



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 05/22/2020 | Report No: ESRSA00858



BASIC INFORMATION

A. Basic Project Data

| | | | |
|--------------------------|--|--------------------------|----------------------------|
| Country | Region | Project ID | Parent Project ID (if any) |
| Mongolia | EAST ASIA AND PACIFIC | P174116 | |
| Project Name | Mongolia Emergency Relief and Employment Support Project | | |
| Practice Area (Lead) | Financing Instrument | Estimated Appraisal Date | Estimated Board Date |
| Social Protection & Jobs | Investment Project Financing | 5/18/2020 | 6/23/2020 |
| Borrower(s) | Implementing Agency(ies) | | |
| Ministry of Finance | Ministry of Labor and Social Protection | | |

Proposed Development Objective(s)

The project development objective (PDO) is to provide jobseekers and micro-entrepreneurs in Mongolia with improved access to labor market opportunities and to provide temporary relief to eligible workers in response to the COVID-19 crisis.

| Financing (in USD Million) | Amount |
|----------------------------|--------------|
| Total Project Cost | 20.00 |

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

Yes

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The project consists of four components designed to provide jobseeker and micro-entrepreneurs in Mongolia with improved access to labor market opportunities and to provide temporary relief to eligible workers in response to COVID-19 crisis. This project extends and builds upon the Mongolia Employment Support Project (P159215).

Component 1. Supporting client-centric public employment services

The Component 1 will address job-search constraints related to incomplete information and poor labor market transparency by supporting client-centric public employment services. The unifying and guiding principle for the



component will be to empower job counselors to focus on clients (jobseekers, employers, students seeking career guidance, and so on) and their core functions of placement and acquiring new vacancies. This will enable public employment services to be both more efficient and effective in achieving quality job placements and in attracting more employers and more and higher skilled job listings. The component will operate on two levels. First, it will support the comprehensive upgrading of specific labor and social welfare offices. Second, complementary systemic measures will improve the efficiency and coverage of the public employment services in partnership with private employment services.

Component 2. Strengthening select active labor market programs.

Component 2 will strengthen the design, relevance and demand-orientation of select active labor market programs. It has two subcomponents. Subcomponent 2.1 will continue to support new opportunities for starting and growing a sustainable micro-enterprise with a focus on job creation through the provision of comprehensive financial and non-financial support. Financial support will be subsidized with a lower interest rate for beneficiaries during the period of COVID-19 related crisis. Subcomponent 2.2 will pilot innovate skills intervention designed to impart skills valued by the market (such as socio-emotional skills).

Component 3. Facilitating labor market monitoring and analysis and project management

Component 3 will enhance the scope, quality and availability of labor market information for institutional and individual users so as to allow them to make informed decisions. In addition, it will provide support for M&E and project management. It will consist of 2 subcomponents. Subcomponent 3.1 will improve the scope, quality and availability of labor market information the production and dissemination of different types of labor market monitoring and analysis. Subcomponent 3.2 will provide day-to-day implementation and operational support to the MLSP and the Project Implementation Unit (PIU) to be established therein to efficiently implement the project. This will include the support of M&E activities and the financing of the PIU's coordination and management activities.

Component 4. (New Component) Providing temporary relief to eligible workers in response to COVID-19

The component will provide temporary Social Insurance (SI) contribution relief for eligible workers who are enrolled under the mandatory social insurance scheme. This component directly supports the relief measure introduced by the Government of Mongolia to provide SI contribution exemption for six months (from April 1 2020 to September 30, 2020) for eligible employers and workers under the mandatory and voluntary SI contribution schemes. Eligible workers under the mandatory scheme includes those working with employers affected by the COVID-19 crisis and excludes workers in the public sector as well as those working in publicly funded entities. This component provides a relief transfer on the behalf of about 150,000 (or as many as possible) eligible workers and their employers for a duration of one month. Project beneficiaries for this component will be from select aimags and districts based on the most recent estimate of poverty rate, expected number of potential beneficiaries, and budget.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

This is an emergency Covid project. Due diligence was carried out in a short timeframe and due to Covid, no missions were possible. However, as the project proposes the continuation of activities either progressing or planned under



the original Mongolia Employment Support Project (MESP), the team has worked with the clients and PIU (which will continue to implement this project) to prepare the ES documentation for the project. It is noted that although, in addition to this ESRS, a preliminary stakeholder engagement plan (SEP) and an Environmental, Social and Commitment Plan (ESCP) have been prepared to inform project appraisal, preparation of other ES instruments such as ESMF will be prepared during implementation.

