



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 22-May-2020 | Report No: PIDA29424



BASIC INFORMATION

A. Basic Project Data

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

Components

- Supporting client-centric public employment services
- Strengthening select active labor market programs
- Facilitating labor market monitoring and analysis and project management
- Providing temporary relief to eligible workers in response to COVID-19

The processing of this project is applying the policy requirements exceptions for situations of urgent need of assistance or capacity constraints that are outlined in OP 10.00, paragraph 12.

Yes

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	20.00
Total Financing	20.00
of which IBRD/IDA	20.00
Financing Gap	0.00

DETAILS



World Bank Group Financing

International Development Association (IDA)	20.00
IDA Credit	20.00

Environmental and Social Risk Classification

Moderate

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

Mongolia, as most countries across the world, has been affected by the outbreak of the coronavirus disease (COVID-19) that started spreading since December 2019. Although the shock came at a time when Mongolia’s economy had been experiencing strong economic growth, mitigation measures taken by countries across the world have extracted a heavy economic toll, and the COVID-19 could undo much of the development gains of the past 3 years.

The rapid worsening in the economic outlook due to COVID-19 has already translated to worsening employment outcomes and prospects and will have significant implications on poverty. As the COVID-19 started to hit, mining and transportation sectors, which accounted for 12 percent of employment in 2018, have already seen a decline in output. Industrial production, which accounted for 23 percent of employment in 2018, contracted in the first quarter. Current and future containment measures are going to put further pressure on local firms, depressing output in the service sector, which accounted for 53 percent of employment in 2018. The worsening economic outlook will continue to translate into increased layoffs, fewer jobs, and lower wages for the Mongolian workforce and undoubtedly lead to higher poverty. Preventing job-losses would prevent individuals from falling into poverty and providing better support to assist jobseekers to find jobs more efficiently or supporting microentrepreneurs to start or expand their business will speed up the recovery.

The GoM has introduced a large package of fiscal and monetary policy measures to help mitigate the negative impacts of the COVID-19 crisis and turbulence in the global economy. Recognizing the need to immediately support its economy and workforce, GoM has announced a substantial stimulus package of USD 1.8 billion (13 percent of GDP), including an on-budget fiscal stimulus of about \$466 million (about 3.3 percent of GDP). In addition to the fiscal support, the Bank of Mongolia recently announced a series of measures to stimulate aggregate demand. Although there are uncertainties over the duration and possible resurgence of the epidemic, going forward, the country will need ongoing measures to rebuild economic vitality, of which improving the



labor market performance is an integral part.

Sectoral and Institutional Context

Three significant constraints – both acute and chronic – continue to affect the labor market of Mongolia. These have contributed to relatively poor labor market outcomes in the country in general and for specific groups, such as youth and residents of Ulaanbaatar and other urban areas. Some of them have become more severe amid the COVID-19 crisis but were in need of stronger policy action even prior to the crisis. Specifically, these constraints include: (a) Limited labor demand. The general dearth of job vacancies, particularly for youth and other vulnerable groups with little work experience, has been a long-running feature of Mongolia's labor market; (b) COVID-19 related job uncertainty. The dramatic drop in commodity prices, slump in aggregate global demand, and the restrictions on mobility and economic activities have added acute pressures to Mongolia's chronic labor demand challenges and increased job uncertainty in the near-term. (c) Job-search constraints related to incomplete information and poor labor market transparency. Prior to the crisis, incomplete labor market information was a hurdle to improve labor market efficiency in the country. The heightened labor market uncertainty due to the COVID-19 crisis makes the need to address these shortcomings more acute.

In recent years, the Government of Mongolia and its Ministry of Labor and Social Protection (MLSP) have recognized and emphasized the importance of labor market policies and programs. In 2019, the GoM spent MNT 39.5 billion (US\$15.8 million) on active labor market programs, and total of 237,000 people benefited from the ALMPs in 2019.¹ However, specific barriers limit the MLSP's implementation systems' effectiveness to address labor market constraints and to improve job seekers and micro-entrepreneurs' access to labor market opportunities:

- (a) Because of organizational, informational, and relational limitations to being more responsive to client demands, few unemployed job seekers find work through labor and social welfare offices. Job counselors are overburdened with administrative tasks; interactions with employers on job vacancies and labor demand in general are very limited; there is little cooperation between public and private employment services; and information on job vacancies is often incomplete, out of date, or hard to access.
- (b) The impact of labor market monitoring and analysis is limited. The information that is available is scattered across different agencies, not systematically analyzed and not presented and disseminated in a user-friendly way. As a result, there are no systematic labor market diagnostics and no comprehensive analysis of labor market conditions and developments.
- (c) The Entrepreneurship Development Program's principle of partnering with banks to distribute microloans is sound and the program successfully strengthens women's opportunities as entrepreneurs. However, it largely fails to address nonfinancial hurdles to starting or growing a microenterprise. Other design inadequacies also limit program access to youth and some other groups most in need of support.

