

**INTEGRATED SAFEGUARDS DATA SHEET  
APPRAISAL STAGE**

**Report No.: ISDSA7737**

**Date ISDS Prepared/Updated:** 17-May-2016

**Date ISDS Approved/Disclosed:** 18-May-2016

**I. BASIC INFORMATION**

**1. Basic Project Data**

<b>Country:</b>	Mongolia	<b>Project ID:</b>	P147438
<b>Project Name:</b>	Mongolia Export Development Project (P147438)		
<b>Task Team Leader(s):</b>	Ulle Lohmus		
<b>Estimated Appraisal Date:</b>	11-Apr-2016	<b>Estimated Board Date:</b>	27-Jun-2016
<b>Managing Unit:</b>	GFM02	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	SME Finance (30%), General finance sector (20%), Other domestic and international trade (30%), General industry and trade sector (20 %)		
<b>Theme(s):</b>	Other Financial Sector Development (20%), Micro, Small and Medium Enterprise support (30%), Other Private Sector Development (20%), Export development and competitiveness (30%)		
<b>Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?</b>			No
<b>Financing (In USD Million)</b>			
Total Project Cost:	20.78	Total Bank Financing:	20.00
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
BORROWER/RECIPIENT			0.78
International Development Association (IDA)			20.00
Total			20.78
<b>Environmental Category:</b>	F - Financial Intermediary Assessment		
<b>Is this a Repeater project?</b>	No		

**2. Project Development Objective(s)**

The development objective of the project is to support Mongolian small and medium size firms in the non-minerals sectors to strengthen their export capabilities and expand access to export markets.

### 3. Project Description

The project will have three components:

Component 1: Development of a new line of export finance products (\$10.74 million). This component will provide financial, technical, and institutional development support to the Agricultural Reinsurance Joint Stock Company (AgRe) in building a new line of export finance products. It will enable AgRe to obtain knowledge on and develop a range of export credit insurance and other trade finance products and its to-be-established Export Insurance Subsidiary (EIS) to start providing export credit insurance products to Mongolian SMEs in the non-minerals sector. As an additional outcome from this component, the EIS will become a center of excellence on export credit insurance and other trade finance products and will provide training and consulting services to insurance companies, financial institutions and exporting companies. This component will have two parts:

Sub-component 1.1: Knowledge transfer and capacity building for the Agricultural Reinsurance Joint Stock Company (AgRe) (\$1.0 million). This sub-component will finance staff of AgRe working on export finance instruments to go on short term (1- 6 months) fact-finding and study visits to solid foreign partner/s (to be determined jointly by AgRe and WB) for on-site learning related to export credit insurance and other trade finance development. The sub-component will also allow partner institutions management and staff to visit AgRe for knowledge sharing sessions and bring in a resident advisor, as needed. It will allow AgRe to draw on the expertise and experience of consultants and relevant partners in developing a range of export credit insurance and other trade finance products to Mongolian SMEs engaged in export activities. Once AgRe has developed the export credit insurance product line, it will obtain a license and establish its Export Insurance Subsidiary that will start providing export credit insurance products in Mongolia.

Sub-component 1.2: Equity injections to AgRe Export Insurance Subsidiary (\$9.74 million) will back up export insurance policies issued to Mongolian exporters either directly or through the private insurance companies and other financial institutions. Equity injections to the to-be-established export insurance subsidiary will be made available gradually over time, in three tranches and linked to the premium volume.

Component 2: Export competitiveness enhancement (\$8.5 million). This component will provide funding for (i) export-related training programs and (ii) matching grants which would support various expenditures by exporters directed at enhancing competitiveness of individual companies in global markets. This component will have 2 sub-components:

Sub-component 2.1: Training and research on foreign trade (\$2.5 million). This sub-component will augment existing public and private sector-provided training programs to all Mongolian entrepreneurs interested in starting or increasing exports. It will systematize such training, expand its modules, sectoral depth, geographical coverage, virtual outreach, and will train individual exporters, trainers, policymakers and public sector officials, and Mongolian diplomatic corps responsible for economic representation of Mongolia abroad. The sub-component will also finance export-related sectoral and analyses and other research which would benefit specific export-oriented industries or other groups of exporters.