Mongolia is a landlocked country in Northern Asia. It has a surface area of 1.6 million square kilometers and about three million inhabitants, 1.3 million of whom live in Ulaanbaatar, the country's capital. With a population density of around 1.9 inhabitants per square kilometer, Mongolia is the world's least densely populated country. Administratively, Mongolia is divided into Ulaanbaatar and 21 aimags (provinces). Ulaanbaatar is further divided into districts and khoroos (city wards). Aimags are further divided into soums (counties) and baghs (villages).

The topography of Mongolia consists mainly of a plateau with an elevation ranging from 914 to 1524 m. Mongolia is characterized with a continental climate, of which annual precipitation ranges between 50 mm and 450 mm and potential evaporation is above 500 mm across most of the country. These topography and climate characteristics exacerbate ambient air quality problem, which is especially significant in Ulaanbaatar and aimag centers of Mongolia. Other major environmental problems faced by the country include water shortage, water pollution, lack of waste treatment capacity, etc.

This is the second phase of Mongolia Employment Support Program, which expands and/or builds upon the restructured phase I project. Like in phase I, the project will finance activities in the whole territory of the Mongolia with a focus on urban areas, including all 9 districts of Ulaanbaatar and all 21 aimag centers. This project consists of the following four components:

- 1) Component 1 will support client-centric public employment services, which involves physical upgrading of General Office for Labor and Social Welfare Services (GOLSWS) in the form of provision of furniture, promotional material and ICT equipment, and small-scale interior remodeling. The building may have asbestos-containing materials.
- 2) Component 2 contains two subcomponents.
 - a) Subcomponent 2.1 will provide comprehensive financial and nonfinancial support to existing and new microenterprises. The range of nonfinancial support includes business skills and development training, specialist training modules, mentoring, peer-to-peer and alumni networks, and market linkages. The financial support will be in the form of microloans administered by participating financial institutions (PFIs). Beneficiaries will be mainly in the commerce, service and small scale manufacturing sectors, such as tailoring, carpentry, shoe-making, vehicle repair/maintenance, internet cafés/IT services, hair salons, food and produce vendors. The project will not have direct investment to construct, expand or upgrade existing or new microenterprises. Microloans will be approved solely for business purposes, typically funding the purchase or repair of equipment, the purchase of materials, investing in quantity or quality of employment, or entering new markets. Microloans will be provided through participating financial institutions (PFIs) that will administer the loans to potential beneficiaries and activities short-listed by a selection committee coordinated by the local employment and social welfare offices (LSWOs).
 - b) Subcomponent 2.2 will pilot an innovative active labor market program.



3) Component 3 will enhance the scope, quality, and availability of labor market information for institutional and individual users, and provide support for M&E and project management.

4) Component 4 will provide social insurance (SI) contribution relief to eligible workers enrolled in mandatory scheme for 1 month in response to COVID-19. Workers in the public sector as well as those working in publicly funded entities are ineligible. Project beneficiaries for this component will be selected from aimags and districts based on the most recent estimate of poverty rate, expected number of potential beneficiaries, and budget.

D. 2. Borrower's Institutional Capacity

As the project implementing agency, Ministry of Labor and Social Protection (MLSP) is responsible for overall project implementation coordination and monitoring. The offices of MSLP, namely, GOLSWs and its local offices, Labor and Social Protection Research Institute (LSPRI) and the Social Insurance General Office are involved in the implementation of the project subcomponents. A Project Steering Committee (PSC) established at the MLSP (headed by the State Secretary of MLSP) for phase I will provide project oversight to this project. Similarly the phase I PIU, led by a Project Coordinator, will also be responsible for day-to-day implementation and coordination for the phase II implementation. Currently there are 7 staff working in the PIU and the Project Coordinator is responsible for overseeing the compliance of safeguard requirement.

