Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 02/17/2022 | Report No: ESRSA01927

BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Mongolia	EAST ASIA AND PACIFIC	P174806	
Project Name	Mongolia Transport Connectivity and Logistics improvement project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Transport	Investment Project Financing	12/14/2021	5/10/2022
Borrower(s)	Implementing Agency(ies)		
Mongolia	Ministry of Road and Transport Development		

Proposed Development Objective

The project development objective is to improve climate-resilient transport connectivity and climate resilience of transport, and logistics efficiency for the meat value chain in Mongolia.

Financing (in USD Million)	Amount
Total Project Cost	132.00

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

No

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

The proposed project will help Mongolia to establish the backbone of an integrated livestock supply chain infrastructure and institutional capacity. The project will make optimal use of World Bank support by ensuring that interventions are highly selective, as recommended in the InfraSAP study. By introducing and implementing an evidence-based approach to asset management, the project will lay the foundation for nationwide asset preservation. It will also take a major step toward addressing Mongolia's logistical challenges of Mongolia. By tackling the shortfalls in physical connectivity, cold chain storage, and information asymmetry in logistics and supply chains, the project will begin to disassemble the stubborn impediments to the country's efforts at economic diversification. It will also deploy technical assistance and capacity building to make transport services and logistics more efficient over the long haul.

Priority 1: Remove road bottlenecks and improve maintenance
Connectivity between the selected eight Aimags which are critical for the meat value chain and last-mile connectivity between herding communities and the core transport network will be supported. Out of 15,172 km of roads, the 2,300km of national roads will be the priority. Most of this priority network, constructed since 2010 with funding from several international development partners, such as the ADB and Japanese International Cooperation Agency, alongside the Government of Mongolia, has deteriorated and needs rehabilitation or upgrading. These significant investments are critical for connectivity between herders and markets. A key priority is to develop and preserve existing national roads that are the backbone for the physical connectivity of the meat supply chain, supported by appropriate frameworks for asset management. This is critical to preserve the asset value of roads that have recently been upgraded, thereby avoiding the vicious cycle of build-neglect-rebuild as well as premature failures. Such an asset management approach would help to manage the strategic network on a “life-cycle cost-planning” basis and to implement evidence-based maintenance planning and investment decisions.

Priority 2: Deliver infrastructure and logistics services effectively to unlock potential of meat supply chain
To achieve maximum potential from the livestock sector, ongoing initiatives aimed at improving its productivity must be supplemented with well-organized warehousing and transportation services. The key to unlocking the economic potential of Mongolia’s livestock is the availability of efficient terminals and logistics services to extend the cold chain, as well as facilities to add value to livestock products. The eight selected Aimags will form a network of logistics hubs in a hub-and-spoke pattern.

Priority 3: Address information asymmetry and administrative barriers by delivering timely information to the right parties
COVID-19 has accentuated the need for digitalization in many sectors of the economy, including logistics. Through an open digital platform, logistics firms serving the meat supply chain will be able to achieve end-to-end visibility of supply chain activities and gain access to the data and information they need to unlock innovation and create new commercial value. The project will also help firms adopt digital solutions and train their workforce. In addition to the technological interventions, the project will also seek to develop guidelines and regulations to spur the growth of contract logistics services and enhance the role of existing players.

Embedded within the activities will be an explicit mandate to respond to the impacts of climate change. The existing transport network is highly vulnerable to adverse climate events triggered by heavy rainfall, severe winters, and floods. The unit costs for new construction are relatively high and have been increasing due to climate change. The Ministry of Road and Transport Development (MRTD) has started to prepare strategies/design guidelines for cost optimization and integrating cli mate resilience into the road sector. The strategies/guidelines aim to avoid premature failures and improve the design life of road infrastructure; make the best use of existing roads and bridges; promote the use of local materials; and adopt climate-smart solutions, including improved drainage and road surfacing, and innovative and climate-resilient bridge designs. The proposed project will reinforce these initiatives and update the guidance to reflect current international practice in a highly efficient livestock supply chain, in which the first stage of production and quality assurance of livestock products takes place closer to the herders.

