



Initial Poverty and Social Analysis

Project Number: 46915-014
July 2016

MON: Combined Heat and Power Plant Number 5 Project

An initial poverty and social assessment (IPSA) is prepared in the early stage of the project cycle to assess the significance of social issues for a project. In accordance with ADB's public communications policy (PCP, 2005), the IPSA is disclosed upon completion. The final summary social assessment is included as an appendix to the project's report and recommendation of the President.

Asian Development Bank

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Mongolia	Project Title:	Combined Heat and Power Plant Number 5 Project (CHP5) [46915-014]
Lending/Financing Modality:	Project Finance	Department/ Division:	PSOD/PSIF2

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The project directly supports the interim country partnership strategy (CPS)^a for Mongolia through addressing priority energy infrastructure gaps and improving energy access and efficiency in urban areas. The CPS aims to foster energy security by encouraging the provision of reliable, adequate, and affordable energy for inclusive growth in a socially, economically, and environmentally sustainable manner. To achieve these ends, the CPS specifically calls for the construction of a new, efficient CHP facility in Ulaanbaatar utilizing a PPP structure. The project's associated district heating pipelines and electricity transmission lines are prioritized in the current Country Operations Business Plan.^b The proposed project will meet electricity and heat demand of urban residents including urban poor in the capital city Ulaanbaatar, and contribute to the replacement of existing aging and inefficient combined heat and power (CHP) plants.

B. Poverty Targeting

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)

The proposed project does not directly address poverty issues. However, it will indirectly address poverty reduction through (i) meeting unmet demand for reliable electricity and heating services, and (ii) improving urban air quality through contributing to the replacement of aging and inefficient power plants and heat only boilers that have limited emission control measures.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The expected beneficiaries are the increasing number of electricity and heating services users in Ulaanbaatar whose needs have been unmet due to the absence of infrastructure. The poverty headcount ratio for Ulaanbaatar is 19.8 (2012), which is lower than the national ratio of 27.4 (2012).^c The difference in the poverty headcount ratio between Ulaanbaatar and the national average is however reducing as more rural Mongolians migrate to the capital city.

2. Impact channels and expected systemic changes. The project will address unmet demand for heating and electricity services through the addition of 587 MW of thermal energy (for heat) and 463.5 MW of electricity at full capacity. It will also contribute to mitigating air pollution caused by the existing aging coal-fired plants and numerous low-efficiency HOBs in Ulaanbaatar.

3. Focus of (and resources allocated in) the due diligence. The plant will be located in the Bayanzurkh District of Ulaanbaatar, the largest in area and the most populated of the city's nine districts. Bayanzurkh's population is also the fastest growing, with an average growth rate of 5.7% between 2000 and 2014.^c As the project will attract workers who may seek to reside nearby, in addition to baseline socio-economic data review, due diligence should review the absorptive capacity of the district to ensure it can manage population change over time. In addition, due diligence should include review of population health status in the district to understand pre-project baseline conditions relative to poverty and social issues.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? The project is not expected to directly or indirectly, adversely or beneficially, impact gender inequality or mainstreaming in Ulaanbaatar or Mongolia more generally. Potential contributions and effects will however be explored during due diligence.

2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?

Yes No Please explain. The project is not expected to directly contribute though the potential for indirect contributions will be explored during due diligence.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes No Please explain. The project's environmental and social impact assessment (ESIA), first released in October 2015, reports that the project is not expected to have an adverse impact on women and/or girls or widen gender inequality.

4. Indicate the intended gender mainstreaming category:
- GEN (gender equity) EGM (effective gender mainstreaming)
- SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design. The project's ESIA included extensive consultation with stakeholders, including community members in the project's immediate area of influence (Khoroo 11). Other stakeholders engaged through the impact assessment include NGO representatives and residents of the adjacent Khoroo 10 and 23. The project's Stakeholder Engagement Plan (SEP) includes measures to incorporate stakeholder feedback into project design considerations, a grievance redress mechanism and information disclosure procedures to be implemented throughout the life of the project.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded? The ESIA included a vulnerability assessment, notably in the household survey for resettlement. The management plans include additional measures for supporting identified vulnerable households such as priority access to project employment opportunities and normalization of land title at resettlement locations. A Community Liaison Officer is responsible for the implementation of the SEP.