MLSP has demonstrated its adequate capacity to deal with safeguard policies and issues during phase I project implementation, with satisfactory performance as by end of 2019. MLSP has hired 3 national consultants (2 architects and 1 supervising engineer) for physical renovation work. Requirements in phase I project's ESMF, and Bank's Good Practice note on asbestos related occupational and community health issues are an integral part of TOR and contracts signed with consultants and construction companies. MLSP's local supervising engineers conduct regular compliance monitoring. Phase I project has also developed and disseminated microloan support program pamphlet containing relevant ESMF information and has organized capacity building trainings among aimag and district labor division officials on key obligations and steps to follow environmental and social impact screening process.

The main areas for improvement on borrower's institutional capacity for managing safeguard issues under this project include:

1) Because MLSP and the PIU has some experience with Bank's safeguard policies, but not with the Environmental and Social Framework (ESF), a project-specific capacity development plan will be prepared (and is committed to under the ESCP) and will be further developed as part of the ESMF, through which MLSP and PIU staff will be trained on the ESF. Environmental and social consultants will be hired to support preparing, updating, and implementing relevant environmental and social instruments. Substantial technical guidance and support is expected to be required from the Bank team to ensure that environmental and social management follows the ESF requirements.

2) Upon selection of the financial institutions to administer microloans under Component 2, the financial institution's institutional capacity for environmental and social management will be assessed. Each FI will put in place and maintain an Environmental and Social Management System (ESMS) to identify, assess, manage and monitor the environmental and social risks and impacts of FI subprojects on an ongoing basis. The ESMS will be commensurate with the nature and magnitude of environmental and social risks and impacts of FI subprojects, the types of financing, and the overall risk aggregated at the portfolio level. The ESMS will – in a manner proportionate to E&S risks – define ongoing monitoring and reporting arrangements and accountabilities. The Bank will review the adequacy of the ESMS.



II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Moderate

The project includes both physical and non-physical activities. There are no new construction activities under the project, but renovation of General Office for Labor and Social Welfare Services (GOLSWS) in the form of small-scale interior remodeling. The office is located in urban area already intensively disturbed by human activities, without involving critical natural habitats or legally protected cultural heritages. Therefore, the renovation activities are not expected to have negative impacts on biodiversity or cultural heritage. Given the scale and type of civil works, the project is expected to involve a small number of workers sourced locally. No worker camp, labor influx or significant traffic disturbance is anticipated. Potential environmental impacts during short remodeling periods include noise, dust, solid waste generation, and OHS issues that are associated with minor civil work activities. These impacts are expected to be small, temporary and localized, and can be readily mitigated by incorporating good civil work practices. Hazards regarding asbestos-containing materials and COVID-19 outbreak will be identified and mitigated by adopting asbestos management plan and COVID-19 relevant guidelines in the ESMF. No long-term irreversible or significant environmental impacts are expected.

There will be some downstream environmental issues related to the microenterprises receiving financial and non-financial support under Component 2. The project is not expected to finance microenterprises that pose substantial environmental risks, but depending on the exact sector, some microenterprises in the commerce, service, and small-scale manufacturing sectors may produce noise, emission, waste and congestion. The potential environmental impacts by microenterprises are considered to be predictable, site-specific and readily managed with good practices during the implementation of the project. ESMF and ESMS will include procedures to screen microenterprises' environmental and social impacts, to exclude those with significant environmental impacts, and to require mitigation measures when appropriate.

Social Risk Rating

Moderate

The social risk considered as moderate and risk of exclusion of the most vulnerable workers and enterprises is minor given that intended beneficiaries of project are 'citizens having difficulty finding employment' as defined in the Employment Promotion Law, (b) young people of ages 18 to 34, (c) TVET, college or university graduates, and (d) poverty status (as for instance measured by PMT scores). People with disabilities will be targeted in the project activity to ensure employment opportunities are, to the extent possible, created. Under Component 4, the project is directing financing to provide temporary relief to eligible workers in response to COVID-19 by covering the Social Insurance (SI) contribution relief for about 80% of the SI exemptions for the eligible workers and employers under the mandatory SI scheme for a period of one month. The estimated number of eligible workers and employers for the measure (as of March 2020) are 400,000 workers and 38,000 employers. Project beneficiaries for this component will be from select aimags and districts based on the most recent estimate of poverty rate, expected number of potential beneficiaries, and budget.

Microloans under Component 2.1 will be accessible to either jobseekers or microentrepreneurs with selection criteria balancing vulnerability and likelihood of benefiting from the program. The project plans to increase the number of



women beneficiaries who will be participate in micro-entrepreneurship support program. There may be some social risk of site-specific community health and safety impacts associated with loans to downstream social enterprises but easily managed with appropriate screening and selection criteria.