D. Environmental and Social Overview

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

Physical investments of this project include: 1) The physical investments supported by the proposed project include the maintenance for 311km existing roads and upgrading of 51km last mile connectivity roads in selected aimags; 2) development of a model regional logistics hub in Ovorkhanghai. The specific design of the hub will only be available during project implementation. Potential activities at the hub include: approximately 4–5 km of internal roads within the hub; Facilities for docking, loading, packaging, and other value-added services; Truck parking space; Warehousing and cold-storage; Space for offices and ancillary services such as hostels and offices; Basic energy, solid waste disposal and water supply; ICT access; Access to land already owned by the Government of Mongolia (approximately 28 hectares to be developed in phased manner); and Land acquisition by the Government of Mongolia. It will serve mainly as a warehousing and freezing facilities and procure, operate, and maintain a modern trucking fleet to transport the frozen goods to markets throughout the year. The project will also support various technical assistance, including: 1) development of a road asset management framework and system; 2) design, procurement and setting up of a digital logistics and supply chain platform; 3) Demonstration projects for innovations in the supply chain such as Real-time monitoring of deliveries (including Radio-frequency identification tags, QR-code, Track & Trace blockchain) and Warehousing and Smart trucks/containers; 4) review and updating of regulations and standards to support development of the contract logistics sector ; 5) Preparatory works for logistics hubs, including master plans, functional design, setting up governance structure, financing/PPP options, feasibility studies, and bidding documents for logistics hubs; 6) Strategic studies, including technical designs, intermodal operations, and business development for export logistics ; and 7) Capacity building and training. A zero-budget CERC was established to respond potential natural disasters. Eligible CERC activities would include clearing and rehabilitation of road infrastructure, infrastructure at regional logistics hubs identified or supported by the project, and purchase of eligible materials.
Mongolia is a landlocked country in Northern Asia and is divided into Ulaanbaatar and 21 aimags. It has an area of 1.6 million km2 and about 3 million inhabitants, 1.3 million of whom live in Ulaanbaatar. The elevation of Mongolia ranges from 914 to 1524m. Mongolia is mountainous in the northwest, hilly grassland in the middle and east, and Gobi desert in the southwest. From north to south, the vegetation covers forest, forest steppe, typical grassland, desert steppe, and Gobi desert. Mongolia has a continental climate. Its annual precipitation is 50~450mm and evaporation is above 500mm. In winter, the average temperatures over most of the country are -20°C. In summer, it reaches 38°C in the southern Gobi region and 33°C in Ulaanbaatar. The road to be maintained and the last mile roads and the hubs are all located in northern Mongolia, where are covered by mountains, siberian coniferous forests, and steppes, and will be selected far from area of high biodiversity value by adopting strict criteria for subproject selection. The model regional hub will be located in Ovorkhanghai Aimag, however the exact location will only be available during project implementation. Ovorkhanghai is located in the central part of Mongolia and is dominated by steppe. The average annual precipitation of Ovorkhanghai is 354.5mm and the temperature are ranged from -35.8°C to 35°C.
Poverty is much higher in rural areas (35.5 per cent) than urban areas (23.2 per cent). Rural poor people are either herders, who are scattered, isolated and mobile, or entrenched in rural district settlements called soums, made up of a few hundred families. Over 90% of the population in Mongolia is of Mongol background, mainly Khalkh (83.8%) and other Mongol groups with distinct dialects and cultures. In aimags where the project will be implemented, there are ethnic minorities including Kazakh, Dhuha (Tuva), Buriad, Urianhai, and Khotons.
Road maintenance will be implemented in selected aimags, including aimags where ethnic minority groups live. The exact location of roads to be improved will be finalized at a later stage, and ethnic minority presence will be assessed once locations of the roads are finalized. Mongolia has a vast area and a small population. Site selection for road maintenance depots and logistic hubs with no or minimum livelihoods impact should be accommodated.