Sub-component 2.2: Matching grants to promote export competitiveness (\$6.0 million). This sub-component will provide matching grants for exporting Mongolian SMEs in the non-minerals sectors

to enhance their competitiveness. Costs eligible for financing under the sub-component would include tailored consulting services and associated travel expenses of Mongolian exporters, including acquisition of ISO and other internationally recognized quality certificates.

Component 3: Project Implementation Support (\$1.54 million). The existing Project Implementation Unit (PIU) responsible for the Multi-Sectoral Technical Assistance Project (MSTAP) will provide its services for this Export Development Project. This is an experienced PIU that will ensure compliance with the Bank procurement, disbursement, and financial management policies and procedures. The PIU will be dissolved at project closing, with the technical skills for long-term sustainability of operations developed and residing at the MOF and AgRe.

The project beneficiaries are limited to the non-mining SMEs sector, in order to support the export diversification agenda. SMEs as defined in the Mongolia SME Law (e.g. the criteria varying by sector: industry, retail trade: maximum 199 employees and maximum turnover of MNT1.5 billion; trade: maximum 149 employees and maximum turnover of MNT1.5 billion; and services: maximum 49 employees and maximum annual turnover of MNT1 billion). The project beneficiary can be any SME that operates in the non-mining sector. The generic training on foreign trade will be made available to all interested companies in Mongolia.

#### **4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The Project will generally be implemented in Ulaanbaatar, however individual exporters which would benefit from the project (through finance, training, or matching grants) may be located across Mongolia.

#### **5. Environmental and Social Safeguards Specialists**

Feng Ji (GEN2A)

Songling Yao (GSU02)

<b>6. Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/BP 4.01	Yes	<p>The Project will reach individual companies through Sub-Component 1.2 (AgRe export insurance subsidiary) and Component 2. Although the types of concrete activities supported have yet to be identified, these activities may have environmental and social impacts.</p> <p>This project is categorized as a Financial Intermediary (FI). Specific activities to be financed will be assessed in terms of their potential environmental and social impacts and be categorized either as a Category A, B or C.</p> <p>It is unlikely that there will be Category A activities supported under the Project. However, Category A activities will be considered based upon certain eligibility criteria, which will include acceptable capacity to manage environmental and social risks and impacts.</p> <p>An ESMF has been prepared, providing due diligence of</p>

		existing exporter clients, screening procedures, eligibility criteria and procedures for assessment of potential environmental and social risks and impacts and developing measures to address those impacts.
Natural Habitats OP/BP 4.04	Yes	Given that the activities to be financed by the project will only be known during implementation, a precautionary approach was taken by triggering this policy to ensure that any activity or line of export proposed to be supported under the Project will be screened for impacts and/or benefits on natural habitats. The ESMF has included screening procedures to identify activities that may affect natural habitats and measures to address such impacts during project implementation.
Forests OP/BP 4.36	Yes	Given that the activities to be financed by the project will only be known during implementation, a precautionary approach was taken by triggering this policy to ensure that any activity proposed for financing will be screened for impacts and/or benefits on forests. The ESMF has included screening procedures to identify activities that may affect forests, forest health and forest-dependent communities and measures to address such impacts during project implementation.
Pest Management OP 4.09	No	The project is not envisaged to receive any application for project financing that will trigger the policy.
Physical Cultural Resources OP/BP 4.11	No	The project will not support any civil works and, as such, is not likely to affect physical cultural resources.
Indigenous Peoples OP/BP 4.10	Yes	The policy is triggered as project support may include companies operating in areas with social groups covered by the Bank's indigenous peoples policy. An IPPF was developed and included in the ESMF.
Involuntary Resettlement OP/BP 4.12	Yes	A precautionary approach was taken by triggering this policy to ensure that any activity proposed for financing will be properly screened. An RPF was developed and included in the ESMF.
Safety of Dams OP/BP 4.37	No	It is not anticipated that any activities will rely or be potentially affected by dams.
Projects on International Waterways OP/BP 7.50	No	It is not anticipated that this policy will be triggered.
Projects in Disputed Areas OP/BP 7.60	No	It is not anticipated that this policy will be triggered.

