

Environmental Assessment and Review Framework

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MON: Additional Financing of Agriculture and Rural
Development Project

Prepared by the Government of Mongolia for the Asian Development Bank.

CURRENCY EQUIVALENTS

(as of 6 August 2015)

Currency unit	–	togrog (MNT)
MNT1.00	=	\$0.000504
\$1.00	=	MNT1,983.50

ABBREVIATIONS

ADB	–	Asian Development Bank
DEIA	–	detailed environment impact assessment
EIA	–	environmental impact assessment
EMP	–	environmental management plan
GEA	–	general environmental assessment
GOM	–	Government of Mongolia
GRM	–	grievance redress mechanism
IEE	–	initial environmental examination
MEGDT	–	Ministry of Environment, Green Development and Tourism
MOF	–	Ministry of Finance
MOI	–	Ministry of Industry
PMU	–	project management unit
PPB	–	project participating bank
PPE	–	project participating enterprise
PSC	–	project steering committee
SPS	–	safeguard policy statement
VCI	–	value chain investment

GLOSSARY

<i>aimag</i>	–	province
<i>bagh</i>	–	subdistrict
<i>soum</i>	–	district

NOTES

- (i) The fiscal year (FY) of the Government of Mongolia and its agencies ends on 31 December.
- (ii) In this report, “\$” refers to US dollars.

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I. INTRODUCTION

1. The additional financing will continue to support value chain development of the Mongolian agro-processing sector with value chain investment (VCI) subloans and capacity development.¹ The additional financing will also help herders and primary-processors for the agro-processing sector to improve their production capacity and income generation through capacity development and provision of works, goods, and services.

2. The proposed project will be implemented tentatively from 2016 to 2020 for 5 years. The VCI subprojects will be implemented with support from a project management unit (PMU). The PMU will also be responsible for the financial management and administration of project funds, and ensuring compliance with project safeguard documents and requirements. Capacity development for PMU and support staff in accordance with ADB's project management guidelines will be carried out to strengthen PMU and support staff, together with the national consultants, on project management as well as on identifying and addressing social and environmental safeguards issues that may affect project implementation.

3. The overall project has been classified as category B under ADB environmental assessment requirements. The environmental assessment for the additional financing was compiled on the basis of mainly three sample initial environmental examinations (IEEs) that represent VCI subprojects of the current project. Environmental, health, and safety general guidelines; and industry specific guidelines for agricultural sector of World Bank group were used as reference documents for the environmental assessment of the proposed project. The assessment has found that there are no major environmental impacts with the mitigation and management measures proposed.

4. This environmental assessment and review framework (EARF) has been developed in compliance with the provisions of ADB's Safeguard Policy Statement (SPS, 2009) and the Mongolian Law on Environmental Impact Assessment (1998, revised in 2012). The EARF (i) describes the project and its outputs; (ii) explains the general anticipated environmental impacts of the subprojects to be financed under the proposed project; (iii) specifies the requirements that will be followed related to screening and categorization of subprojects, assessment, and planning, including meaningful consultation with affected people and other stakeholders and information disclosure requirements; and (iv) specifies the environmental safeguard criteria that are to be used in selecting and/or rejecting subprojects, etc. The EARF provisions shall guide the PMU in the selection, screening, categorization, and environmental and climate risk assessment of subprojects. The preparation of environmental assessment documents for the subprojects shall follow the procedures outlined in this EARF. The environmental assessment reports to be prepared for subprojects shall be officially endorsed by the Ministry of Finance (MOF) and submitted to ADB for final clearance.

5. The PMU will ensure to meet environment covenants and safeguard requirements for the proposed project and all subprojects through assistance, training, and monitoring to any stakeholders by the environment specialist.

¹ Sector Assessment (Summary): Agro-Processing (accessible from the list of linked documents in Appendix 2 of the report and recommendation of the President).

II. ASSESSMENT OF LEGAL FRAMEWORK AND INSTITUTIONAL CAPACITY

A. Legal Framework of Mongolia

6. Mongolia has enacted a comprehensive policy and legal framework for environmental assessment and management. It has policies, legislation, and strategies in place to manage the protected estate, to satisfy its international obligations, and to protect the quality of the environment for the health and well-being of its citizens. The hierarchy of policies and legislative provisions for environmental management in Mongolia comprises several layers ranging from the constitution to international treaties, and to environment and resources protection laws.

7. The basic principle of the Mongolian state environmental policy is that economic development must be in harmony with the extraction and utilization of natural resources and air, water, and soil pollution will be controlled. In April 1996, Mongolia's National Council for Sustainable Development was established to manage and organize activities related to sustainable development in the country. The country's strategy is designed for environmentally friendly, economically stable and socially wealthy development, which emphasizes people as the determining factor for long-term sustainable development.

8. In recognition of its global responsibilities, Mongolia has acceded to a number of international environmental conventions and the key ones are tabulated below (Table 1). Each of these conventions places obligations on signatory governments ranging from the provision of a legislative basis for implementation, adherence to the requirements and conditions of each convention, monitoring implementation performance on a regular basis, and reporting on a regular basis to the conference of parties.

Table 1: International Environmental Conventions Signed by Mongolia

Convention	Year of Accession
Stockholm Convention on Persistent Organic Pollutants.	2004
Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade	2000
Kyoto Protocol	1999
Convention on the Protection of Wetlands of International Importance (Ramsar)	1998
Convention on the Transboundary Movement of Hazardous Waste (Basel)	1997
UN Convention on Combating Desertification	1996
Vienna Convention for the Protection of the Ozone Layer	1996
Montreal Protocol on substances that deplete the ozone layer	1996
Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)	1996
UN Framework Convention on Climate Change	1994
Convention on Biological Diversity	1993
World Heritage Convention	1990

UN = United Nations.

9. The Government of Mongolia undertook a major environmental law reform in 1990 including the law of land, protected areas, water, forest, wildlife, and native flora resources. Most of major laws were renewed or amended in May 2012. Acting Laws Relating to the Environment are presented in Table 2 below.

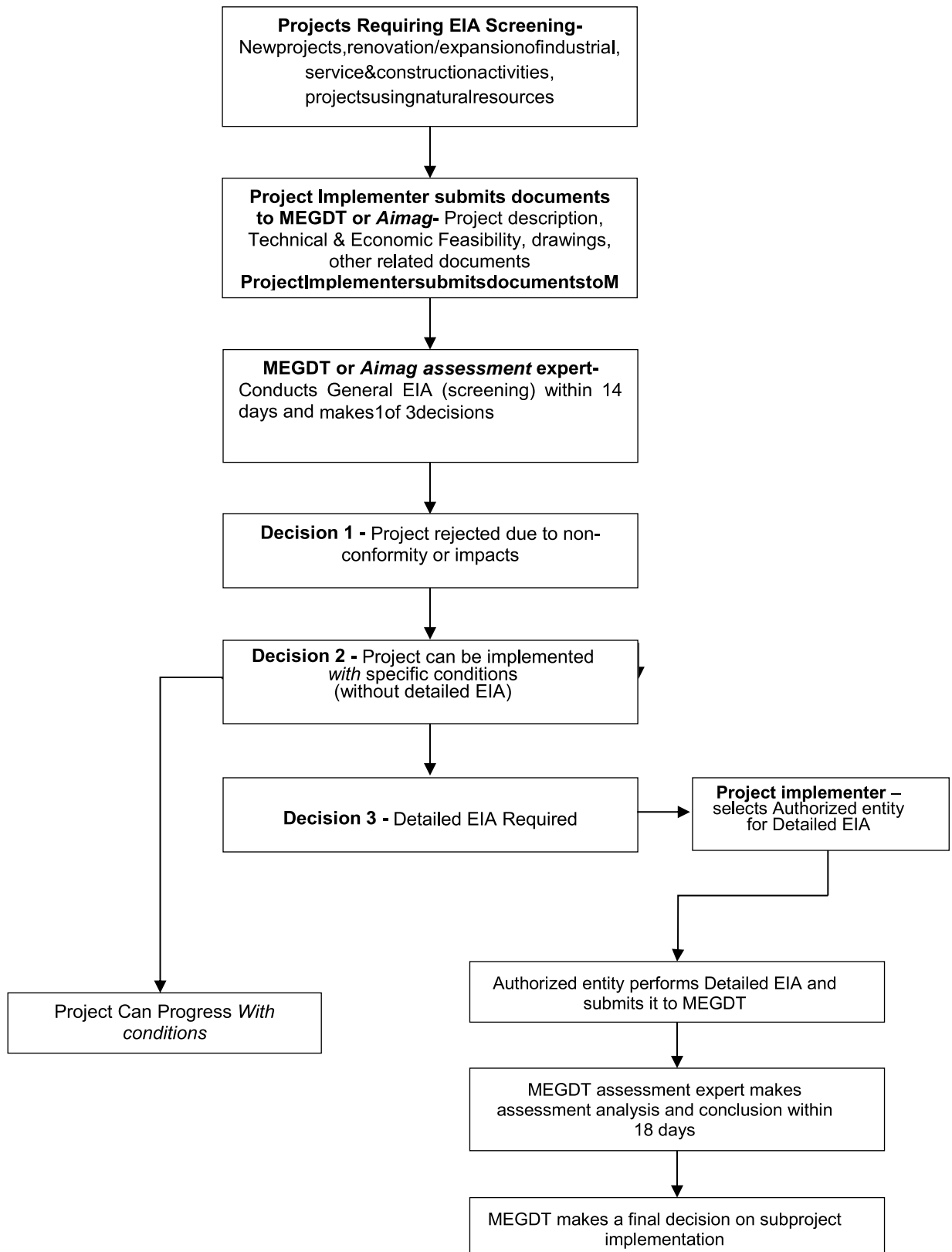
Table 2: Acting Laws Relating to the Environment

Resource Type	Law and Year of Passage
Land Resources	Mongolian Law on Land, 1994, last amended in 2012
	Mongolian Law on Land Use Fees, 1997, renewed in 2002
	Mongolian Law on Land Ownership for Mongolian Citizens, 2002
	Mongolian Law on Regulation for Implementing the Land Law, 2002
	Mongolian Law on Subsoil, 1988
Forest resources	Mongolian Law on Forests, 1995, renewed in 2012
Water resources	Mongolian Law on Water, 1995, renewed in 2012
	Mongolian Law on Water Pollution Fees, 2012
	Mongolian Law on Mineral Water, 2003
Plant Resources	Mongolian Law on Plant Protection, 1996, amended in 2011
	Mongolian Law on Natural Plants, 1995, amended in 2012
Wildlife Resources	Mongolian Law on Fauna, 2000, revised in 2012
National Park Resources	Mongolian Law on Special Protected Areas, 1996, amended in 2004
	Mongolian Law on Buffer Zones, 1997
Conservation	Mongolian Law on Environmental Protection 1995, amended in 2012
	Mongolian Law on Environmental Impact Assessment, 1998, renewed in 2012
	Mongolian Law on Air, 1995, renewed in 2012
	Mongolian law on Hazardous and Toxic Chemicals, 2006
	Mongolian law on Hazardous and Chemical Toxic Waste, 2006
	Mongolian Law on Hydrology, Meteorology and Environmental Monitoring, 1997
	Mongolian Law on Cultural Heritage Protection, 2001, revised in 2005.
	Mongolian Law on Natural Resource Use Fees, revised in 2012
Other laws	Mongolian Law on Waste Disposal, 2012
	Mongolian Law on Sanitation, 1998
	Mongolian Law on Food, revised 2012
	Mongolian Law on Food Safety, 2012
	Mongolian Law on Labour Safety and Hygiene, 2008, last amended in 2012
	Mongolian Law on Fire Safety, 1999
	Mongolian Law on State Inspection, 2003

10. **Environmental assessment requirements of Mongolia.** The environmental impact assessment (EIA) requirements of Mongolia are regulated by the Law on Environmental Impact Assessment (1998, last renewed in 2012).² The terms of the law apply to all new projects, as well as rehabilitation and expansion of existing industrial, service, or construction activities and projects that use natural resources. The purpose of the law is environmental protection, the prevention of ecological imbalance, the regulation of natural resource use, and the assessment of environmental impacts of projects and procedures for decision-making regarding the implementation of projects. The EIA process in Mongolia is summarized in Figure 1.