The Livestock Commercialization Project, approved in 2019, and Agriculture Clusters Project (under preparation FY23) will support upstream supply to the regional hubs through interventions on improving animal health, which complements this proposal to support logistics and transport services. No specific location has been identified for the Agriculture intervention, however the aimags are same. The Mongolia Cabinet Secretariat will chair an oversight committee to coordinate various public ministries (including transport, agriculture, energy and ICT). Respective clients will be worked with to agree on the joint criteria for site selection and respective investments.
All ESSs in the ESF except ESS9 are considered relevant at the appraisal stage.

D. 2. Borrower's Institutional Capacity

Ministry of Road and Transport Development (MoRTD) is the implementing entity for the entire project. Cabinet Secretariat will chair a stakeholder group and play a coordinating role amongst ministries including Agriculture, Energy, Environment, and Finance. The group will jointly prepare the terms of a concession agreement for the hub development. Although MoRTD has implemented other donor funded transport projects, this is the first World Bank financed project to be implemented by the Ministry of Road and Transport Development (MoRTD) of Mongolia and accordingly, it will be the first project applying the ESF. No Bank physical missions have been possible which has made undertaking detailed capacity assessments difficult however based on available information, it is assumed that substantial technical capacity support will be required during project preparation and implementation to assist MoRTD in designing the project in a manner which meets the requirements of the ESF. Only one infrastructure project in Mongolia has been supported by the Bank using the ESF (UB Urban Heating project), there is a limited level of ESF knowledge in the Country. This has been further complicated during 2020 with the impacts of COVID 19 and associated travel restrictions and internal lock-downs. Notwithstanding this, potential exists for MoRTD staff and consultants to be trained on the ESF who can then provide E&S risk management support during project preparation and implementation. The model regional logistics hub will complement ongoing and upcoming projects supported by the World Bank in the agriculture sector. Specifically, the Livestock Commercialization Project (ongoing) and Agriculture Clusters Project (under preparation FY23) will support upstream supply to the regional hubs through interventions on improving animal health. Cross ministerial collaboration should be addressed during project preparation. An E&S Capacity Building Plan has been prepared as part of the ESMF with specific measures/requirements to build and maintain needed capacity and coordination mechanism.

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

A. Environmental and Social Risk Classification (ESRC) — Substantial

Environmental Risk Rating — Substantial

The project supported physical investments include maintenance for 311km existing roads and upgrading of 51km last mile connectivity roads in selected aimags, and development of a model regional logistics hub in Ovorkhanghai. These activities will be selected far from areas of high value by adopting strict criteria for subproject selection. The specific design of the hub will only be available during project implementation. Potential activities at the hub include: approximately 4–5 km of internal roads; Facilities for docking, loading, packaging, and other value-added services; Truck parking space; Warehousing and cold-storage; Space for offices and ancillary services such as hostels and offices; Basic energy, solid waste disposal and water supply; ICT access; Access to land already owned by the Government of Mongolia; and Land acquisition by the Government. Limited information is available at this stage about the location, scale, intensity and nature of uses associated with the hubs. The existing roads maintenance, the last mile roads upgrading, and the hub construction will generate impacts such as dust and exhaust, noise,