A contextual risk effecting Borrower ES performance is the Covid19 emergency situation itself. The rapid preparation process and current restrictions on travel inhibit preparation of thorough upfront assessment process. However, in this case, as the project is a continuation of the activities either in progress or planned under the original Mongolia Employment Support Project (MESP). The team has reviewed the safeguards documents prepared and updated under the former project (MESP) and consulted with the clients and PIU (which will continue to implement this project). Notwithstanding this, substantial support will be required from the Bank team, particularly early in implementation, to provide guidance and advice to for the preparation of safeguard instruments.

MLSP has accumulated some experience with Bank’s safeguard policies and demonstrated its commitments and capacity to deal with safeguard issues during phase I project implementation. To fill the gap in MLSP’s capacity to manage environmental and social risks and impacts consistent with the ESSs, the requirement for a project-specific capacity development plan is included in the ESCP and will be further developed as part of the ESMF. Any activities that have been screened for environmental and social risks will not be carried out without the completed, consulted and disclosed ESMF, and any subsequent assessments/tools the ESMF may require. Upon selection of financial institutions under Component 2, a thorough due diligence review will be conducted by the Bank Team on the financial institution’s existing E&S performance and capacity. Based on the review results, the Bank team will require the financial institution to establish or improve an existing ESMS proportionate to the E&S risks associated with proposed activities, to achieve outcomes materially consistent with requirements in ESS 9. The Bank team will provide ongoing technical guidance and support to ensure that environmental and social management follows the ESF requirements.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

During preparation, with reference to the ESSs under the ESF and the applicable Environmental, Health and Safety (EHS) Guidelines of the World Bank Group, the Bank team conducted a rapid assessment on the project’s potential environmental and social risks and impacts, and the adequacy of existing environmental and social management system to address these risks and impacts. The findings of due diligence review done by the team are as below:

The project includes both physical and non-physical activities. There are no any new constructions under the project, but renovation of the GOLSWs office in the form of small-scale interior remodeling. The office is located in urban area already intensively disturbed by human activities, without involving critical natural habitats or legally protected cultural heritages. Therefore, the renovation activities are not expected to have negative impacts on biodiversity or cultural heritage. Given the scale and type of civil works, the project is expected to involve a small number of workers sourced locally. No worker camp, labor influx or significant traffic disturbance is anticipated. Potential environmental impacts during short remodeling periods include noise, dust, and solid waste generation that are associated with minor civil work activities. These impacts are expected to be small, temporary, and localized, and can be mitigated by



incorporating good civil work practices. Potential OHS issues are largely those associated with civil work activities. Existing buildings to be remodeled under the project may have asbestos-containing materials. Before planning of the GOLSWs renovation, asbestos site due diligence will be performed in line with GIIP. Asbestos hazards should be identified, and a risk management plan should be adopted that includes disposal techniques and OHS protection measures. In addition, to ensure environmental sanitation and safety during operation, the design of physical upgrades should consider applicable quality standards including appropriate ventilation, trash bins, lighting, fire extinguishers, toilet facilities, ramps for disabled people, etc.

Implementation of the non-physical activities will not result in any direct environmental impacts. However, there will be some downstream environmental issues to be considered, particularly related to the microenterprises receiving financial and non-financial support under Component 2. The project is not expected to finance microenterprises that pose substantial environmental risks, but depending on the exact sector, some microenterprises in the commerce, service, and small-scale manufacturing sectors may produce noise, emission, waste and congestion. In areas where there is poor waste management infrastructure, waste from small businesses can be an environmental concern. Some urban businesses may encroach on and convert urban greenspaces (for example, parks) and bodies of water for their own use. Safeguarding the well-being of workers and surrounding community may also be a concern. The potential environmental impacts by microenterprises are considered to be site-specific and readily managed with good practices during the implementation of the project. It will be required in the environmental management instrument that microenterprises are located at site with little aesthetic or cultural importance and is not valued as green space, and local population should be consulted regarding any disagreements there may be regarding the location or activities of new microenterprises.