² Law of Mongolia on Environmental Impact Assessments (1998, revised in 2012).

Figure 1: Environmental Impact Assessment Process in Mongolia



11. The type and size of the planned activity define responsibility as either the Ministry of Environment, Green Development and Tourism (MEGDT)³ or *aimag* (provincial) government. There are two types of EIAs defined in the Law:

- (i) General EIA (screening)—to initiate a general environment assessment (GEA), the project implementer submits to the MEGDT or *aimag*/capital city governor's office a brief description of the project including feasibility study, technical details, drawings, baseline description of the proposed project environment, a written opinion of the relevant soum and district governor and other related documents. The GEA may lead to one of three conclusions: (i) the project rejection due to non-conformity and impacts; (ii) can be completed pursuant to specific conditions, and (iii) a detailed EIA (DEIA) is necessary. Issue of GEA is free and usually takes up to 14 working days.
- (ii) Detailed EIA—the scope is defined in the GEA. The DEIA report must be produced by a Mongolian entity which is authorized by the MEGDT. The developer of the DEIA should submit it to the MEGDT and *aimag* government. An expert of the authority organization who was involved in conducting GEA is expected to make a review of the DEIA within 18 working days and present it to the MEGDT. Based on the detailed environmental impact assessment report, conclusion of the expert and the Technical Board that have appraised the quality of the report the MEGDT takes a decision about approval or disapproval of the project.
- (iii) The DEIA must contain the following chapters: (i) environmental baseline data; (ii) analysis of extent and distribution of adverse impacts and their consequences; (iii) recommendations of measures for minimizing, mitigation, and elimination of impacts; (iv) recommendations for alternative methods and technology; (v) risk assessment; (vi) environmental management plan (EMP); and (vii) notes of consultations made with local authority and community likely to be affected by the proposed project.

B. ADB Environmental Safeguard Requirements

12. **Safeguard Policy Statement (2009).** Environmental safeguards requirements, including EIA requirements, are defined in ADB's SPS (2009). All projects funded by ADB must comply with ADB's SPS (2009) to ensure that projects undertaken as part of programs funded under ADB loans are (i) environmentally sound; (ii) are designed to operate in compliance with applicable regulatory requirements; and (iii) are not likely to cause significant environmental, health, or safety hazards. With respect to the environment, the ADB's SPS (2009) is underpinned by ADB operations manual, bank policy (OM section F1/OP, 2010). The policy promotes international good practice as reflected in internationally recognized standards such as the World Bank Group's Environmental, Health and Safety Guidelines.⁴

³ Formerly named Ministry of Nature, Environment, and Tourism.

⁴ New Version of the "World Bank Group Environmental, Health, and Safety Guidelines", April 30, 2007, Washington, USA. <http://www.ifc.org/ifcext/enviro.nsf/Content/EnvironmentalGuidelines>

III. DESCRIPTION OF THE PROJECT

A. Project Impact, Outcome, and Outputs

13. The impacts of the overall project will be (i) competitiveness of the agriculture processing industry enhanced, (ii) private sector-led employment generated, and (iii) SMEs developed. The outcome of the overall project will be value addition on Mongolian agricultural resources increased by PPEs. The project is expected to increase primarily the agro-processing capacity and secondarily primary agricultural production in Mongolia, and hence increase value addition to agricultural resources. The increased capacity will lead to employment generation, and indirectly benefit herders, farmers, and primary processors through the PPEs' increased demand for raw materials.

14. **Output 1: Value chain investments financed.** Output 1 comprises (i) preparation of the VCI proposals; (ii) due diligence of the VCI subprojects; (iii) provision of subloans to the PPEs⁵ to improve their value chains and/or enhance their production and productivity; and (iv) capacity development of the PPEs and project participating banks (PPBs) on financial management, value chain development, and social and environmental safeguards. The consolidated PMU will assist the PPEs in preparing the VCI proposals required for subloan application, particularly in identifying areas for business improvement such as marketing, product development, and quality control. The identified needs will be reflected in the VCI proposals and used to tailor activities under outputs 2 and 3.

15. **Output 2: Production capacity of herders and farmers improved.** Output 2 comprises (i) capacity development for herders, farmers, and primary processors of agricultural products; (ii) provision of veterinary medical supplies, equipment, machinery, material, and inputs for herders, farmers, and primary processors of agricultural products; and (iii) construction of a livestock primary processing facility. Under output 2, the project will help herders, farmers, and primary processors, including potential suppliers of quality raw materials and primary processing products to the PPEs, to improve their production capacity and quality control.

16. **Output 3: Enterprises' marketing and technical capacity improved.** Output 3 comprises (i) marketing and technical capacity development to enable the PPEs to produce and deliver high-value and/or quality products to domestic and international markets; and (ii) provision of equipment and capacity development to technical and research institutes dealing with food and agriculture products. This output is based on an observation from the current project—that a substantial gap exists between the capacity of the PPEs and the quality standards that international markets require. In tandem with financial support to the PPEs (output 1), strengthening enterprises' marketing and technical capacity is crucial to realizing higher value addition. The capacity development training will be given not only to the PPEs, but also to other agro-enterprises of interest for a wider impact. The training will help strengthen the quality-testing capacity of technical institutes, which will help improve and assure the quality of Mongolian products in the medium term.

17. **Output 4: Mongolian product brand(s) developed.** Output 4 comprises (i) brand development for export-oriented products (e.g., animal fiber and its processed products); and (ii) promotion and management of brand(s) developed and/or to be developed. Regarding brand management, the project will continue to help the government register the Mongolian Noble

⁵ PPEs under the current project comprise public limited or limited liability companies. Under the additional financing, PPEs will also include cooperatives registered under the Law on Cooperatives.

Fiber certification mark with national intellectual property offices of selected countries that are current and potential buyers of the Mongolian animal fiber products. Regarding brand promotion and management, the project will assist Mongolian agro-enterprises in getting their products tested and certified for the certification mark.

C. Project Costs

18. The additional financing is estimated to cost \$61.0 million (Table 1). Detailed cost estimates by expenditure category and by financier are in the project administration manual.

Table 3: Project Investment Plan
(\$ million)

Item	Current Amount ^a	Additional Financing ^b	Total
A. Base Cost^c			
1. Value chain investments financed	39.55	52.02	91.57
2. Production capacity of herders and farmers improved ^d	2.22	2.22	4.44
3. Enterprises' marketing and technical capacity improved	0.00	1.22	1.22
4. Mongolian product brand(s) developed	0.00	0.56	0.56
Project management ^e	2.40	1.51	3.91
Subtotal (A)	44.17	57.54	101.71
B. Contingencies^f	3.33	0.67	4.00
C. Financing Charges During Implementation^g	0.00	2.79	2.79
Total (A+B+C)	47.50	61.00	108.50

Note: Numbers may not sum precisely because of rounding.

^a Refers to the original amount. Includes taxes and duties of \$0.67 million to be financed by the government.

^b Includes taxes and duties of \$0.54 million to be financed from government and Asian Development Bank (ADB) loan resources. ADB financing of taxes and duties is deemed acceptable as the (i) amount is within the reasonable threshold identified during preparation of the country partnership strategy, (ii) amount does not represent an excessive share of the project investment plan, (iii) taxes and duties apply only to ADB-financed expenditures, and (iv) financing of taxes and duties is material and relevant to the success of the project.

^c In mid-2015 prices as at 16 March 2015.

^d This output corresponds with the rural infrastructure and services development component of the current project.

^e Comprises (i) project management support, and (ii) capacity development of the project steering committee and project management unit to ensure effective project management and implementation.

^f Physical contingencies computed at 5% for all expenditure categories except value chain investments and consulting services. Price contingencies computed for all expenditure categories except value chain investments at 1.5% for 2016, 1.4% for 2017, and 1.5% for the years 2018–2020 on foreign exchange costs; and 9.0% for 2016, 8.5% for 2017, and 8.0% for the years 2018–2020 on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^g Includes interest and commitment charges. Interests during construction have been computed for (i) ADB's Asian Development Fund loan at 2.0% per annum during the implementation period, and (ii) ADB's ordinary capital resources loan at the 5-year US dollar fixed swap rate plus an effective contractual spread of 0.5% and maturity premium of 0.1%. Commitment charges for an ordinary capital resources loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

IV. ANTICIPATED ENVIRONMENTAL IMPACTS

A. Anticipated environmental impact by project output

19. The overall approach taken for the environmental assessment is to assess the likely overall impact of the project by studying representative subprojects financed by the current

project and reviewing the overall range of subproject proposals to identify any outstanding issues.

20. **Output 1: VCIs financed.** The additional financing will further strengthen the value chains in different agricultural subsectors such as leather, wool and cashmere, meat, dairy products, etc. During the implementation of the current project the VCI proposals were approved for 13 subprojects. Environmental assessments were completed for these 13 subprojects funded under the current project provide solid basis for the key considerations and issues to be addressed in the assessment and EMP. They include detailed tables identifying potential environmental impacts for each subproject activity, and required mitigation and enhancement measures.