construction waste, soil erosion and runoff, OHS, traffic safety during construction, which will be site specific, predictable and easily managed. The operation of roads will have positive impacts to the economy after the road conditions improved but may have negative impacts to biodiversity if not well designed. The hub operation will bring potential negative impacts, including wastewater, air pollution, noise, waste, and OHS hazards. The project will also finance various TAs that can be divided into 3 types: Type 1) assisting the Mongolia preparing future investments; Type 2) supporting the strengthening of legal, regulatory, policy, and institutional frameworks; and Type 3) capacity building and training, and may have more diffuse and induced impacts, often over a longer term. According to ESMF, the PMO of MoRTD will conduct specific E&S risk screening for all project activities per ESF, including TA activities and CERC activities. Site-specific risks and impacts of project activities will be screened, assessed and managed in site-specific ESIAs/ESMPs to be prepared during implementation when the locations of these activities are known and detailed designs are prepared. Due to covid-19 restrictions, no field investigation can be conducted before appraisal. Before bidding of the last mile connectivity roads, an in-field investigation to the roads including biodiversity investigation and heritage survey will be conducted. A biodiversity management plan (BMP) may be necessary to be prepared depending on the potential adverse impacts to biodiversity identified during the biodiversity investigation and will be integrated into the ESMP(s) for the last mile roads. A preliminary ESIA for the model hub was carried out to ensure an adequate risk management mechanism. A comprehensive ESIA will be prepared for the hub and associated facilities that will be identified when the hub specific design is available according to domestic regulations and the ESF, ESH Guidelines and GIIP. Mitigation measures will be developed to mitigate the impacts in an ESMP which will be integrated in the hub ESIA, and will be integrated into the design. The capacity of the MoRTD is low. Risks related to the low capacity will be mitigated through capacity building activities which will be provided to all related parties, ensuring that environmental and social specialists supporting the PIUs are in place and well trained.

Social Risk Rating Substantial

Risks associated with the proposed project include effective stakeholder engagement and public consultation with potentially impacted persons, labor management, potential impacts to local communities during road improvement and maintenance such as SEA/SH and influx of labor, potential traffic safety impacts to local communities during the operational phase caused by increased speed of the last mile connectivity roads, potential restrictions of access to grassland during construction work, potential impacts on livelihoods caused by by construction materials sourcing and transporting, inclusion of vulnerable people and ethnic minority peoples who live along the main roads and last mile connectivity roads and/or are affected (either positively or negatively) by the proposed logistics hub. Due to COVID imposed travel restrictions, only online consultations took place with relevant government departments, representatives from civil society and the private sector. Consultations with local communities and herder households is expected to take place when travel permits. Screening and scoping of vulnerable communities will be undertaken when the country is open for travel as well. Further consultation is expected to take place during implementation. The capacity at MoRTD for managing social risks is low, given this is among the first World Bank financed transport projects in Mongolia, particularly in areas such as community engagement, SEA/SH, GBV, inclusion and labor management. The operational phase of the logistics hubs (exact activities, scale, ownership and management structures and other aspects which are not known in any detail at Appraisal stage) will bring a range of social development opportunities and risks (labor, worker and workplace safety, inclusion, supply-chain and others). To the extent possible, these have been assessed prior to Appraisal. However, it is likely that a number of variables will need to be managed during project implementation. Due to travel restrictions and lock-downs in Mongolia imposed as a result of COVID-19, physical assessment missions to project sites have not been possible. Project preparation will largely be done by remote support to locally hired consultants. A robust stakeholder engagement

process will be key to resolving the remaining issues that could not been tackled at preparation stage. Given the level of risks associated with ESS2, ESS4, ESS5, ESS7, and ESS10 the limited capacity within MoTRD and the consultant cohort in Mongolia as well as contextual risks associated with travel restrictions and lockdowns as a result of COVID-19, social risk is rated at Substantial.

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

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

The standard is relevant given that the ES risks and impacts are expected from maintenance and repair of selected main roads, pavement of last mile connecting roads, and the construction and operation of the pilot hub, as well as TAs supported by the project. Due to Covid-19, no site visit to the Project was arranged at the appraisal stage. The E&S due diligence was conducted based on the review of the draft project appraisal document and the E&S documents prepared by MoRTD, as well as the online engagement with government, scholars, NGO and local people. Based on information available, no significant E&S issue was identified during the due diligence.