As specific subprojects/activities will not be confirmed until project implementation, an Environmental and Social Management Framework (ESMF) will be updated based on the ESMF prepared under the prior Mongolia Employment Support Project (P159215), and to be approved by the Bank during early project implementation. The ESMF should be in compliance with domestic legislations, the World Bank's ESF, EHS Guidelines and WHO guidance regarding COVID-19. The ESMF will guide the environmental and social screening, subsequent assessment of subprojects/activities, and management and monitoring of the mitigation measures for environmental and social impacts of subprojects/activities during implementation.

The ESMF will include:

- i) Review of Mongolian existing regulatory framework and their enforcement related to E&S management of the project, along with mechanisms proposed to fill any major gaps if identified against ESF;
- ii) Environmental and social baselines that cover various physical, ecological, ambient environmental quality, and social aspects pertaining to the project proportionate to the E&S risks
- iii) An overview of the types of microenterprises to be supported under component 2 and procedures to address environmental and social impacts, including the E&S eligibility criteria/exclusion list for microenterprises screening, development, appraisal and approval of specific safeguards instruments, implementation monitoring, public consultation and information disclosure. No microenterprises with substantial or high risks will be eligible for the project financing;
- iv) Key findings and recommendations from E&S assessment conducted for the project. This will include asbestos hazards identification and management plan, and health and safety protection measures for workers and communities against COVID-19 pandemic;



- v) Review of existing institutional capacity on E&S management and the proposal for of project-specific capacity building plan;
- vi) Monitoring and reporting requirements.

Project key stakeholders will be consulted on the draft ESMF. The comments and opinions of the stakeholders will be considered and incorporated as appropriate into the mitigation measures of the ESMF. The final ESMF will be disclosed on MLSP's and Bank's website, and printed copies will be placed in public library or citizen hall of Ulaanbaatar and all 21 aimag centers.

Inclusion of vulnerable workers and enterprises will be managed by the LSWOs and they will conduct beneficiary screening and selection process which will be overseen by multi-stakeholder Selection Panel. Screening and selection will include three phases:

1. First, the micro-entrepreneurship support program specialist at LSWO will accept and review the registration form according to whether they belong to the target population and, if yes, how many points they score according to priority criteria. Applicants with scores above a cut-off agreed by the Bank will be longlisted and invited to attend the relevant 2 days pre-loan training which includes preparing a business proposal. The specialist will also provide or facilitate counselling to longlisted applicants.
2. On completion of the relevant pre-loan training, longlisted applicants are referred to the Selection Panel which will shortlist applications based on additional selection criteria. At this stage, the official in charge of the program will also screen applications with regard to their compliance with appropriate environmental and social safeguards using two separate screening templates to be completed by the applicants and LSWO specialist.
3. Shortlisted applicants will be referred to participating financial institutions that will evaluate the credit-worthiness of shortlisted applicants and decide whether micro-loans can be supplied. Micro-loans will be approved solely for business purposes, typically funding the purchase or repair of equipment, the purchase of materials, investing in quantity or quality of employment or entering new markets.

Based on current design of Component 2, micro-loans will be administered through PFIs selected through a competitive bidding process. A thorough due diligence review will be conducted by the Bank Team on the selected financial institution's existing E&S performance and capacity during implementation. Based on the review results, the Bank team will require the financial institution to establish an ESMS or improve existing ESMS proportionate to the E&S risks associated with proposed activities, to achieve outcomes materially consistent with requirements in ESS 9. It is anticipated that substantive support will be required during these activities.

Areas where reliance on the Borrower's E&S Framework may be considered:

The Bank and the Borrower do not consider the use of the Borrowers Environmental and Social framework as defined in ESF for the purpose of the project. The Framework will not likely address the risks and impacts of the project in a manner to achieve objectives materially consistent with the ESSs

ESS10 Stakeholder Engagement and Information Disclosure



MERESP is the extension and up-scaling of an ongoing project where there has been prior and continued stakeholder engagement in parent project which is still ongoing that needs to be updated given the new project's scaling for COVID-19. At this stage, key stakeholders identified for the Project would include all those who are either job seekers or micro-entrepreneurs; citizens having difficulty finding employment; young people age 18-34; TVET and college or university graduates; poor household (as for instance measured by PMT scores); women; members of rural cooperatives and partnership; members of self-organized groups; citizens who are enrolled under mandatory social insurance scheme; labor and social welfare offices; vocational training trainers; members of the Selection Panels; project participating financial institutions (PFI) staff.