21. The subprojects financed and implemented under the current project that were assessed in detail and IEEs were prepared are presented in Table 4 (Monos Pharma was not included in this table as it received fund from other source). Four proposals that were identified as representative subprojects are Mongol Shevro (tannery), Zavkhan Khuns (meat), Erdenet Carpet (wool), Monfresh (dairy) and environment impact of the bee farming and product manufacturing, sea-buckthorn processing, and apparel manufacturing are anticipated on the basis of the experiences of similar projects implemented internationally and exploring the nature of local businesses in the these sectors in comparison of these experiences and have developed clear strategy for each subsector. A summary of the specific potential environmental impacts based on these 7 IEEs is summarized below.

Table 4: Location of the Enterprise and Supply Chain Areas

No.	Enterprise	Location of the enterprise	Supply chain location and investment in supply chain
1	Mongol Shevro tannery, and leather garment	Ulaanbaatar	Cooperative developments in 20 <i>soums</i> of Dund-Gobi <i>aimag</i>
2	Darkhan Nekhii tannery and sheep skin products	Darkhan Uul <i>aimag</i>	Warehouses in Uvs, Khuvsgul, Uvurkhangai, Arkhangai, Khovd <i>aimags</i>
3	Erdenet Khivs, Carpet (wool and cashmere processing plant felt, cashmere and carpet products	Orkhon <i>aimag</i>	Primary wool handling centers and wool warehouses in Zavkhan (Yaruu <i>soum</i>), Gobi Altai (Bugat, Tonkhil <i>soums</i>) and Bayankhongor <i>aimags</i> (Bayankhongor <i>soum</i>)
4	Sor Cashmere (wool and cashmere end products)	Ulaanbaatar	Support herders in Bayankhongor, Zavkhan, Uvurkhangai, Arkhangai <i>aimags</i> .
5	Mogol Noos, Wool processing plant	Tuv <i>aimag</i>	Wool scouring plant in Bayantsogt <i>soum</i> of Tuv <i>aimag</i> and Yarn spinning plant in Zuun mod <i>soum</i> of Tuv <i>aimag</i> . Cooperatives in four <i>soums</i> of Zavkhan <i>aimag</i> (Yaruu, Telmen, Tudevtei, and Tsagaan Khaikhan <i>soums</i>).
6	Zavkhan Khuns, Meat processing plant	Zavkhan <i>aimag</i>	The slaughterhouse in Uliastai <i>soum</i> of Zavkhan <i>aimag</i> . The company plans to procure livestock from herders of Khuvsgul, Uvs, Khovd, Bayankhongor and Arkhangai <i>aimags</i> .
7	Mon Meat Trade, Meat processing plant	Ulaanbaatar, Khentii <i>aimag</i>	New slaughtering and processing plant in Kherlen <i>soum</i> of Khentii <i>aimag</i> . Collaborate with herders of selected 10 <i>soums</i> of Khentii <i>aimag</i> such as Kherlen, Batnorov, Bayankhutag, Galshar, Darkhan, Murun, Bayan Ovoo6
8	Mon Fresh Milk, Milk and beverage plant	Ulaanbaatar	12 milk collection, reception and cooling centers in peri-urban areas of Ulaanbaatar city and in several <i>soums</i> of Tuv <i>aimag</i> .
9	VitaFit, Milk and beverage plant	Ulaanbaatar, Khentii <i>aimag</i>	The Atarchandgana farm is located in Kherlen <i>soum</i> of Khentii <i>aimag</i> , cool chain, milk pump system, transport
10	Bornuur Foods, Dairy plant	Tuv <i>aimag</i>	The dairy farm and plant is located in Bornuur <i>soum</i> of Tuv <i>aimag</i> . Fodder solution, dairy farm renovation and modernization and expansion of milk processing equipment
11	Altai Cashmere, cashmere factory	Ulaanbaatar	Support herders' cooperatives of Shine Jinst (white goat) and Bayanlig <i>soums</i> of Bayankhongor <i>aimag</i> (camel) and Ikh Tamir <i>soum</i> of Arkhangai <i>aimag</i> (yak).
12	Dakhan Minj, tannery and sheep skin products,	Dakhan Uul <i>aimag</i>	Participation in herders' training jointly with Leather association in order to improve raw material quality.

22. **Leather processing (example: Mongol Shevro).** The Mongol Shevro leather factory has existing pollution issues relating to wastewater containing chromium and other contaminants. The plant is connected to the Khargia Industrial Wastewater Treatment Plant for pretreatment of waste from tanneries in Ulaanbaatar industrial area. Effluent from Khargia treatment plant flows to the Central Wastewater Treatment Plant which treats wastewater from Ulaanbaatar municipal area. However these treatment plants have not operated well with resultant unacceptable levels of pollution into Tuul River. The replacement of equipment in the factory is seen as a positive as this modernization will result in more efficient, safer operation with lower resource use and less waste. The factory is currently operating at approximately 20% of capacity and the machinery replacement does not represent an increase in factory capacity.

23. The project required the PPE to implement mitigation measures to reduce pollution by at least the same amount as the additional pollution caused by the increased production. Possible solutions were upgrading of equipment and operations or reduction of chemical consumption to reduce pollution at its source in the production process through a 'cleaner production' approach.

Treatment of effluent from the plant, that was clearly more expensive and in the medium term but would be achieved by the expected rehabilitation of the Khargia Industrial Wastewater Treatment Plant. Proposed equipment upgrade included investment proposal would result in reduced water and chemical consumption. During the final review in spring 2014 PMU has found that water and chemicals use at the Mongol Shevro was reduced by 20% due to upgraded technology and machine in 2013, and waste water reduced by 15%.

24. Another potential significant negative impact is that the herders may perceive an incentive to increase their herd size thus adding to the existing unsustainable pasture use and land degradation. The supply chain activities may encourage herders to increase their herd size, thus, adding to the existing unsustainable pasture use and land degradation. As mitigation measure for supply chain capacity improvement the company planned to carry out the training and awareness-raising for herders shall include awareness to promote a smaller, healthier herd and improving returns by focusing on quality not quantity. Further, the project planned to assist in establishment of herder cooperatives, supply of veterinary services, training to herders, establishment of facilities in regional areas.

25. **Meat processing (example: Zavkhan Khuns).** The main significant negative impacts identified are in the increased meat processing and the associated waste issues. The increased production will mainly be due to targeted investment in processing equipment which will remove current bottlenecks in the process. However, the process is relatively benign, producing little solid waste, and wastewater which is disposed of to the local landfills after physical pretreatment to reduce solid content. There will be an increase in land degradation due to human, animal and vehicle traffic, failure of road maintenance, improper waste disposal and poor waste removal handling and PPE was required to develop an EMP, where necessary actions for the mitigation and prevention were included. The subproject shows as a result of upgrading equipment and technology of the plant food safety and hygiene is improved significantly.

26. Similar to the previous example above, the supply chain activities may encourage herders to increase their herd size thus adding to the existing unsustainable pasture use and land degradation. As a mitigation measure for this, the training and awareness-raising that the company proposes to undertake with herders shall include awareness of the benefits of maintaining a smaller, healthier herd and improving returns by focusing on quality not quantity.

27. **Wool and cashmere processing (example: Erdenet Carpet).** The Erdenet Carpet subproject is upgrading in-house treatment system in further in order to improve sewage treatment. It implements mitigation measures to reduce solid waste and introduce new waste recycling technology for wool waste generated from the carpet manufacturing operation. The proposed factory upgrade is expected to have no significant adverse environmental impact. Since an existing factory was built and has been operated in compliance with the environment requirements of Mongolia, the subproject has no significant impact on surrounding area and a relatively small amount of waste is produced. Waste water generated from the wool washing factory and wool dyeing unit of the Yarn spinning factory are treated at the factory through in-house mechanical treatment prior it's discharged into Centralized Sewage System of the Erdenet City. The replacement of the older equipment in the factory is seen as a positive as this modernization will result in more efficient, safer operation with lower resource use and less waste. The factory operates at approximately 60% of capacity and the machinery replacement does not represent an increase in factory capacity. Upgrading and modernizing equipment and technology of the factory within the project implementation environmental situation at the factory will be improved significantly. Namely, amount of the dyes for factory operations expected to

decrease by 13% and water consumption by 15%. Improved initial processing practices, volume of solid waste will be reduced by 10% and sludge by 5%–6%. Working place conditions at all factory units are expected to improve noticeably, for example, noise in carpet weaving factory will be reduced by three times and dust by 50%. During final review in 2014 PMU found that water use reduced by 15%, noise reduced by 40% and sludge by 5% due to upgraded technology and machines. The project plans to assist in establishment herder cooperatives, supply of veterinary services, organize training to herders on wool cutting and handling to introduce New Zealand expertise and breed improvement, and raise awareness on use of alternative means for sheep identification and/or marking instead of dyeing, establishment of primary wool handling centers (for wool collecting, sorting, grading, pressing, packing) and wool warehouses in regional areas. The enterprise has introduced a new recycling technology to produce insulation material for construction using waste wool and yarn generated from the carpet factory since 2011. Due to this technology an amount of waste discharged from the carpet manufacturing operation is reduced by 15%.

28. **Dairy production (example: Monfresh milk).** The Monfresh milk company planned to implement the subproject to expand the processing of raw milk and develop company's value chain which will contribute to industrialization of the domestic milk sector in Mongolia and decrease the volume of both imported milk powder and packed milk. The company established 6 milk collection, reception and cooling facilities. Milk safety and hygiene was improved due to these established facilities. Occupational safety and hygiene of the dairy plant in Ulaanbaatar has improved noticeably by renovating the plant facility and lab equipment. Milk powder was replaced (25-30%) with fresh organic milk packed in tetra-packs in order to provide the city population with quality milk (except winter period). Operating milk collection unit involves some issues of environment concern, such as water use for cooling and waste water from operation. This is tackled with the following approach: use of existing well making sure that environment management plan covers well to promote efficiency of water use. Environment action plan addresses re-use of water for agriculture purpose such as watering plants or irrigation.

29. **Bee farming and product manufacturing.** Bee farming is known for an environment-friendly activity with positive environmental impacts such as crop pollination services. The project is expected to support small scale bee farming. In Mongolia, bee farming is promoted for alternative livelihood activities for herders by the international donors such as Global Environment Facility, World Vision, UNDP, Japan's Association for International Collaboration of Agriculture and Forestry (JAICAF) who addresses environmental issues in their actions and run substantial awareness work among them to develop understanding of sustainability of the business, that linked to environment conservation and protection. Regarding product manufacturing segment, the project is expected to support small-scale bee product manufacturing such as honey. The environmental impact of the manufacturing is XXXX (Frank please).