The maintenance of 311km roads in selected aimags will be carried out on existing road and the relevant ES risks during construction include fugitive dust, noise, spoil/construction waste, soil erosion and runoff, OHS impacts to workers and communities, traffic and road safety, potential impacts to wildlife, land acquisition, livelihoods impact to communities, potential impact to ethnic minorities, risk related to GBV/SEA etc. are expected to be temporary, site specific and easily managed by adopting mitigation hierarchy. The operation of roads network will be expected to have positive impacts to the economy after the road conditions improved but may have negative impacts to natural habitats if not well designed.

The construction of 51km last mile connectivity roads will be carried out along existing tracks. Careful stakeholder engagement will be conducted to ensure no livelihoods impact is caused to nearby herder families and other entities. Consultation will only take place when travel permits. An SEP has been prepared to guide the process of stakeholder engagement including identification of all impacted persons and entities, and meaningful consultation with the impacted parties to ensure they are consent with the proposed activities.

Regarding the model regional logistics hub in Ovorkhanghai, the specific design of the hub will only be available during project implementation. Potential activities at the hub include: approximately 4–5 km of internal roads within the hub; Facilities for docking, loading, packaging, and other value-added services; Truck parking space; Warehousing and cold-storage; Space for offices and ancillary services such as hostels and offices; Basic energy, solid waste disposal and water supply; ICT access; Access to land already owned by the Government of Mongolia (approximately 28 hectares to be developed in phased manner); and Land acquisition by the Government of Mongolia. It will serve mainly as a warehousing and freezing facilities and procure, operate, and maintain a modern trucking fleet to transport the frozen goods to markets throughout the year. Limited information is available at this stage about the location, scale, intensity and nature of uses. The ES risks during construction will include fugitive dust, noise, spoil and construction waste, soil erosion and runoff, OHS impacts to workers and communities, traffic and road safety, potential livelihoods impact from restrictions to access to land, which is expected to be temporary, site specific and easily managed by adopting mitigation hierarchy. The MoRTD has made it clear that no land acquisition will be granted for this project. Careful stakeholder engagement will be carried out to ensure no livelihoods impact will be

caused to nearby communities. The anticipated environmental impacts during the operation of the model hub may include increased energy demand, air emissions such as exhaust from transport trucks, wastewater, noise, waste and OHS risks from the operation of the hub, as well as the risks from the potential associated facilities to be identified during the comprehensive ESIA in project implementation. Similarly, the operational phase of the logistics hubs (exact activities, scale, ownership and management structures and other aspects) will bring a range of social development opportunities and risks (labor, worker and workplace safety, inclusion, supply-chain and others) which will need to be managed during project implementation.

The project will also finance various TAs that can be divided into 3 types: Type 1) assisting the Mongolia in various phases of preparing future investments; Type 2) supporting the strengthening of legal, regulatory, policy, and institutional frameworks; and Type 3) capacity building and training, and may have more diffuse and induced impacts, often playing out over a longer term.

An ESMF was prepared by client as the E&S management instrument at the appraisal stage to cover all project supported activities, including maintenance of existing road, upgrading of last mile roads, development of the pilot hub, TAs, and CERC activities, and any associated facilities to be identified during the ESIA for the hub in project implementation in compliance with both domestic regulations and the World Bank's ESF. The ESMF has set out the principles, rules, guidelines, and procedures to assess the E&S risks and impacts. The ESMF includes: (a) an analysis of potential E&S impacts that may occur from the existing road maintenance and the upgrading of the last mile roads and the development of the pilot hub; (b) a gap analysis of domestic E&S regulatory framework and the ESSs; (c) E&S management procedures for subproject screening, assessment, approval, implementation, supervision and M&E; (d) a screening form and the E&S related eligibility criteria and exclusion list for subproject selection, against which all site specific subprojects will be screened by client and a site specific ESMP template; (e) a capacity building plan which will be provided to all related parties including government and the concessionaires given the novelty of the concept, and related budget; (f) a Stakeholder Engagement Plan (SEP) to enable early, continuous and inclusive stakeholder engagement during project implementation; (g) an Environmental Codes of Practice (ECOP) for road repair to address the E&S risks and impacts from the existing road repair, and with traffic and road safety requirement as part of the ECOP to manage the road safety risk; and (h) E&S assessment approaches for supported TAs that may have downstream adverse E&S implications.