3. What are the key, active, and relevant civil society organizations (CSO) in the project area? What is the level of civil society organization participation in the project design? The SEP includes detailed mapping of stakeholder groups including CSOs, which were invited to participate in consultative meetings during the ESIA process. Due diligence will include analysis of the effectiveness of this consultation.

Information generation and sharing (M) Consultation (M) Collaboration (L) Partnership (N)

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? Yes No

The project will require involuntary resettlement of less than 200 persons, approximately half of which will lose their current place of residence (most of which are gers, traditional Mongolian tents). As part of the resettlement planning process, a socioeconomic survey has included a vulnerability assessment to identify households that may potentially be disproportionately affected by displacement. Identified vulnerable households will receive additional measures as part of the resettlement process. Due diligence will assess the inclusiveness of planned measures.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No The project will require 66 hectares for the following structures/components: power plant, temporary construction lay-down area and adjacent land that will be adversely affected by construction and operation period impacts. As avoidance and minimization efforts have reduced the anticipated displacement impacts, land acquisition will cause physical and economic displacement to at most 150 persons in two adjacent areas, of which no more than 100 will experience a major impact. On the 45ha power plant site, ten households will be affected but only one permanent and three temporary structures will be permanently removed from the site. In the adjacent 7ha area, 35 households and businesses will be affected, with 22 home or business structures requiring permanent removal from the site. Four herder families that make intermittent seasonal use of grass land and river access at the plant site will also be economically displaced. A project resettlement plan is being prepared to guide the government-led resettlement process. The entitlement matrix ensures all titled and non-titled affected persons will receive replacement cost compensation for assets, transitional allowances and title to land elsewhere. Associated facilities such as the district heating pipeline and the transmission line will be constructed along an existing ROW or on land that will not require involuntary resettlement. A railway spur will also be required by the project for lignite delivery and ash removal but location and potential impact is still being assessed by government.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?

Resettlement plan Resettlement framework Social impact matrix

Environmental and social management system arrangement None

B. Indigenous Peoples Category A B C FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No The project ESIA states that no distinct or vulnerable indigenous or ethnic minority groups are present in the CHP5 area of influence. Mongolia is a largely homogenous country in terms of distinction among ethnic groups, especially in the capital city Ulaanbaatar where the project is situated. Among the 45 households that will be directly impacted through involuntary resettlement, 77% of residents are from the majority Khalkh group and 13% are from one of three main ethnic groups Durvud, Bayad and Buriad. The remainder did not provide an ethnicity. Associated facilities that will also be financed with ADB funds such as the district heating pipeline and transmission line have been categorized as C for impacts on Indigenous people and ethnic minority groups.
3. Will the project require broad community support of affected indigenous communities? Yes No
4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?
 Indigenous peoples plan Indigenous peoples planning framework Social Impact matrix
 Environmental and social management system arrangement None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?
 Creating decent jobs and employment (L) Adhering to core labor standards (L) Labor retrenchment (L)
 Spread of communicable diseases, including HIV/AIDS (L) Increase in human trafficking Affordability
 Increase in unplanned migration (L) Increase in vulnerability to natural disasters Creating political instability Creating internal social conflicts Others, please specify _____
2. How are these additional social issues and risks going to be addressed in the project design? The project ESIA has recommended implementation of a number of worker management plans including a Local Content Strategy, Influx Management Strategy, Human Resources Policy, Worker Grievance Mechanism, Workers' Code of Conduct and a Worker Accommodation Plan.

VI. DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the due diligence contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified?
 Yes No
2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and participation plan during the due diligence? ADB is working in close collaboration with the project sponsor's social and environmental consultant to ensure appropriate resources, time and effort are spent in conducting requisite studies and consultation.

^a ADB. 2014. *Mongolia: Interim Country Partnership Strategy (2014–2016)*. Manila.

^b ADB. 2012. *Country Operations Business Plan, 2012–2014*. Manila.

^c National Statistical Office. 2012. *Mongolian Statistical Information Service* (<http://www.1212.mn/> viewed 10 November 2015). Ulaanbaatar.