30. **Sea-buckthorn processing.** The project is expected to finance mostly processing, and possibly plantation. The environmental impact of processing segment is that similar to small- and medium-enterprises in food and beverage sector. They will mainly source sea-buckthorn fruit, which has high medicinal value, from the naturally grown trees. In case that plantation is involved in the project, it will have limited environmental impact such as limited use of chemical fertilizer and irrigated water at early stage of sea-buckthorn tree growth (organic fertilizer such as manure is the main means for soil fertilization and sea-buckthorn is drought-tolerant and usually rain-fed). On the positive side, the plantation will prevent water and wind erosion of the planted area as it is used for dual purposes of combating desertification and provision of alternative income for local people. PMU will ensure environment management plan and

mitigation measures cover use of chemical fertilizer and irrigation if the project involves new plantation. As the project will support entities, which has no less than 2-year experience, it is expected that they have had already some system for environment monitoring of plantation if there is such plantation, where ARDP will help PPEs to make improvements in line with ADB environment safeguard.

31. **Apparel subsector.** The subsector in Mongolia is dominated by small businesses with focus on tailoring, dressmaking and uniform making. Sewing and cutting have minimal waste, there is waste they are immediately used for production of small items or other product manufacturing. The PMU consultant will promote energy efficiency, good consumer education among the PPEs which are in business with no significant negative environmental impact itself as no processing is involved such as dying with negative impact on environment and human health.

32. **Output 2: Herders' production capacity improved.** The environmental assessment of output 2 subprojects is also based on a review of those carried out under the current project. The scale and nature of activities in the output are such that no significant environmental impact is expected; this output is categorized as C under the ADB environmental assessment criteria. Based on previously implemented output 2 subprojects, a summary of impacts and proposed mitigation measures is given below.

33. Due largely to their small scale and spread over the project areas, none of the subprojects to support herder marketing cooperatives are expected to have any significant negative environmental impact. A positive benefit will be improved ability of herders to add value and improve the quality of their produce, improve their linkage to the market, and improve the efficiency of production. By increasing the return to herders per animal, these activities will reduce the need for herders to simply maximize their herd size, thus, contributing to improved sustainability. It will provide support to herders located in more remote parts of the country reducing the incentive for a larger number of animals to be located near the main centers, and reducing this current source of land degradation in these areas. Waste from veterinary supplies is required to be handled appropriately, if possible it will be incinerated in coordination with the veterinary centers or returned to the *aimag* veterinary center.

34. The program to develop livestock testing and veterinary extension centers will have a generally positive benefit in improving the health of livestock and quality of animal products. Improved animal health will result in improved resource use efficiency in terms of the amount of land, feed, and other inputs required per unit of product with corresponding reduction in land degradation. Improving the quality of skins and fibers will result in reduced wastage due to damaged materials. Some potential for minor impacts is associated with disposal of waste. As a safeguard measure, training will be provided on safe handling of supplies and waste disposal. Veterinary laboratories will be required to have a special incinerator meeting international standards for veterinary medical waste.

35. Given the scale and nature of the activities to develop fodder supply and storage facilities to foster fodder market development, no significant negative environmental impact is expected. Fodder production will reduce pressure on grazing land by providing secure feed for winter and spring when feed is most scarce. There will be minor building works from which no significant environmental impacts are expected. Cultivation, if any, should be on a small scale but still may result in soil erosion. As a safeguard for this, cultivation will be planned on land with soil of low erosion potential, and employ soil conservation techniques including minimum tillage cultivation techniques. Sites selected for cultivation will be flat with established wind breaks

against prevailing winds; they will not be located adjacent to waterways. These aspects will be included in a training program together with safe use of fertilizers; herbicides; and pesticides, if these are used.

B. Environmental Benefits

36. In summary, the proposed project is expected to provide mainly environmental benefits. Improvements to processing technology will in general result in greater efficiency in use of raw materials, water and energy and reduced waste and pollution per unit of production, compared with the current situation where equipment is often out of date and in poor state of repair. Improved quality of raw materials will result in less wastage. The focus on quality and health of livestock will encourage herders to reduce their animal numbers with consequent benefits in reduced land degradation. Encouragement of participation in pasture management plans and improved fodder production will reduce the incentive for overgrazing and associated land degradation.

C. Analysis of Alternatives

37. The approach for the additional financing is based on the ongoing project, which is being implemented successfully. No alternatives have been considered in the proposed activities of the project. The only changes that have been introduced are (i) stricter environmental screening of the proposed subprojects, as already gradually introduced during the ongoing project; and (ii) compliance with new features of SPS (e.g., introduction of increased GOM's ownership of safeguard documents, climate change considerations, and grievance redress mechanism).

V. ENVIRONMENTAL ASSESSMENT FOR SUBPROJECTS

A. General Review Procedures

38. The selection by the PMU of individual subprojects under the proposed project has not yet been started. The individual VCI subprojects to be financed will be nominated by PPBs and conducted assessment by PMU, and (i) approved by PSC⁶ for category C subprojects, not exceeding \$600,000, or (ii) approved by ADB for category C subprojects, exceeding \$600,000 or category B subprojects, and endorsed by a steering committee.

39. The EARF has been prepared to conduct the environmental assessment of the subprojects to be selected. A flowchart on the environmental assessment that is used for this project (Attachment 1) was developed based on requirements of ADB's SPS (2009) and the GOM Environmental Assessment Guidelines (2014). A summary of the general project procedures is given below.

40. **Output 1: VCIs financed.** The following environmental assessment and review procedure for environmental assessment and approval of subprojects under the output is based on MEGDT procedures and ADB guidelines:

- (i) PPEs submit VCI bankable proposals (BP) to PPBs.
- (ii) PPEs prior to submission of BPs to PPBs refer their proposals to MEGDT (or Ulaanbaatar City and/or *aimag* governments) for initial assessment. The

⁶ First three VCI BPs will require ADB's prior review

assessment process is as follows: (a) an MEGDT (or Ulaanbaatar City and/or *aimag* governments) expert carries out initial assessment and makes a recommendation to the MEGDT(or Ulaanbaatar City and/or *aimag* governments) committee to be completed within 14 days; (b) the MEGDT determines whether (1) no further assessment is needed but may impose conditions, or (2) detailed environmental assessment is needed; (c) if detailed environmental assessment is needed, then the company arranges for this to be carried out by a consultant licensed for this; (d) MEGDT reviews the detailed environmental assessment and may request further information; and (e) MEGDT approves with or without conditions, or rejects.

- (iii) PPBs review and select BPs based on selection criteria agreed, including environmental requirements.
- (iv) The PMU makes initial screening of BPs based on banks conclusion ensuring compliance with government and ADB requirements
- (v) PMU environment specialist categorizes the selected BPs according to ADB Environmental Assessment Guidelines (2003) and provides recommendations to ADB for decision: (a) category A activities will not be funded, (b) category B activities will require environmental assessment in accordance with ADB (IEE) and government requirements, and (c) category C activities will require no further environmental assessment under ADB requirements (but may still require assessment under government requirements).
- (vi) Conduct environmental assessment and prepare IEER (Initial environmental examination report) for B category subprojects in compliance with the requirements of National legislation and SPS;
- (vii) PMU environment specialist refers the subproject to ADB for review and approval at the following points together with recommendations: (a) categorization and IEER according to ADB environmental requirements, (b) MEGDT (or Ulaanbaatar city and aimag government) general environmental assessment, or (c) detailed environmental assessment, and (d) MEGDT approval.
- (viii) PMU submits BPs along with environmental assessment documents (a) to Project Steering Committee (PSC) for approval, if subproject categorized as category C and VCI requested amount not exceeding \$600,000 (first three VCI BPs will require ADB's prior review); or (b) to ADB for approval and to PSC for endorsement, if subproject categorized as category C and VCI requested amount exceeds \$600,000 or subproject categorized as category B.
- (ix) The PPB and PPE signing loan and collateral agreements, and issuing of loan.

41. **Output 2: Production capacity of herders and farmers improved.** These subprojects⁷ are confirmed as category C; therefore no formal procedure of approval is needed. However, the environment specialist within PMU will be responsible for overseeing and reviewing the subprojects to ensure that it is satisfactorily carried out with no significant deviations from the original scope and nature of subprojects, and that the exclusion list is respected.

42. During project implementation, PMU environment specialist will review the selected subprojects to ensure that they do not differ significantly from those anticipated during the current project in terms of type, scale, and environmental sensitivity of location. In addition, PMU will be guided by an exclusion list that states that project activities not be located in

⁷ So far only one subproject under output 2 may require environmental assessment is construction of building for animal skin processing. Otherwise, all activities under output 2 are capacity building and provision of goods.

environmentally sensitive locations including protected areas or their buffer zones; or cultural heritage sites, wetlands, sensitive habitats, or areas with significant biodiversity. The project will not fund (i) major civil works including major earthworks, dams, irrigation or drainage works; (ii) major land clearance; (iii) activities producing significant liquid, gaseous, or solid wastes; (iv) activities involving displacement or relocation of people or effects on livelihoods, influx of workers, intensification of land use with significant environmental degradation, roads, or significant heavy vehicle traffic, forestry or extractive industry (quarries); or (v) any activities that would warrant classification as category A or B under ADB environmental requirements.

B. Environmental Selection Criteria and Categorization of Subprojects

43. **Selection criteria.** The environmental criteria for selecting subprojects include the following: (i) proposed subprojects must comply with Mongolian environmental legislation and ADB's SPS; (ii) proposed subprojects must not include prohibited activities as defined in Annex 5 of ADB's SPS; (iii) proposed subprojects must have potential environmental benefits; (iv) proposed subprojects must improve community and occupational health and safety conditions, and reduce pollution and waste; and (v) proposed subprojects must avoid negative impacts on sensitive areas and habitats such as water-gathering grounds, nature conservation areas, protected ecological habitats, and physical cultural resources.

44. **ADB environmental categorization.** Environmental categorization shall be determined by the PMU and approved by ADB and shall follow the procedure prescribed in this EARF. ADB's rapid environmental assessment (REA) checklist of subprojects (Attachment 2) shall be developed based on ADB's categorization and project site visits, screening of PPBs checklist, discussions with local environmental protection authorities, and other relevant stakeholders. The REA checklist shall be completed by the PMU and submitted to ADB for review and approval. Based on ADB's classification system and the submitted REA, ADB will endorse assigning the subproject to one of the following categories:

- (i) Category A: a proposed subproject is not eligible for funding under the proposed project.
- (ii) Category B: a proposed subproject is classified as category B and an IEE (initial environmental examination) is required if its potential adverse environmental impacts are less adverse than those of category A subprojects. These impacts are site specific, few if any of them are irreversible, and in most cases mitigation measures can be designed more readily than for category A subprojects.
- (iii) Category C: a proposed subproject is classified as category C if it is likely to have minimal or no adverse environmental impacts. No environmental assessment is required although environmental implications need to be reviewed.

45. Subprojects involving training, capacity development or purchase of equipment usually do not involve any significant impacts and are classified as category C. Such subprojects still require a short report justifying their classification and why no impacts are predicted.