As the specific location of the proposed hub is unknown, and will only be decided during project implementation and due to the contextual limitations stemming mostly from COVID-19 restrictions, detailed ESIA work will not be possible prior to appraisal. However, to ensure an adequate risk management mechanism is developed prior to appraisal, a preliminary ES Impact Assessment for the pilot hub was prepared by MoRTD based on available information in compliance with both domestic regulations and the World Bank's ESF during appraisal stage. In addition to the project background, legal system, schematic design of the hub, overall baseline in Ovorkhangai, this preliminary ESIA include: (a) site selection criteria for the model hub site; (b) domestic E&S regulatory framework, the Bank EHS Guidelines and the Bank ESF Good Practice Note (GPN) on Road Safety; (c) an analysis of potential risks and impacts from activities to be taken at the hub during the design, construction and operation phase respectively, and corresponding mitigation measures including the management of air emission, wastewater, noise, solid waste and OHS hazards in accordance with World Bank EHS guidelines and with reference to GIIP to address E&S risks;(d) an ECOP for environmental management of construction activities. When the location and the specific design for the pilot hub is known at implementation stage, a comprehensive ESIA to cover all the activities including the public portion provided by the government and the concession part in the pilot hub consistent with the ESMF and the preliminary ESIA will be prepared by MoRTD in accordance with World Bank EHS guidelines and GIIP, and in which an

integrated ESMP including both construction phase and operation phase will be developed. MoRTD will provide to World Bank and disclose the ESIA with an integrated ESMP for the pilot hub which was specified in the ESCP. MoRTD has developed an ESMF (including a social assessment, ethnic minority screening), Labor Management Procedure (LMP), stakeholder engagement plan (SEP), a resettlement policy framework (RPF), an ESCP and a preliminary ESIA for the pilot hub consistent with the requirements of ESF. The ESMF, preliminary ESIA, LMP, RPF, SEP and ESCP have been disclosed at MoRTD website on November 12, 2021. All these documents will be disclosed on the Bank's website upon clearance.

ESS10 Stakeholder Engagement and Information Disclosure

The project generally has two main groups of stakeholders: one is the project affected parties including communities along the roads to be maintained and rehabilitated, last mile connectivity sections to be upgraded and the material sourcing sites, communities around the proposed logistics hub, industry groups and herders, and the other is other interested parties (relevant government agencies) such as MOFALI covering a wide range of potential issues. MoRTD has undertaken a stakeholder analysis and identified key stakeholders in relation to the proposed project activities, and conducted some online stakeholder consultation with relevant government departments, representatives from civil society and private sector. Due to COVID-19 related travel restrictions consultations have been limited during the preparation stage to key representative bodies, who were identified during the preliminary ESIA. Representatives from potentially impacted ethnic minority groups and communities around the hub and the last mile connectivity roads are considered the most important and vulnerable stakeholders, and they will be identified and consulted when travel permits and most likely during implementation.
A draft SEP has been prepared to facilitate more detailed consultation processes during implementation, document key areas of risks and opportunities, implementation arrangements and to develop GRM and feedback mechanisms. Project information has been disclosed prior to stakeholder consultations, with easy access and in the best understandable format.