A preliminary Stakeholder Engagement Plan (SEP) has been prepared to enable meaningful ongoing engagement and consultation throughout the project lifecycle, giving particular consideration to vulnerable groups and the current context of COVID-19 in Mongolia. Due to social distancing measures, and the framework nature of the operation, no public consultation was possible. The draft SEP and ESCP been consulted with relevant officials of the MLSP, GOLWS and PIU. Phone based consultations were carried out by the PIU with several local labor and welfare offices. Comments and feedback from the MLSP and PIU have been incorporated in the draft SEP which has been disclosed on MLSP website as of May 21, 2020 for public information and feedback (<http://www.mlsp.gov.mn/nnews/736>). The draft SEP contains a Grievance Redress Mechanism (GRM) adapting the existing mechanism for phase I project. The project level GRM will be operationalized and the M&E specialist within the PIU will act as focal point. The project website will have feedback/grievance tab where project affected people may submit any grievance, concerns or feedback in regard project activities. The PIU will prepare public awareness materials on purpose and process of GRM for project and disseminate to affected stakeholders. Also, project progress report to be send to Bank task team will have a section on implementation status of GRM.

The SEP will be updated periodically as necessary by the MLSP and PIU. The PIU will further identify the specific stakeholder groups and map the different approaches as part of the updated SEP, which will be shared with relevant stakeholders via culturally appropriate means (and having regard to logistical and technological constraints). The plan will consider incorporating use of conventional and new media, small-group consultations, and other approaches to overcome the impacts of restrictions on large public gatherings due to covid19 related social distancing measures. If needed, a consultant will be contracted to organize a training for LSWO in districts and provinces. An action plan for further consultations is currently being prepared and relevant budget is earmarked. The SEP will be disclosed at MLSP's and Bank's website, and printed copies will be placed in public library or citizen hall of Ulaanbaatar and all 21 aimag centers.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

ESS2 is deemed relevant considering that the subprojects may involve direct workers (mostly full-time employees of the government), contracted workers (including renovation workers, supervision consultants, etc.) and primary supply workers (e.g. workers in primary suppliers for the microenterprises supported by the project). Community workers are unlikely to be involved given the nature of project activities.



The OHS concern under this project is largely related to renovation work under Component 1 and working conditions in the microenterprises supported under Component 2. The renovation work is expected to involve a small number of workers sourced locally. No worker camp or influx is anticipated. Therefore, the risks of infectious disease transmission or gender-based violence (GBV) are considered to be low. The ESMF will refer to 1) the World Bank's general and industry-specific EHS guidelines for common types of microbusinesses involved in the project; 2) good practice note on asbestos related occupational and community health issues; as well as 3) World Bank and WHO's guidance in relation to protection from COVID-19. Procurement documents and contracts prepared for the project will include adequate OHS measures as mandatory requirements.

The Borrower, via the ESCP, commits to the preparation of a Labor Management Plan (LMP) which (i) protects workers' rights as set out in ESS2; (ii) includes a responsive grievance mechanism to allow workers to quickly inform management of labor issues; and (iii) responds to the specific health and safety issues posed by COVID-19. The LMP will distinguish between the different types of workers as identified under ESS 2 and identify specific protections for each type/category.

Relevant requirements of ESS2 also apply to the selected financial intermediary and microenterprises it supports. The requirements on labor and OHS management should be fully reflected in the financial intermediary's ESMS. The labor and working conditions are subject to spot checks by the Borrower and the World Bank as part of monitoring and supervision requirements. Incidents with any type of labor should be reported to World Bank through the reporting mechanisms established as part of the ESMF and the ESMS.

ESS3 Resource Efficiency and Pollution Prevention and Management

The renovation work under Component 1 may involve asbestos-containing materials, the management and disposal of which shall follow the asbestos management plan in the ESMF and requirements set out in the World Bank's good practice note.

Although the project-supported enterprises are small, operation of these microenterprises may bring cumulative impacts and pressures on the environment, which include consumption of resources (e.g., water and energy), management of chemicals and hazardous materials, generation of conventional and hazardous waste, wastewater and various emissions (e.g., exhaust air from heating, ventilation and air conditioning (HVAC) systems, etc.). Microenterprises that pose substantial environmental pollution will be excluded during the environmental screening process as set out in the ESMF and ESMS. The environmental screening will also identify the key ESS3 related issues associated with operation of the microenterprises, and the action plan and timeline required (in the form of ESCP) will be prepared and agreed with representatives of microenterprises to comply with applicable Mongolian pollutant emission standards and the requirements of the World Bank's general and industry-specific EHS guidelines.