46. It should be noted that if financing is to be provided to existing facilities, this should be assessed and indicated during the categorization process. If so, as part of the IEE preparation, the borrower will need to undertake an environment and /or social compliance audit, including onsite inspection to identify past or present concerns related to safeguard impacts and determine whether any corrective action plans are needed. This may apply for example to equipment that is to be procured for the wool and cashmere, leather, and garment industry (output 3).

47. **Ministry of Environment, Green Development and Tourism environmental categorization.** The Mongolian environmental assessment process requires project screening, known as the general environmental assessment (GEA). This is undertaken by MEGDT, Ulaanbaatar City or *aimag* governments, depending on its scale. It takes 14 working days according to the Mongolian law on assessment. The screening is done on the basis of an official request submitted by the PPE to MEGDT, Ulaanbaatar City or *aimag* governments. The following documents should be submitted to MEGDT, Ulaanbaatar city or *aimag* governments to undertake a GEA for a subproject: (i) official letter from the company; (ii) project description; location map, and feasibility study; (iii) baseline environmental description of the project area; (iv) a written opinion of the relevant *soum* and district governor regarding project relevance with local development programs; and (v) copy of relevant certificates of the PPE and land possession and use.

48. A GEA for subprojects are prepared by MEGDT (or Ulaanbaatar City or *aimag* governments). MEGDT (or Ulaanbaatar City or *aimag* governments) issues relevant decision based on the assessment of a subproject. In most cases of the current project's subprojects, MEGDT required to update existing DEIA as these subprojects were planning to upgrade their equipment and technology. Only few of them were approved with general assessment with specific condition as no adverse impacts were expected from implementation of these subprojects.

C. Procedure for Environmental Assessment of Subprojects

49. **General principles.** Subprojects shall meet requirements of ADB's SPS, and Mongolian legislation and standards. ADB's Environmental Safeguards policy principles are defined in Safeguard Requirements¹ of the SPS:

- (i) Use a screening process for each proposed project, as early as possible, to determine the appropriate extent and type of environmental assessment and climate vulnerability risks so that appropriate studies are undertaken commensurate with the significance of potential impacts and risks.
- (ii) Conduct an environmental and climate risk assessment for each proposed project to identify potential direct, indirect, cumulative, and induced impacts and risks to physical, biological, socioeconomic (including impacts on livelihood through environmental media, health and safety, vulnerable groups, and gender issues), and physical cultural resources in the context of the project's area of influence. Assess potential transboundary and global impacts, including climate change. Use strategic environmental assessment where appropriate.
- (iii) Examine alternatives to the project's location, design, technology, and components and their potential environmental and social impacts and document the rationale for selecting the particular alternative proposed. Also consider the no project alternative.
- (iv) Avoid, and where avoidance is not possible, minimize, mitigate, and/or offset adverse impacts and enhance positive impacts by means of environmental planning and management. Prepare an EMP that includes the proposed mitigation measures, environmental monitoring and reporting requirements, related institutional or organizational arrangements, capacity development and training measures, implementation schedule, cost estimates, and performance indicators. Key considerations for EMP preparation include mitigation of potential adverse

impacts to the level of no significant harm to third parties, and the polluter pays principle.

- (v) Carry out meaningful consultation with affected people and facilitate their informed participation. Ensure women's participation in consultation. Involve stakeholders, including affected people and concerned nongovernment organizations, early in the project preparation process and ensure that their views and concerns are made known to and understood by decision makers and taken into account. Continue consultations with stakeholders throughout project implementation as necessary to address issues related to environmental assessment. Establish a grievance redress mechanism to receive and facilitate resolution of the affected people's concerns and grievances regarding the project's environmental performance.
- (vi) Disclose a draft environmental assessment (including the EMP) in a timely manner, before project appraisal, in an accessible place and in a form and language(s) understandable to affected people and other stakeholders. Disclose the final environmental assessment, and its updates if any, to affected people and other stakeholders.
- (vii) Implement the EMP and monitor its effectiveness. Document monitoring results, including the development and implementation of corrective actions, and disclose monitoring reports.
- (viii) Avoid implementing project activities in areas of critical habitats, unless (a) there are no measurable adverse impacts on the critical habitat that could impair its ability to function, (b) there is no reduction in the population of any recognized endangered or critically endangered species, and (c) any lesser impacts are mitigated. If a project is located within a legally protected area, implement additional programs to promote and enhance the conservation aims of the protected area. In an area of natural habitats, there must be no significant conversion or degradation, unless (a) alternatives are not available, (b) the overall benefits from the project substantially outweigh the environmental costs, and (c) any conversion or degradation is appropriately mitigated. Use a precautionary approach to the use, development, and management of renewable natural resources.
- (ix) Apply pollution prevention and control technologies and practices consistent with international good practices as reflected in internationally recognized standards such as the World Bank Group's Environmental, Health and Safety Guidelines. Adopt cleaner production processes and good energy efficiency practices. Avoid pollution, or, when avoidance is not possible, minimize or control the intensity or load of pollutant emissions and discharges, including direct and indirect greenhouse gases emissions, waste generation, and release of hazardous materials from their production, transportation, handling, and storage. Avoid the use of hazardous materials subject to international bans or phase-outs. Purchase, use, and manage pesticides based on integrated pest management approaches and reduce reliance on synthetic chemical pesticides.
- (x) Provide workers with safe and healthy working conditions and prevent accidents, injuries, and disease. Establish preventive and emergency preparedness and response measures to avoid, and where avoidance is not possible, to minimize, adverse impacts and risks to the health and safety of local communities.
- (xi) Conserve physical cultural resources and avoid destroying or damaging them by using field-based surveys that employ qualified and experienced experts during environmental assessment. Provide for the use of chance find procedures that include a pre-approved management and conservation approach for materials that may be discovered during project implementation.

50. **Preparation of initial environmental examination report.** Environmental assessment will be prepared by the environmental specialist in PMU as the proposed project will support subprojects of B and C categories which do not require full environmental impact assessment. IEE shall be consistent with ADBs Safeguard Requirements and with the Law on Environmental Impact Assessment of Mongolia. The IEE of the subprojects will be submitted to ADB for approval, prior to ADB's approval the detailed environmental impact assessment (DEIA in Mongolian) must be approved by MEGDT.

51. The environment assessment shall start with a field visit and study of the environmental conditions at the subproject site, including existing facilities, to see the environmental performance and commitment of the PPE. The PMU environment specialist will assess compliance with mitigation measures and monitoring plans defined in the EMP, identify additional mitigation actions to implement for the sub-project. The environmental performance of PPE shall be documented in the IEE.

52. The baseline conditions for the project will be obtained from the existing assessment reports, site visits, and any available secondary sources and relevant databases, such as topography, soils, geology, protected areas, sensitive areas, land use, and all ambient air, noise and water quality conditions in the project's area of influence.

53. Predicting potential environmental impacts involves predicting environmental risks and anticipated impacts as a result of project activities and plant operation, impacts on air and surface water quality, noise, risks to occupational and community health and safety, protected and sensitive ecological, socio-economic and cultural resources.

54. An environmental management plan (EMP) of the subproject consists from an environmental protection plan and environmental monitoring program. Environmental protection plan should include a table listing the implementation of the mitigation measures. A template is provided in Attachment 3. All mitigation measures mentioned in the EIA report should be listed in this table. Mitigation measures should be defined for all phases of the project, including (i) detailed design, (ii) construction, and (iii) operation. The table must clearly define responsibilities for implementation and supervision of the mitigation measures. Actions related to public consultation and GRM can be included in the EMP or developed as in separate plan.

55. An environmental monitoring plan as part of EMP of the subproject must be compiled by PPE. A template is provided in Attachment 4. The plan should be very specific about the parameters to be monitored, the total number of monitoring locations, the exact locations (location and name of each sensitive target) where monitoring is to be carried out, and the frequency and duration of monitoring.

56. Environmental management and capacity development training plan for the PPE will be developed by the PMU and conducted with cooperation of relevant agencies. These trainings should be incorporated into trainings designed for PPEs along with business proposal writing, financial management, etc.

57. Payment of the costs for the preparation of the required environmental documents will be the responsibility of the PPEs. The PMU will provide support to the PPEs through the environmental consultant in finalizing the required document and submission to MEGDT and ADB for approval. Based on the experiences of the ongoing project, the average annual

mitigation cost is about \$13,500 per subproject. The average annual monitoring cost per subproject is \$1,000.

VI. CONSULTATION, INFORMATION DISCLOSURE, AND GRIEVANCE REDRESS MECHANISM

A. Consultation and Participation

58. Major documents related to the current project have been accessible through ADB website in both English and Mongolian during its first stage implementation. Numerous consultations were held with industry, government officials, nongovernment organizations, herders, traders, suppliers, and others. For the IEE, meetings were held with Ministry of Food and Agriculture⁸ Ministry of Industry (MOI), MEGDT, General Agency for Specialized Inspection, project participating banks (PPBs), World Bank Sustainable Livelihoods Project, Mongolian Cleaner Production and Energy Efficiency Center, University of Mongolia tannery research project, and representative enterprises in each major subsector to be supported by the project. Local (*soum*) officials and community groups were consulted in group meetings in the field. All parties consulted are in favor of the project.

59. In terms of environmental impacts, the main concerns raised during the current project are on the need for sustainable pasture management and a sustainable harvesting system, and for upgrading equipment and processes used in the leather and wool and/or cashmere industry.

60. Public consultations will be conducted during the preparation of the IEEs for the individual subprojects. The PPE will carry out meaningful consultation with affected people and other concerned stakeholders, including civil society, and facilitate their informed participation. The consultation process shall also be used to introduce and discuss the project GRM. Meaningful consultation is a process that (i) begins early in the project preparation stage and is carried out on an ongoing basis throughout the project cycle; (ii) provides timely disclosure of relevant and adequate information that is understandable and readily accessible to affected people; (iii) is undertaken in an atmosphere free of intimidation or coercion; (iv) is gender inclusive and responsive, and tailored to the needs of disadvantaged and vulnerable groups; and (v) enables the incorporation of all relevant views of affected people and other stakeholders into decision making, such as project design, mitigation measures, the sharing of development benefits and opportunities, and implementation issues. Consultation will be carried out in a manner commensurate with the impacts on affected communities. The consultation process and its results are to be documented and reflected in the environmental assessment report.

61. The IEE shall document details of the public consultation by providing details of the environmental issues and concerns raised by stakeholders and by indicating how these will be addressed in the project design and mitigation measures. Proof of consultations such as attendance sheets, minutes of meetings and pictures shall be included in the documentation. A template of the consultation record is provided in Attachment 5.

62. The consultation should focus on public concerns about community annoyances from project implementation, such as noise and dust, as well as public concerns about the environment and resettlement. Immediate adjustments must be undertaken to address any public complaints and concerns.

⁸ Former Ministry of Industry and Agriculture spitted into the Ministry of Food and Agriculture and the Ministry of Industry.