B.2. Specific Risks and Impacts

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

ESS2 Labor and Working Conditions

The standard is relevant. The project will involve project direct workers such as government staff and hired consultants for project preparation and implementation support. Other types of workers include contracted workers and possibly community workers for road construction/maintenance, last mile connectivity roads, and construction of the pilot logistics hub. A labor management procedure (LMP) has been prepared by MoRTD to manage risks associated with labor and working conditions based on the screening undertaken during project design. An assessment of the existing labor management regulatory framework in Mongolia suggested that there are various laws to protect the welfare of workers, including prohibiting the use of forced labor and child labor. The minimum age for non-hazardous work is 15, and 18 for hazardous work. The project will apply WB ESF standards. The project will establish an incident/ fatalities notification procedure for all activities.

To ensure the health and safety of workers of the project, OHS requirements and measures based on the World Bank Group Environment Health and Safety Guidelines as well as Bank's ESF/Safeguards Interim Note and WHO health

guidance regarding COVID-19 have been proposed in the ESMF for the overall project. Construction contractors will be required to prepare and implement their Occupational Health & Safety Plan (OHSP) following the World Bank Group EHS Guidelines and the project ESMF. The OHS risk related to the model regional logistic hub during operation will be analyzed in the comprehensive ESIA for the hub and mitigation measures will be proposed in the integrated ESMP in accordance with World Bank Group General EHS Guideline.

A separate GRM for labor will be established by the project PMO to manage ESS2 related issues for project workers. Contractors will be required to establish their GRM for their workers working for the project.

ESS3 Resource Efficiency and Pollution Prevention and Management

The standard is relevant given that the civil work of roads and development of the model regional logistics hub will involve the use of construction materials, the soil erosion and runoff, and the water and energy supply and the management of air pollution, wastewater, noise, and solid wastes associated with the operation of the pilot hub. Mitigation measures have been proposed in the ESMF and preliminary ESIA for the pilot hub, and will be proposed in the comprehensive ESIA with integrated ESMP for the pilot hub and the the E&S instrument for other eligible site specific subprojects prepared during project implementation to secure and enhance the performance of respective activities on resource efficiency improvement and pollution prevention and management. The construction raw materials for the roads upgrading and maintenance, including sand, concrete, bitumen and aggregate and water will mostly sources locally and from licensed entity.

Overall, works planned under Components 1 and 2 will reduce greenhouse gas emissions through increases in fuel efficiency achieved as a result of improved road conditions, reduced travel times, and a more efficient supply chain, but the GHG reduction will be offset by emissions increases resulting from the higher speeds by the improved road conditions. It is estimated in the ESMF that the project will result in a net increase of carbon dioxide emissions of about 60,753 tons over the economic lifetime of the project.

ESS4 Community Health and Safety

The project will finance maintenance and repair of existing road segments, upgrading last mile connectivity roads, as well as the development of industrial and commercial facilities at the pilot hub, which may have negative risks and effects on the health and safety of workers and the populations surrounding the work sites. The influx of workers into a project area can lead to adverse social impacts on local communities such as SEA/SH, especially if the communities are rural, remote or small. Inappropriate application of WHO guidelines on COVID-19 and Bank's ESF/Safeguards Interim Note can expose the community to further spread of the disease. The ESMF has included, and the future ESIAs and ESMPs will include, assessment and management of public health impacts, such as communicable diseases, as well as provisions to avoid, minimize, and mitigate any potential impact, including measures to address SEA/SH risks. The ESIAs will also take into account current measures related to COVID-19 response.

Traffic and road safety: The ESMF has included a traffic management plan as an appendix to manage the road safety risk to workers, affected communities and the road users. The comprehensive ESIA for the pilot hub will evaluate the potential traffic and road safety risks to workers and affected communities, and will develop measures and plans to address them where appropriate.