In case of COVID-19 outbreak, training will be provided to all personnel involved in the implementation of Project activities on medical waste management with regards to WHO guidelines



ESS4 Community Health and Safety

This project will not affect any ecosystem services for the community, neither will this project involve any dams. Given the scale and nature of renovation work under Component 1, the project will not bring significant construction nuisance to nearby community. The temporary and localized impacts of noise, dust and solid waste generation could be readily mitigated by incorporating good civil work practices. The renovation work will involve a small number of workers sourced locally. No worker camp, labor influx or significant traffic disturbance/safety issues is anticipated. The risks of infectious disease spread or gender-based violence (GBV) directly related to these activities are considered to be low. Asbestos-containing materials could be a health and safety concern to community. To protect both workers and communities, the management and disposal of asbestos-containing materials should strictly follow the asbestos management plan in the ESMF and requirements set out in the World Bank's good practice note. No other toxic materials or wastes are expected in relation to renovation work.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This standard is currently considered Not Relevant. No physical relocation of people, involuntary resettlement, or acquisition of private lands is expected.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is currently considered Not Relevant as there are no new constructions under the project, and the project will neither introduce alien species nor purchase/use natural products. Exclusion criteria will be included in the ESMF and ESMS to avoid any negative impacts on critical habitats and natural habitats.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

Mongolia is a largely homogenous sparsely populated country with some 85 percent of the population of Mongol background divided into a number of groups with distinct dialects and cultures. Other distinct indigenous groups include Tuviniian-speaking Tsaatan (also known as Dukha) reindeer herders who subsist in the Sayan Mountains in northern Mongolia. This group and other pastoralist communities who subsist in remote areas are outside of the scope of the project which focusses on support for small enterprise and workers in urban and town settings. A substantial Kazakh-speaking Muslim minority inhabit towns of the western part of Mongolia (Bayan-Olgii). Kazakh-speaking populations would be likely project beneficiaries for microloans and worker social security support. Remaining ethnic minority groups use Mongolian as primary language.

Participation of these communities will be identified in the updated stakeholder engagement plan and measures to ensure that they effectively benefit from project activities will be designed into the ESMF and will be required in the ESMS's of any project PFIs. These measures will include production of key project documentation and information in Mongolian and Kazakh languages and dissemination and feedback opportunities made available using local channels tailored to Covid-19 emergency contexts.



ESS8 Cultural Heritage

This standard is currently considered Not Relevant as the project is not expected to support any construction or rehabilitation activities that would involve the movement of earth (thereby potentially having an impact on tangible cultural heritage), or other activities that could have an impact on intangible cultural heritage. In the unlikely event of any project activities that may have impacts on cultural heritage but have not yet been identified, a chance finds procedure will be prepared and integrated into the ESMF and ESMS for the project.

ESS9 Financial Intermediaries

Based on current project design, a financial intermediary (FI) will be selected at the end of 2020 or in early 2021 to administer the microloans to microenterprises under Component 2. The PFIs will be selected by the MLSP under the provision of no-objection by the World Bank through open bidding among all eligible financial institutions. A thorough due diligence review will be conducted by the Bank Team on the selected financial institution’s existing E&S performance and capacity. Based on the review results, the Bank team will require the financial institution to establish an ESMS or improve existing ESMS proportionate to the E&S risks associated with proposed activities, to ensure no significant adverse impacts will arise from subprojects supported by the FI. The FI’s ESMS will include the following elements: (i) environmental and social policy; (ii) clearly defined procedures for the identification, assessment and management of the environmental and social risks and impacts of subprojects; (iii) organizational capacity and competency; (iv) monitoring and review of environmental and social risks of subprojects and the portfolio; and (v) external communications mechanism. The obligation for the FI has been incorporated in the ESCP, requiring the FI to have an ESMS proportionate to the nature and E&S risks of subproject, and have adequate staffing to satisfactorily implement the ESMS. The establishment and maintenance of an appropriate Environmental and Social Management Systems (ESMS) will be discussed with the Client and the final decision elaborated and reflected in the project ESMF.

