank, E&S specific plans (environmental assessments, resettlement plans; IPP; ESMPs; et al.).

The Project is a Framework Loan operation, and should any scheme be screened in by a competent authority, the Promoter shall deliver the Environmental Impact Studies, and if applicable the social assessments, to the Bank, before the Bank funds can be allocated under the loan.



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Under these conditions in place, the project is acceptable for EIB financing in Environmental and Social terms.