COVID-19 crisis has exacerbated the underlying structural issues in the Mongolian labor markets. Increased layoffs from employers and a slump in global demand will put increasing pressure on labor market intermediation services as Mongolia starts to ease local restrictions. Better use of information to guide policies, efficient work organization of public employment services, and more efficient employment counseling and job matching systems are going to be increasingly important as the labor market recovers. Opportunities outside wage employment, towards more productive micro-enterprises, will also ease the labor demand that will be

¹ National Employment Council report on EPF 2019 performance.



further depressed by COVID-19 crisis.

The social insurance (SI) system of Mongolia can be a powerful policy tool to provide relief for workers and employers and facilitate recovery from the COVID-19 crisis. During times of economic downturn like the present one, maintaining contributions will present an undue financial burden for employees and employers. Providing contribution relief would assist both employers and workers in weathering the crisis so that they can recover quickly, without having to shut down or shed workers drastically. Over 49 countries, including Mongolia, have used social insurance contribution reliefs in response to COVID-19 crisis.

The World Bank funded Mongolia Employment Support Project (MESP) has made, and continues to make, significant headway across multiple issues affecting the labor markets of Mongolia as well as the COVID-19 relief. The MESP has been providing financing to improve PES management practices and renovation offices, modernize the labor market information system, and pilot active employment programs. The active labor market programs have started providing loans and non-financial training and services to selected micro-entrepreneurs and grants to local labor and social welfare offices to pilot innovative employment service initiatives tailored to the local labor market needs. With recent rapid restructuring, MESP is directing financing to provide temporary relief to eligible workers in response to COVID-19 by financing the SI contribution relief for about 120,000 workers enrolled in the voluntary SI scheme for a period of up to 5 months.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

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.

Key Results

The achievement of the PDO will be measured through the following indicators:

- (a) Number of beneficiaries receiving labor intermediation services in an upgraded labor and social welfare office (overall and female)
- (b) Percentage of beneficiaries of micro-entrepreneurship support whose microenterprise is still in business, at least 6 months after receiving a microloan (overall and female).
- (c) Number of beneficiaries who received temporary relief from their social insurance contributions (overall and female)

D. Project Description

This project expands and builds upon the activities being implemented under the MESP, restructured in early



May 2020, and therefore has the same four components and structure.²

Component 1 will address job-search constraints related to incomplete information and poor labor market transparency by supporting client-centric public employment services. Information frictions become particularly salient at times of crises when many job seekers may be looking for a limited number of jobs or when employers cannot invest as much in screening candidates. The guiding principle for the component will be to empower job counselors to focus on clients - job seekers and employers - and their core functions of finding the best possible jobs or employment opportunities for jobseekers and finding qualified pool of workers for employers. This will enable public employment services to be both more efficient and effective in achieving quality job placements which further attracts more employers and more and higher-skilled job listings. Efficient public employment services can enhance the speed and quality of the match between employers and job seekers, which will undoubtedly accelerate the recovery from COVID-19 related employment crisis. This project will continue supporting the comprehensive upgrading of the selected labor and social welfare offices and finance complementary systemic measures to improve the efficiency and coverage of the public employment services in partnership with private employment services.

Component 2 will strengthen the design, relevance, and demand orientation of select active labor market programs. Based on international best practice examples and lessons from the implementation of the MESP, it will finance interventions to address the lack of labor demand, which have now further deteriorated due to the COVID-19 crisis, and necessary skills. It will have two subcomponents. Subcomponent 2.1 will support starting and growing a sustainable microenterprise through the provision of comprehensive financial and nonfinancial support. Subcomponent 2.2 will provide the MLSP an opportunity to flexibly pilot an innovative skills promotion program designed to impart skills valued by the labor market.