Public Disclosure

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

III. BORROWER’S ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN (ESCP)

| DELIVERABLES against MEASURES AND ACTIONs IDENTIFIED | TIMELINE |
|--|----------|
| ESS 1 Assessment and Management of Environmental and Social Risks and Impacts | |
| Assess the environmental and social risks and impacts of proposed Project activities, in accordance with an Environmental and Social Management Framework (ESMF) to be updated and cleared by the Association prior to commencement of Project activities. This ESMF will include measures to ensure | 09/2020 |



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| that individuals or groups who, because of their particular circumstances, may be disadvantaged or vulnerable, have access to the development benefits resulting from the Project. | |
| Prepare, disclose, adopt, and implement any environmental and social management plans or other instruments required for the respective Project activities based on the assessment process, in accordance with the ESSs, the ESMF, the ESHGs, and other relevant Good International Industry Practice (GIIP) including the WHO guidelines on COVID-19 in a manner acceptable to the Association. | 09/2020 |
| Incorporate the relevant aspects of this ESCP, including, inter alia, any environmental and social management plans or other instruments, ESS2 requirements, and any other required ESHS measures, into the ESHS specifications of the procurement documents and contracts with contractors and supervising firms. Thereafter ensure that the contractors and supervising firms comply with the ESHS specifications of their respective contracts. | 09/2020 |
| The Project Operational Manual (POM) and Employment Promotion Fund Manual will be revised to operationalize the heightened E&S responsibilities of the relevant parties. | 09/2020 |
| ESS 10 Stakeholder Engagement and Information Disclosure | |
| A preliminary SEP was already prepared and shall be updated and disclosed no later than 30 days following the Effective Date. The SEP shall be implemented throughout the Project implementation. | 09/2020 |
| Accessible grievance arrangements shall be made publicly available to receive and facilitate resolution of concerns and grievances in relation to the Project, consistent with ESS10, in a manner acceptable to the Association. | 09/2020 |
| ESS 2 Labor and Working Conditions | |
| The Recipient shall prepare, adopt and implement a Labor Management Plan (LMP) to be cleared by the Association. | 09/2020 |
| The Recipient shall implement adequate OHS measures (including emergency preparedness and response measures) in line with the ESMF, the applicable requirements of ESS2, the ESHGs and other relevant GIIP including the WHO guidelines on COVID-19. | 09/2020 |
| ESS 3 Resource Efficiency and Pollution Prevention and Management | |
| Relevant aspects of this standard shall be considered, as needed, under the action of ESS 1 above, including, inter alia, measures to manage health care wastes, asbestos-containing materials, and other types of hazardous and non-hazardous wastes. | 09/2020 |
| ESS 4 Community Health and Safety | |
| Relevant aspects of this standard shall be considered, as needed, under action of ESS 1 above including, inter alia, measures to: minimize the potential for community exposure to communicable diseases; ensure that individuals or groups. | 09/2020 |

Public Disclosure



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| ESS 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement | |
| ESS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources | |
| ESS 7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities | |
| Relevant aspects of this standard shall be considered, as needed, under action of ESS 1 above. | 09/2020 |
| ESS 8 Cultural Heritage | |
| Relevant aspects of this standard shall be considered, as needed, under action of ESS 1 above. | 09/2020 |
| ESS 9 Financial Intermediaries | |
| Each participating financial institution (PFI) shall establish and maintain an Environmental and Social Management System (ESMS) proportionate to the Environmental & Social risks associated with the activities for which Bank funds will be used. | 09/2020 |

B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework? No

Areas where “Use of Borrower Framework” is being considered:

The Bank and the Borrower do not consider the use of the Borrowers Environmental and Social framework as defined in ESF for the purpose of the project. The Framework will not likely address the risks and impacts of the project in a manner to achieve objectives materially consistent with the ESSs.

IV. CONTACT POINTS

World Bank

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|---------------|---------------------------|--------|---------------------------------|
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Borrower/Client/Recipient

Borrower: Ministry of Finance

Implementing Agency(ies)

Implementing Agency: Ministry of Labor and Social Protection



V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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|-------------------------|---|
| Task Team Leader(s): | Maheshwor Shrestha, Tungalag Chuluun |
| Safeguards Advisor ESSA | Peter Leonard (SAESSA) Concurred on 22-May-2020 at 07:10:25 EDT |