## II. Key Safeguard Policy Issues and Their Management

### A. Summary of Key Safeguard Issues

**1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:**

The project is classified as a FI project. It will reach individual companies through Sub-Component 1.2 (AGRE export insurance subsidiary) and Component 2. The project will not have direct investment to construct, expand, rehabilitate or modernize existing facilities used for the production of export products. However, it will lead to provision of export credit insurance products for the benefit of Mongolian exporters, as well as provide matching grants to exporters. Although the types of concrete activities supported have yet to be identified, these activities may have environmental and social impacts. Safeguards policies triggered include Environmental Assessment, Indigenous Peoples, and Involuntary Resettlement. Given that the activities to be financed by the project will only be known during implementation, a precautionary approach was taken by triggering Natural Habitats (OP4.04), and Forests(OP4.36) to ensure that any activity proposed for financing will be screened for impacts and/or benefits on natural habitats and forests. Specific activities to be supported will be screened and due diligence will be carried out to assess in terms of their potential environmental and social impacts and be categorized either as a Category A, B or C. It is not likely that there will be Category A activities supported under the Project given the type and size of SMEs eligible to benefit from the financial products being offered under the Project. However, Category A activities will be considered based upon certain eligibility criteria which will include capacity to manage safeguards risks and impacts. Particular attention will be paid on the environmental and social risk profile of the export-oriented operations of beneficiary companies. Any potential impact is expected to be confined and managed within the areas of operation of individual exporting companies. No large scale, significant or irreversible impacts are expected.

**2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:**

The project will cover the entire country, whereby exporting companies from any part of Mongolia will be able to benefit from the Project. Any indirect impacts from future activities of the exporters are expected to be localized in their area of operation. No negative Project-influenced long term impacts are expected.

**3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.**

n/a

**4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.**

The Borrower has developed an Environment and Social Management Framework (ESMF). The ESMF provides screening procedures. Key steps include due diligence, screening, safeguard documentation, public consultation and disclosure, review and approval, and legal/contractual obligation, and monitoring and reporting. The ESMF also includes eligibility criteria and procedures for carrying out due diligence of potential environmental and social risks and impacts and developing measures to address impacts.

The MOF will be responsible for the implementation of the project, including overall coordination, results monitoring and communicating with the World Bank on all fiduciary and safeguard aspects. It will be supported by an existing Project Implementation Unit (PIU) responsible for MSTAP. AGRE will carry day-to-day implementation of Component 1 of the Project with strong collaboration with PIU. The MOF PIU will communicate with the World Bank on all issues (including safeguards issues) related to the Project, and implement all components excluding sub-component 1.2. The MOF and the AGRE will responsible for implementing the ESMF. The AGRE and MOF staff or consultants appointed would need to be trained in order to successfully





Does the project require a stand-alone EA (including EMP) report?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes [ <input type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input checked="" type="checkbox"/> ]
<b>OP/BP 4.04 - Natural Habitats</b>	
Would the project result in any significant conversion or degradation of critical natural habitats?	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ] NA [ <input type="checkbox"/> ]
If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
<b>OP/BP 4.10 - Indigenous Peoples</b>	
Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Practice Manager?	Yes [ <input type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input checked="" type="checkbox"/> ]
<b>OP/BP 4.12 - Involuntary Resettlement</b>	
Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Is physical displacement/relocation expected?  Provided estimated number of people to be affected	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ] TBD [ <input type="checkbox"/> ]
Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods)  Provided estimated number of people to be affected	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ] TBD [ <input type="checkbox"/> ]
<b>OP/BP 4.36 - Forests</b>	
Has the sector-wide analysis of policy and institutional issues and constraints been carried out?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Does the project design include satisfactory measures to overcome these constraints?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Does the project finance commercial harvesting, and if so, does it include provisions for certification system?	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ] NA [ <input type="checkbox"/> ]
<b>The World Bank Policy on Disclosure of Information</b>	



Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
<b>All Safeguard Policies</b>	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Have costs related to safeguard policy measures been included in the project cost?	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]

### III. APPROVALS

Task Team Leader(s):	Name: Ulle Lohmus	
<b>Approved By</b>		
Safeguards Advisor:	Name: Peter Leonard (SA)	Date: 18-May-2016
Practice Manager/ Manager:	Name: James Seward (PMGR)	Date: 18-May-2016