B. Information Disclosure

63. The PMU and PPEs are responsible for ensuring that all environmental assessment documents and environmental monitoring reports are properly and systematically kept as part of the project record. The PPE shall make these documents available in a form, language and at a location in which they can be easily accessed by all stakeholders including affected people.

64. In addition, according to the ADB requirements (for category B projects), the environmental progress reports submitted by the PMU on an annual basis will be posted on ADB website.

C. Grievance Redress Mechanism (GRM)

65. The PMU and PPEs shall establish and maintain a mechanism to receive and facilitate resolution of affected peoples' concerns, complaints, and grievances about the project's performance, with emphasis on environmental impacts and social dimensions. The GRM will address affected people's concerns and complaints promptly, using an understandable and transparent process that is gender responsive, culturally appropriate, and readily accessible to all segments of the affected people at no costs and without retribution. The mechanism will not impede access to Mongolia's judicial or administrative remedies. The GRM will be introduced during consultation with community and made publicly available and accessible to the affected people prior and during to project implementation.

66. As a result of this public participation and safeguard assessment during the initial stages of the project, major grievances are not expected. However, unforeseen issues may occur. In order to settle such issues effectively, a practical and transparent channel for lodging complaints and grievances has been established, in parallel with the mechanism developed under the resettlement planning process. In the event of a grievance issue, the basic stages established for redress are:

- (i) Stage 1: If a concern arises during construction, the affected person addresses the issue of concern directly to the contractor and the PPE project officer. If the issue is successfully resolved, no further follow-up is required.
- (ii) Stage 2: If not successful, the affected person can submit an oral or written petition and/or complaint to the PPE. For an oral complaint, the PPE must make proper written records and provide a clear reply within 2 weeks to the affected person. The environmental consultant can assist the PPE in replying to the affected person.
- (iii) Stage 3: If the affected person is still not satisfied with the reply of the PPE, he and/or she can appeal to the PMU after receiving the reply in Stage 2. The PMU must report to ADB as soon as the complaint is recorded by submitting relevant documents, and prepare a clear reply in consultation with ADB and MEGDT. The PMU must give the reply to the affected person within 30 days.

VII. INSTITUTIONAL ARRANGEMENTS AND RESPONSIBILITIES

67. **Ministry of Finance.** MOF is the executing agency of the project. The executing agency's function is financial disbursement and due diligence oversight. For the project, a PMU has been established to oversee all work and ensure compliance with all safeguard documents of the project (see below). Contract with the national environment specialist and/or consultant of

PMU will be extended for the additional financing period of the project to carry out initial environmental assessment, oversee compliance with Government of Mongolia, and ADB environment requirements. The term of reference of this consultant is included in the EARF.

68. **Project participating banks.** Each PPB will be responsible for ensuring that each subloan agreements include provisions to comply with ADB and all national environmental regulations and requirements that are described in the project documents and the IEE and EMP for the subproject. The PPB will also ensure, with the support from the PMU, that the PPEs comply with the provisions in the subloan agreements, and that adequate compliance monitoring is carried out. This responsibility is to ensure that its lenders comply with relevant environmental regulations and procedures of Mongolia. The PPBs' compliance/environmental officer will work in close cooperation with PMU on conducting environmental assessments. All procedures to be applied are described in the EARF.

69. **Project participating enterprises.** The PPE will be responsible for development, implementation, monitoring, and reporting of the subproject. The PPE shall establish a project implementing team which includes a person in charge of environmental, safety and health issues of the enterprise. During the implementation of the current project, it showed that the PPEs lacked expertise and capacities to ensure adequate environmental management of the projects. There is a need for institutional strengthening, environmental management, and capacity development of PPEs. PMU will organize capacity development trainings for PPEs with assistance of professional agencies to ensure effective project implementation of subprojects. A training program will be defined for PPEs to meet the capacity development needs.

70. **Project steering committee (PSC).** It will comprise three representatives from MOF, two members from MOI, two members from Ministry of Food and Agriculture, and one member each from MEGDT and the Bank of Mongolia. The PSC will mainly be responsible for approving⁹ the subprojects proposed by the PMU and endorsing subprojects approved by ADB.

71. **Project management unit.** VCI unit of the PMU will oversee and ensure that environmental assessments of the subprojects are carried out in accordance with SPS. The PMU will finalize IEEs and monitors the project implementation. The PMU will ensure that all subprojects are implemented in compliance with ADB and Mongolian environmental requirements. The VCI unit of the PMU will include a unit coordinator, financial analyst, business advisor, environmental specialist and social and gender specialist. An environmental specialist will have responsibility to supervise EARF and EMP implementation, monitoring of subprojects, and provision of reports to the PMU and ADB. The consultants' terms of reference are in Attachment 6.

72. The responsibilities of the PMU in carrying out the EARF provisions for subprojects are as follows:

- (i) Classify subproject by completing rapid environmental assessment using approved REA checklists (Attachment 2) and submitting them to ADB for approval of the environment category;
- (ii) Conduct environmental assessment and prepare IEE report in compliance with the requirements of National legislation and SPS;

⁹ Depending of the size of subproject and sectors covered final approval of smaller subprojects and subprojects categorized as category C will be done by PCS. The detailed criteria will be developed on a later stage.

- (iii) Ensure that PPEs hold meaningful consultation with affected people and other stakeholders in accordance with SPS;
- (iv) Organize training programs, with support of professional agencies covering (a) environmental laws, regulation and policies; (b) planning and implementing mitigation measures; (c) environmental management and reporting; (d) community and occupational health and safety; (e) environmental monitoring; and (f) documentation and reporting;
- (v) Ensure that PPEs develop adequate EMP and submits their implementation reports to applicable agencies in timely manner;
- (vi) Ensuring that PPE implemented environmental monitoring in accordance with the approved EMP; and
- (vii) Conduct monitoring of sub-projects environmental performance and report to ADB on an annual basis that describe progress with implementation of the EMP and compliance issues and corrective actions, if any.

73. **Ministry of Environment, Green Development and Tourism (MEGDT).** The MEGDT will be responsible to conduct GEIA in accordance with the Law on Environmental Impact Assessment (1998, revised in 2012), and review and approve detailed EIAs, if relevant. The MEGDT is the agency primarily responsible for the implementation of environmental policy in Mongolia. The Department of Environment and Natural Resources under MEGDT is responsible for the planning and implementation of actions to reduce environmental degradation and adverse environmental impacts, and ensuring the appropriate use of natural resources. Its functions include conducting of GEIAs and the appraisal and approval of detailed EIAs. The Department has extensive experience in conducting GEIAs (i.e., screening and categorization of projects) which comply with the Mongolian Law on Environmental Impact Assessment (1998, revised in 2012), and has either internally or readily accessible expertise to assess DEIAs submitted for approval.

74. **Local governments.** Ulaanbaatar City, *aimag* and *soum* governors are responsible for all environmental management at local level. They issue local permits and licenses and deal with natural resource management. Enforcement of regulations is the responsibility of environmental inspectors at the *aimag* level and rangers at the *soum* and *bagh* level. Ulaanbaatar City has environment and green development department, all *aimags* have their own environmental department with 6 to 7 staff. It has the responsibility to conduct the general environmental assessment for local projects and approve it. Assessment and approval for bigger projects (national level) is done by MEGDT. The environmental department's function is also to supervise the *soum* and *bagh* level rangers and report back to MEGDT. Local governors have the legal right and responsibility for all environmental actions in their given administrative territory. Therefore, the *aimag* environmental department has a key role to play in conducting (and approving or otherwise) general environmental assessment for local projects.

75. **The General Agency for Specialized Inspection (GASI)** is responsible for environmental inspection services nationwide. The Department of the Environment, Geology and Mining Inspection is the main supervising focal point for project activity. This department has 16 inspectors at the central level, 4–6 inspectors at *aimag* level, and 1–2 at *soum* level. Environmental inspectors of this agency are responsible for environmental monitoring, operational inspections, and information collection.

76. **Asian Development Bank.** ADB will be responsible for: (i) reviewing REA checklists prepared by the PMU and approving the environment category subprojects; (ii) advising the PMU on the type and extent of environmental assessment report to be prepared, based on the

approved categorization and SPS requirements; (iii) reviewing and approving the final IEE, disclosing on ADB's project website in accordance with ADB's disclosure policies; (iv) reviewing environmental monitoring reports submitted by PMU, and conducting review missions during implementation to determine compliance with EMP and SPS; and (v) disclosing environmental monitoring reports on ADB's project website in accordance with ADB's disclosure policies.