Component 3 will enhance the scope, quality, and availability of labor market information for institutional and individual users, to allow them to make informed decisions. In addition, it will provide support for M&E and project management. It will consist of two subcomponents. Subcomponent 3.1 will continue and complement the activities conducted under MESP to improve the scope, quality, and availability of labor market information. Subcomponent 3.2 will provide day-to-day implementation and operational support to the MLSP and the PIU 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 will provide temporary social insurance contribution relief for eligible employers and their workers under the mandatory SI scheme. Such relief will provide additional income for the eligible workers and additional cash-flow for the employers. Such support will enhance the ability of employers and workers to weather the crisis by avoiding costly shutdowns and lay-offs.

Legal Operational Policies

Triggered?

Projects on International Waterways OP 7.50

No

² Most activities within this project were initially planned under the MESP. The scope of the activities under MESP was reduced during the restructuring of the MESP in order to support COVID-19 relief efforts of the GoM.



Projects in Disputed Areas OP 7.60

No

Summary of Assessment of Environmental and Social Risks and Impacts

(i) Environmental

The overall environmental risk is moderate since the anticipated impacts from project activities are mostly localized, limited, temporary and can be avoided or minimized with readily available measures. No long-term large scale and/or irreversible negative impacts are expected. An ESMF will be updated based on the ESMF prepared under the MESP. 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 project includes both physical and non-physical activities. Component 1 involves renovation of GOLWS in the form of small-scale interior remodeling. The potential environmental impacts from short-period remodeling work include noise, dust, and solid waste generation, which can be mitigated by environmental code of practices (ECOPs) for civil work in the ESMF. Before planning of the GOLWS renovation, asbestos site due diligence will be performed in line with GIIP. In case existing buildings to be remodeled under the project have asbestos-containing materials, asbestos hazards should be identified, and a risk management plan should be adopted that includes disposal techniques and OHS protection measures. For this, the ESMF refers to the WBG Good Practice Note on Asbestos: Occupational and Community Health Issues dated May 2009.

There will be some downstream environmental issues to be considered for microenterprises under Component 2. The project will not have direct investment to construct, expand or modernize the premises of existing or new microenterprises. Microloans will be approved solely for business purposes, typically funding low-risk activities such as the purchase or repair of equipment, the purchase of materials, investing in quantity or quality of employment, or entering new markets. The project will not finance microenterprises that pose substantial environmental risks. Beneficiaries will be mainly in the commerce, service and small-scale manufacturing sectors. Depending on the exact sector, some microenterprises in these sectors may produce noise, emission, waste and congestion. Safeguarding the well-being of workers and surrounding community may also be a concern. ESMF includes procedures to screen micro-businesses' environmental impacts, to exclude microenterprises that are ineligible and to require mitigation measures when appropriate. The ESMF provides general and industry-specific EHS guidelines for common types of microenterprises identified during project preparation. Additional industry-specific EHS guidelines for microenterprises identified during project implementation will be added to the ESMF as needed.

The ESMF also refers to the WBG and WHO's guidance on COVID-19 to prevent or minimize the spread of COVID-19 in workplace or communities. The Borrower will monitor the situation and prepare emergency response plan for COVID-19 spread when needed.

Key stakeholders identified for the project include (i) project beneficiaries (e.g. jobseekers, micro-entrepreneurs, and eligible workers and firms enrolled under the mandatory social insurance scheme) (ii) other project affected people; as well as (iii) government authorities and financial institutions that participate in the



project implementation. The key stakeholders will be consulted. Comments and opinions of the stakeholders will be considered and incorporated as appropriate into the ESMF. The final ESMF will be publicly disclosed on the Borrower's and the Bank's website. The MESP PIU, led by a Project Coordinator, will oversee the compliance of safeguard requirement in this project. The Bank team will provide ongoing technical guidance and support.

As the project implementing agency, the MLSP, has demonstrated adequate capacity to deal with safeguard policies and issues during the MESP implementation, with satisfactory performance as by end of 2019. MLSP has hired 2 architects and 1 supervising engineer for physical renovation work. Requirements in the MESP's ESMF, and Bank's Good Practice note on asbestos related occupational and community health issues were an integral part of TOR and contracts signed with consultants and construction companies. MLSP's local supervising engineers conduct regular compliance monitoring. The MESP has also developed and disseminated microloan support program pamphlet containing relevant ESMF information and has organized trainings among aimag and district labor division officials on key obligations and steps to follow environmental and social impact screening process. The MESP PIU will oversee the compliance of safeguard requirement in this project. The Bank team will provide ongoing technical guidance and support.