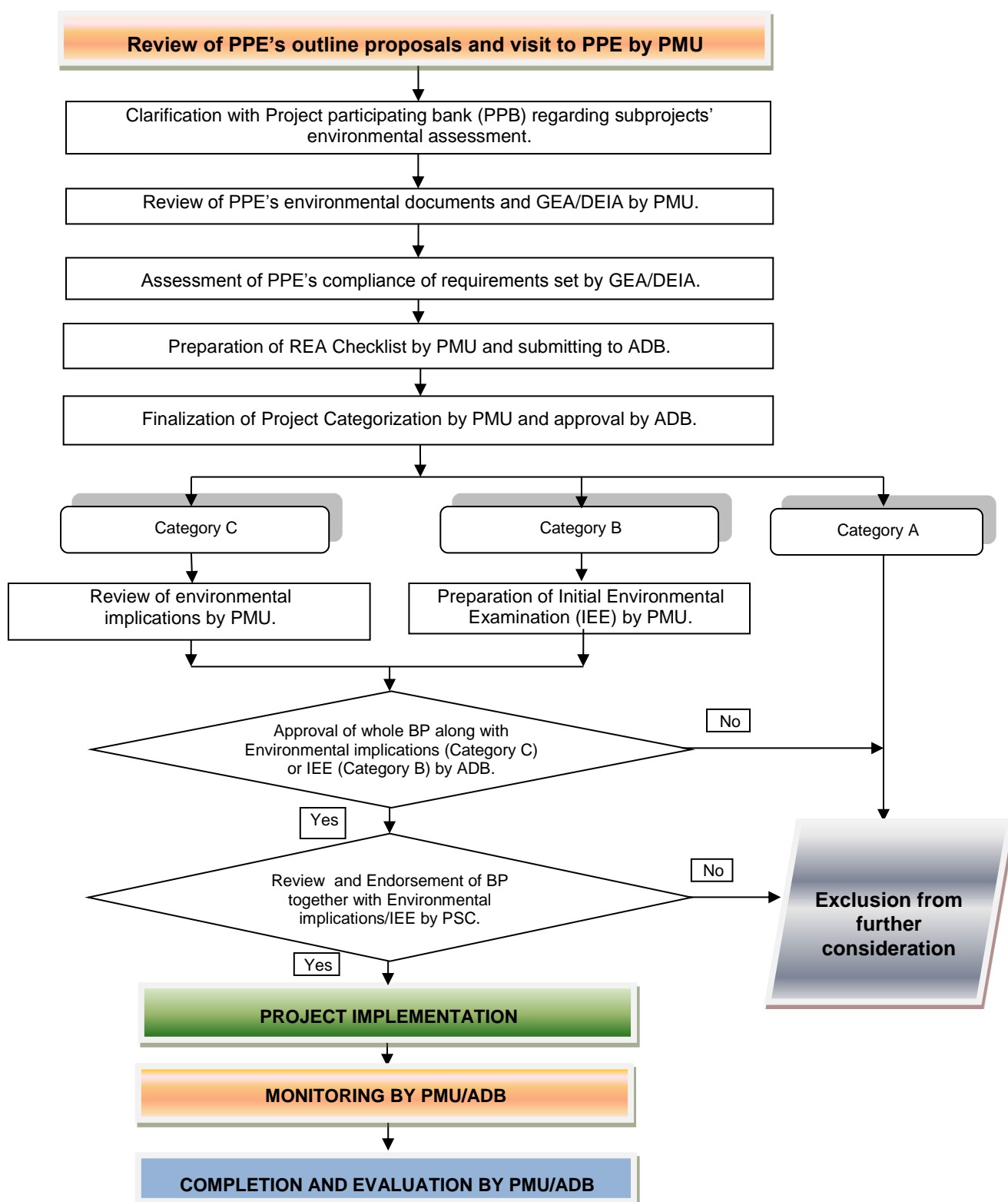
VIII. MONITORING AND REPORTING

77. During implementation, PPEs will monitor and submit semi-annually report to the PMU on the implementation of environmental requirements and outcomes as part of the overall reporting to a PPBs and ADB. The PPEs will be required to report any environmental incidents, accidents, complaints, litigation, regulatory notices, or fines in their operation to PMU, PPB and MEGDT as soon as possible. Corrective actions will be developed and agreed upon between the PPE and GASI or other applicable agency. This will be referred to PMU environment specialist and PPB for review and concurrence. The PPB will report any environmental incidents that it becomes aware of to PMU and a similar procedure initiated. The environment specialist within PMU will be responsible for overseeing and reviewing this monitoring to ensure that it is satisfactorily carried out.

78. **Internal monitoring reports.** PPE shall monitor environmental performance of a subproject during the project implementation internally on regular basis and prepare semi-annual monitoring reports to the PMU. It shall present (i) project implementation status; (ii) environmental mitigation measures implemented; (iii) monitoring activities; (iv) analysis of monitoring data against relevant standards; (v) violations of environmental regulations (results of inspection held, etc.); (vi) any additional mitigation measures and corrective actions required; (vii) occupational health and safety reporting (e.g., accidents during construction, etc.); (viii) major events or issues that happened during the reporting period and follow-up actions needed; and (ix) complaints received from the public and how these were resolved through the GRM. These reports will be submitted to the PMU.

79. **Environmental monitoring reports.** The PMU shall prepare monitoring reports on an annual basis. It shall describe progress with implementation of the EMP and compliance issues and corrective actions, if any. The environmental monitoring report should follow the sample outline for a periodic project environmental monitoring report provided in Attachment 7. These environmental monitoring reports will be provided by the PMU to ADB. If monitoring identifies weakness or deficiencies in the implementation of the EMP, the PMU shall require PPE to implement corrective actions.

ENVIRONMENTAL IMPACT ASSESSMENT FLOWCHART



ADB = Asian Development Bank, DEIA = detailed environmental impact assessment, GEIA = general environmental impact assessment, GOM = Government of Mongolia, IEER = initial environmental examination report, MEGDT = Ministry of Environment, Green Development and Tourism, PSC= project steering committee, PMU= project management unit, PPE = project participating enterprise, REA = rapid environmental assessment, PPB=Project participating bank.

RAPID ENVIRONMENTAL ASSESSMENT (REA) CHECKLIST

□ *Note: Answer the questions assuming the “without mitigation” case. The purpose is to identify potential impacts. Use the “remarks” section to discuss any anticipated mitigation measures.*

Country/Project Title: Mongolia/ Additional Financing of Agriculture and Rural Development

Subproject name:

Sector division:

SCREENING QUESTIONS	Yes	No	REMARKS
A. Project Location			
Is the project area adjacent to or within any of the following environmentally sensitive areas?			
• Cultural heritage site			
• Protected Area			
• Wetland			
• Estuarine			
• Buffer zone of protected area			
• Special area for protecting biodiversity			
B. Potential Environmental Impacts			
Will the project cause...			
• ecological disturbances arising from the establishment of a plant or facility complex in or near sensitive habitats?			
• eventual degradation of water bodies due to water usage, discharge of wastewater, solid waste, or other effluents from plant or facility complex?			
• serious contamination of soil and groundwater?			
• aggravation of solid waste problems in the area?			
• public health risks from discharge of wastes and poor air quality; noise and foul odor from plant emissions?			
• short-term construction impacts (e.g. soil erosion, deterioration of water and air quality, noise and vibration from construction equipment?			
• dislocation or involuntary resettlement of people			
• social conflicts arising from the influx of construction laborers from other areas?			
• water pollution from discharge of liquid effluents?			
• air pollution from all plant operations?			
• gaseous and odor emissions to the atmosphere from processing operations?			

SCREENING QUESTIONS	Yes	No	REMARKS
<ul style="list-style-type: none"> accidental release of potentially hazardous solvents, acidic and alkaline materials? 			
<ul style="list-style-type: none"> uncontrolled in-migration with opening of roads to forest area and overloading of social infrastructure? 			
<ul style="list-style-type: none"> occupational health hazards due to fugitive dust, materials handling, noise, or other process operations? 			
<ul style="list-style-type: none"> disruption of trans it patterns, creation of noise and congestion, and pedestrian hazards aggravated by heavy trucks? 			
<ul style="list-style-type: none"> disease transmission from inadequate waste disposal? 			
C. Other potential impacts			
Will the project cause...			
<ul style="list-style-type: none"> Contamination of soil and groundwater from solid wastes from water treatment sludge, cafeteria wastes etc.? 			
<ul style="list-style-type: none"> Deterioration of water quality due to inadequate sludge disposal or direct discharge of untreated sewage water? 			
<ul style="list-style-type: none"> Contamination of surface and ground waters due to improper waste disposal? 			
<ul style="list-style-type: none"> Contamination of surface and ground waters due to sludge on land? 			
<ul style="list-style-type: none"> Environmental pollution due to inadequate sludge disposal or industrial waste discharges illegally disposed in sewers? 			
<ul style="list-style-type: none"> Impacts associated with transport of wastes to the disposal site or treatment facility? 			
<ul style="list-style-type: none"> Land and/or pasture use conflicts? 			
D. Formal requirements			
Is there any permission of the company on land possession for the company from city and/or <i>aimag</i> government?			
Is there any permission of the company for its operation from city and/or <i>aimag</i> government?			
Is there any environmental assessment conducted for the enterprise?			
Is financing to be provided to existing facilities? E.g. in case of equipment purchases for the wool and cashmere, leather, and garment industries.			
Is there any need in environmental assessment for the value chain investment subproject?			

SCREENING QUESTIONS	Yes	No	REMARKS
E. Proposed categorization			
Category A: Subprojects with potential for significant adverse environmental impacts. The subproject is not eligible for funding under Agriculture and Rural Development Project.			
Category B: Subprojects judged to have some adverse environmental impacts, but of lesser degree and/or significance than those for category A projects. An initial environmental examination (IEE) is required. The IEE is regarded as the final environmental assessment report.			
Category C: Subprojects unlikely to have adverse environmental impacts. No EIA or IEE is required, although environmental implications are still reviewed.			

Responses when added that provide a score of 0 will be considered low risk project. If adding all responses will result to a score of 1-4 and that no score of 2 was given to any single response, the project will be assigned a medium risk category. A total score of 5 or more (which include providing a score of 1 in all responses) or a 2 in any single response, will be categorized as high risk project.

Checklist for Preliminary Climate Risk Screening

Screening Questions		Score	Remarks
Location and Design of project	Is siting and/or routing of the project (or its components) likely to be affected by climate conditions including extreme weather related events such as floods, droughts, storms, landslides?		
	Would the project design (e.g. the clearance for bridges) need to consider any hydro-meteorological parameters (e.g., sea-level, peak river flow, reliable water level, peak wind speed etc)?		
Materials and Maintenance	Would weather, current and likely future climate conditions (e.g. prevailing humidity level, temperature contrast between hot summer days and cold winter days, exposure to wind and humidity hydro-meteorological parameters likely affect the selection of project inputs over the life of project outputs (e.g. construction material)?		
	Would weather, current and likely future climate conditions, and related extreme events likely affect the maintenance (scheduling and cost) of project output(s) ?		
Performance of project outputs	Would weather/climate conditions, and related extreme events likely affect the performance (e.g. annual power production) of project output(s) (e.g.		

	hydro-power generation facilities) throughout their design life time?		
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Options for answers and corresponding score are provided below:

Response	Score
Not Likely	0
Likely	1
Very Likely	2

Result of Initial Screening (Low, Medium, High):

Attachments:

1. Conclusion of GEA/DEIA.
2. Subproject (Investment Proposal)

SIGNING OFF:

Prepared by:

Designation:

Environment Specialist, Agriculture and Rural Development Project

Signature:

Date:

Approved by:

Designation:

Director General, Department of Environment and Natural Resources, MEGDT

Signature:

Date:

EXAMPLE OF AN ENVIRONMENTAL MANAGEMENT PLAN

No.	Environmental impacts and mitigation measures	Parameters	Frequency	Responsibility	Cost, Th.MNT
A Water pollution:					
1	Maintain, renovate and replace water supply pipes, and clean sewage pipes	Sewage management	3rd quarter	Plumbing engineer	
2	Carry out sewage water tests in house and maintain records of test results	Concentration of pollutants in effluent (SAA etc.)	Monthly	Plumbing engineer	
3	Renovate waste water treatment facilities and aeration equipment	Sewage management	By schedule	Plumbing engineer	
4	Purchase new lab equipment for sewage analysis	Sewage management	4th quarter	Procurement manager	
5	Manage sludge removal and transportation	Sewage management	2 times a week	Auto mechanic	
B Waste disposal					
8	Regular clean-up within factory site with involvement of all production units	Waste management	Monthly	OSH officer	
9	Manage solid waste removal and transportation	Waste management	Regularly	Auto mechanic	
10	Procure truck for waste transportation	Waste management	4th quarter	Procurement manager	
11	Introduce new recycling technology of loose wool and waste yarn to produce insulation material	Waste management	4th quarter	Production department	
C Air pollution:					
13	Inspect all air ventilation systems of the factory	Air pollution management	3rd and 4th quarter	Head of mechanical division	
14	Replace and install air ventilation system in wool washing factory and felt making units	Air pollution management	3rd and 4th quarter	Head of engineering department	
15	Make research on exhaust filter for wool particles and dust	Air pollution management	4th quarter	Head of engineering department	
16	Make research on modern air ventilation and conditioning system in order to improve air quality in production units	Air pollution management	4th quarter	Equipment maintenance and research engineer	
D Chemicals use:					
17	Monitor storage and handling of toxic and hazardous chemicals,	Chemicals management	Regularly	Procurement manager	
18	Update references for hazardous and toxic chemicals and put in accessible places	Chemicals management	4th quarter	OSH officer & procurement manager	
19	Develop procedure on storing, handling and expenditure of chemicals	Chemicals management	Q4	OSH engineer	

No.	Environmental impacts and mitigation measures	Parameters	Frequency	Responsibility	Cost, Th.MNT
20	Make inventory of chemicals and terminate unnecessary and out dated chemicals with cooperation with related authorities	Chemicals management	March	Procurement manager and chemical engineer	
E	Soil pollution:				
21	Improve surrounding area of the factory and protect soil and vegetable coverage from erosion and degradation by renovating roads, passages	Soil management	Q2 and Q3	Head of engineering department	
22	Maintain green zone of the factory and plant grass, trees & bushes near factory buildings	Soil management	spring and fall	Head of HR department	
23	Maintain and clean up the surrounding areas of the factory regularly	Waste management	monthly	OSH officer	
F	Occupational safety, hygiene and sanitation:				
24	Conduct training of employees on fire prevention with cooperation with specialized agency	Safety and health management	Q4	OSH officer	
25	Place complete set of fire extinguishing equipment at the factory and monitor its preparedness	Emergency management	second half of the year	OSH officer and procurement manager	
26	Provide employees with occupational apparel and protective equipment	Safety and health management	2 times a year	OSH officer and procurement manager	
27	Involve all employees' in medical check-ups and take follow up action	Safety and health management	2 times a year	Head of HR department and doctor	
G	Organizational measures:				
28	Ensure compliance with government regulations and procedures in terms of environmental protection activities	Environmental management	Regularly	Factory management	
29	Environmental protection awareness raising activities for employees			Factory management	
30	Develop EMP in accordance with DEIA and PMU recommendation, and implement them in timely manner	Environmental management	December/ during the year	Factory management	
31	Prepare report on implementation of EMP and report to relevance authorities and PMU in timely manner	Environmental management	December	Factory management	
TOTAL					

EXAMPLE OF AN ENVIRONMENTAL MONITORING PROGRAM

No.	Impact	Monitoring	Parameters	Reporting Frequency	Responsibility	Report to
1	Water pollution	Monitoring of surface and underground water quality by analyzing sewage, surface and underground water	pH, Chloride (Cl), Sulfate (SO ₄ ²⁻), Ammonia (NH ₄ ⁺ , total), BOD, COD	Two times a year	Factory (through certified lab)	PIA of the <i>aimag</i> , PMU
2	Soil pollution	Monitoring of soil pollution by analyzing soil	Chemical, biological and physical characteristics of soil (to be determined)	Once a year	Factory (through a certified Lab)	PIA of the <i>aimag</i> , PMU
3	Solid waste	Monitoring of waste disposal	Waste management	Yearly	Factory	PIA of the <i>aimag</i> , PMU
4	Air pollution	Monitoring of air quality by sampling	SO ₂ , NO ₂ dust etc.	Two times in a year	Factory (through a certified Lab)	PID of the <i>aimag</i> , PMU
5	Occupational safety and hygiene	Monitoring of working condition,	Safety and hygienic parameters (To, dust, humidity, noise etc.)	Once a year	Factory (through <i>aimag</i> PIA)	PID of the <i>aimag</i> , PMU
6	Workers Safety and Health	Monitoring of safe operation, handling of chemicals and health	Employees health inspection, Safety and Health records, Inspection reports	Once in a year	Factory (internal monitoring reports)	PIA of the <i>aimag</i> , PMU
7	Compliance with National regulations	Compliance with GEA requirements and monitoring plans	Monitoring reports of EMP	End of the year	Factory, PMU	ADB, through PMU

ADB = Asian Development Bank, EMP = environment monitoring plan, GEA = general environmental assessment, PMU = project management unit.

SAMPLE CONSULTATION RECORD

Consultation Participants (meeting, focus group, discussion) _____

Consultation Location:			
Consultation Date:			
Purpose of Consultation:			
Name and Position of Facilitator:			
Name of Participant	Organization / Occupation	Address / Location of Residence	Gender
{name}	{Teacher & Resident}	{13th Khoroo}	
{name}	{Unemployed, Resident}	{13th Khoroo}	

Consultation Record (meeting, focus group, discussion)

Key Issues Discussed	
Issue	Proponent
{Concerns over access to community water resources during project implementation}	{supported by 5 residents and two NGOs from 14th Khoroo}
Actions Identified	
Action & Deadline	Responsible Organization
Additional Comments	

TERMS OF REFERENCE FOR NATIONAL ENVIRONMENTAL CONSULTANT

1. **Environment specialist** (national, 57 person-months). The consultant will have a postgraduate degree or equivalent related to environment science, environment economics/management or a relevant discipline with at least 5 years of relevant professional experience working for project(s) financed by ADB or other international organizations. The consultant will require proven capacity of working effectively with both private sector enterprises and the relevant government agency, sound knowledge of ADB environment safeguard policy and compliance requirements and policy and regulatory frameworks for environment assessment and management of the government, a good command of English and Mongolian, and good computer skills. Under the overall guidance of the project director and the direct supervision of the project coordinator, the consultant will provide inputs and policy advice to ensure compliance of all subprojects with environmental requirements of ADB and the government. This includes but is not limited to ensuring that all the requirements of ADB's Safeguard Policy Statement (SPS, 2009) are met, the safeguards in the project documents are implemented, and that all approvals, permits, licenses and other Government of Mongolia's requirements are met. The consultant will be responsible for monitoring the implementation of the mitigation measures and environmental management plans for the project. The consultant will specifically:

- (i) Conduct capacity development of PPEs and PPBs in environment safeguard and compliance by engaging relevant institutions and provide trainings and advice to them to assist them to articulate clean production requirements, Government and ADB policies into their processes and plans. Training should cover but not limited to covering (a) environmental laws, regulation and policies; (b) planning and implementing mitigation measures; (c) environmental management and reporting; (d) community and occupational health and safety; (e) environmental monitoring; and (f) documentation and reporting;
- (ii) Assist the PPBs in carrying out initial environment and climate risk screening of the selected VCI proposals according to the Government and ADB environmental requirements as needed;
- (iii) Assist PPEs to hold meaningful consultation with affected people and other stakeholders in accordance with ADB's Safeguard Policy Statement (2009);
- (iv) Work closely with PPEs to ensure site selection for VCI subprojects in compliance with ADB's and government's requirements;
- (v) Assist PPEs to develop adequate environment monitoring plan;
- (vi) Support the business advisor in improvement of PPE's VCI proposals and detailed VCI subproject implementation plan to ensure that ADB requirements are met;
- (vii) Conduct rapid environmental assessment, categorize selected VCI proposals according to ADB environmental requirements;
- (viii) Conduct environmental assessment and prepare IEE report in compliance with the requirements of national legislation and SPS and categorization in accordance to ADB Environment assessment Guidelines (2003) and update existing EARF;
- (ix) Once VCI proposals are selected and approved by PPBs, ADB and PCS, help PPEs to improve both environmental management and environment monitoring plan if needed based on the field visit to PPEs and review of BPs from environment perspective and establish the project baseline for monitoring;
- (x) Liaise with the Ministry of Environment, Green Development and Tourism (MEGDT) and General Agency for Specialized Inspection to coordinate activities

- for the assessments where there is difference in ADB and Government requirements or during detailed assessment and project approval;
- (xi) Participate in reviews of subprojects related to output 2 to ensure that they meet ADB and the government's requirements in terms of type, scale, and environmental sensitivity of their locations;
- (xii) Monitor subprojects during implementation to ensure implementation in accordance with the requirements of the environmental assessment and environment management plan and monitor against the baseline;
- (xiii) Support the Government to establish and maintain the Grievance Redress Mechanism;
- (xiv) Participate in project reviews by ADB and other Government agencies, review project reports from PPEs, and carry out spot checks on subprojects to verify reports;
- (xv) Prepare progress, quarterly, and annual reports containing in-depth analysis of the performance of PPEs and their value chain members, as well as recommendations for their improved performance, for submission to the PPEs and the PMU; and
- (xvi) Provide the reports and documents required by the PMU, executing agency, and PSC.

TEMPLATE ENVIRONMENTAL MONITORING AND PROGRESS REPORT

1. Guidelines: Following requirements of the ADB Safeguard Policy Statement (2009) and the Operations Manual section on safeguard policy (OM F1), borrowers/clients are required to establish and maintain procedures to monitor the status of implementation of safeguard plans and ensure progress is made toward the desired outcomes.

2. The level of detail and comprehensiveness of a monitoring report is commensurate with the complexity and significance of social and environmental impacts. The following report structure is suggested:

1. Introduction
 - 1.1. *Report Purpose*
 - 1.2. *Project Implementation Progress*
2. Incorporation of Environmental Requirements into Project Contractual Arrangements (*Manner by which EMP requirements are incorporated into contractual arrangements, such as with contractors or other parties*).
3. Summary of Environmental Mitigations and Compensation Measures Implemented

Based on EMP; may include measures related to air quality, water quality, noise quality, pollution prevention, biodiversity and natural resources, health and safety, capacity building, and others.
4. Summary of Environmental Monitoring
 - 4.1. *Compliance Inspections (if relevant)*
 - 4.1.1. *Summary of Inspection Activities*
 - 4.1.2. *Mitigation Compliance*
 - 4.1.3. *Mitigation Effectiveness*
 - 4.2. *Emission Discharge (Source) Monitoring Program (if relevant)*
 - 4.2.1. *Summary of Monitoring*
 - 4.2.2. *Results*
 - 4.2.3. *Assessment*
 - 4.3. *Ambient Monitoring Program (if relevant)*
 - 4.3.1. *Summary of Monitoring*
 - 4.3.2. *Results*
 - 4.3.3. *Assessment*
5. Key Environmental Issues
 - 5.1. *Key Issues Identified*
 - 5.2. *Action Taken*
 - 5.3. *Additional Action Required*
6. Conclusion

Overall Progress of Implementation of Environmental Management Measures
Problems Identified and Actions Recommended

Appendixes

1. Site Inspection and/or Monitoring Reports
2. Ambient Monitoring Results
3. Photographs
4. Others