The climate-related risk to the outcome of the project is low due to the limited investment in physical activities and the enhanced capacity brought by the soft components. The Project will take into account the climate factors in the modernized PES and the service package to the selected micro-entrepreneurs. The capacity building activities will help raise awareness among the jobseekers and micro-entrepreneurs of climate-related knowledge and climate-smart technologies. They will enhance their capacity in response to the natural disasters and emergencies which usually create negative impact on their livelihood.

(ii) Social

The project is extension and upscaling of an ongoing project. The project is expected to have positive social impacts for the intended beneficiaries, including '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). 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 will also seek to reduce gender disparities in the labor market. About 1,400 beneficiaries are expected be supported through this component, with loan amounts of MNT 5 million to MNT 10 million (USD 1,800 to USD 3,500) per beneficiary. To ensure coverage of vulnerable populations with potentially higher credit risks, access to smaller loans (MNT 3 million to MNT 5 million) will be granted at the discretion of the Selection Panel based on an applicant's business experience (and or clear demonstration of a sound business plan), likelihood of success of the enterprise, and vulnerability.

Component 4 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 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.



No physical relocation of people, involuntary resettlement, acquisition of private lands is expected. The PIU has developed a preliminary Stakeholder Engagement Plan (SEP). Due to growing threat of COVID-19 in the country, combined with decision of National Emergency Commission dated 28 April 2020 to extend the country's state of partial heightened preparedness and associated measures till May 31, no public consultation was possible. The draft SEP and ESCP been consulted with relevant officials of the MLSP, GOLWS and PIU. Phone based consultations carried out by the PIU with several local labor and welfare offices. Comments and feedback from the MLSP and PIU incorporated in the draft SEP which been disclosed on MLSP website as of May 21, 2020 for public information and feedback. The SEP objective is to define a program for stakeholder engagement, including public information disclosure and consultation, throughout the entire project cycle. It also outlines the ways in which the project team will communicate with stakeholders and includes a mechanism by which people can raise concerns, provide feedback, or make complaints about project and any activities related to the project. The SEP is also prepared in a manner consistent with the ESS7 to enable targeted meaningful consultation to be held and implement measures to increase effective participation of Kazakh ethnic minority community and microenterprises in the project activities; similarly, other potentially vulnerable people will be integrated into the stakeholder analysis during the updating of the preliminary SEP.

The ESMF includes procedures to screen micro businesses' environmental impacts, to eliminate applications that are ineligible and to require mitigation measures when appropriate. The screening template will be expanded to include questions related to identifying any social risk in the selection process. The project level GRM will be operationalized and M&E specialist will act as a 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 reports to be sent to the World Bank task team will have include a section on the implementation status of GRM (data, resolution process, resolution timing etc).

E. Implementation

Institutional and Implementation Arrangements

The implementation arrangement of this project will be the same as that of the of the MESP, with the same implementation agency, Project Steering Committee (PSC), and the PIU. The MLSP will continue be the sole implementing agency, together with the offices that report to it (the GOLSW and its local offices, the LSPRI, and the SIGO). A PSC headed by the State Secretary, MLSP, established at the MLSP for the MESP, will oversee this project as well. Similarly, the MESP PIU, led by a Project Coordinator, will also be responsible for day-to-day coordination and support for the implementation of this project. The MLSP, through the PIU, will be responsible for overall coordination, results monitoring, and communicating with the World Bank on all fiduciary aspects. The GOLSW will be involved in the implementation of components 1 and 2. Labor and social welfare offices will be responsible for implementing Component 1, Subcomponents 2.1, and will be involved in implementing Subcomponent 2.2 on the ground. The PIU will manage the consultancies necessary to implement the labor market studies under Subcomponent 3.1.³ The SIGO will be involved in implementing Component 4. The private sector (including employers, private labor exchanges, private employment training providers, and PFIs) will be

³ The NSO has already begun data collection of the unemployment study under MESP. This project will finance the consultancy for analysis and report writing. Impact evaluation of skills pilot will be conducted by a private survey / research firm or the NSO under a contract.



a closely involved partner. Certain services will be supported by additional temporary hired personnel as needed or contracted to various vendors, including PFIs for the administration of microloans of Subcomponent 2.1.

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APPROVAL

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