A GBV/SEA/SH Assessment and GBV/SEA/SH Action Plan will also be developed and consulted with key stakeholder groups, in line with guidance for gender based violence, sexual exploitation and abuse, and sexual harassment. In addition to the two-tier GRM to be developed in the SEP, the project also will support the hiring of Third-Party monitoring (TPM) to ensure that all project actors are implementing the SEA/SH Prevention and Response Action Plan. This TPM will also verify that provisions to prevent and respond to SEA/SH risks along the project roads are in place and functioning, and will provide early warning of problems that might occur.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This standard is considered relevant. Although most construction will be carried out on existing roads, there may be small areas of land required for improved infrastructure such as drainage, bridge upgrading, local material sourcing or maintenance depots. The proposed logistics hub will be built on public land already obtained by local government, but due diligence will follow once the exact location of the propose hub is finalized to assess remaining risks/impacts and/or legacy issues. Assessment of local procedures for land acquisition indicate that there are various rules and regulations governing land use and compensation methods. MoRTD has decided that all project activities will take place on clean land to avoid any livelihoods impact to local communities. To ensure there is guidance in place in case land acquisition or restriction to access to income resources is identified during implementation, a resettlement policy framework (RPF) has been prepared to guide screening of land use and procedures for preparation and implementation of resettlement action plan to set requirements for any required land acquisition. A mitigation hierarchy will be put in place to avoid land acquisition or restriction on land use. Preparation and implementation of a resettlement action plan will be done if necessary during implementation since the exact location of the hub can only be finalized at that stage.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The exiting roads to be maintained and the last mile roads to be upgraded and the model hub will be selected far from areas of high biodiversity value, water source protection zones, heritage sites and other areas of high value by adopting strict criteria for subproject selection, the impacts of the project to biodiversity are also not expected to be significant. The ESMF has included a screening form and eligibility criteria and exclusion list, against which all subprojects will be screened by client to eliminate any activities situated in critical habitat. Due to Covid-19 limitations, the in-field investigation was not possible during the project preparation stage. Before bidding of the last mile connectivity roads, an in-field investigation to the roads including biodiversity investigation and heritage survey will be conducted. A BMP may be necessary to be prepared depending on the potential adverse impacts to biodiversity identified during the biodiversity investigation and will be integrated into the ESMP(s) for the last mile roads to be prepared during the project implementation according to ESMF. During project implementation, MoRTD will prepare the ToR(s) for the field investigation study and the BMP incorporated reference to ESF in the TOR(s) to ensure that activities and outputs are consistent with the requirements of ESS 6. The TOR(s) will be cleared by the Bank prior to the field investigation study commence. The ESMP(s) for the last mile roads will be cleared by the Bank before the bidding of the roads. In the E&S instrument for the eligible subproject prepared during project implementation, the subproject impacts to biodiversity and natural habitats will be analyzed and relevant stakeholders including relevant government agencies with mandated role on biodiversity conservation will be consulted and their advices will be integrated into the biodiversity mitigation measures in the site specific ESMP.

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

This standard is considered relevant.
The project will work in different locations for road improvement across various aimags, including western and northern boarder aimags where ethnic minority groups live. Ethnic minority groups including Kazakh, Dhuha (Tuva), Buriad, Urianhai, and Khotons are known living in aimags where the project is to be implemented. Ethnic minority presence in project areas will be assessed during project implementation. Should it be found that the project may operate in areas with ethnic minorities that meet the identifying characteristics of ESS7, provisions in the ESMF on assessment impact to ethnic minorities and procedures for further work should be followed. The SEP prepared also included procedures in screening for ethnic minority presence, and FPIC will apply should there be significant impact on ethnic minorities.

ESS8 Cultural Heritage

This standard is relevant given that the project will involve excavations, demolition, and movement of earth, and cultural heritage sites have been identified near some of the last mile connectivity roads sections. Mongolia is famous for its historical, archeological sites and sacred mountains. The environmental and social assessment will assess the existence of cultural heritage along the project supported road network and those areas within and near the model hub and the last mile connectivity roads, and the mitigation hierarchy will be applied on the management of the project's potential risks and impacts. Chance find requirements have been included in the ESMF and chance find clause will be included in works contracts requiring contractors to stop construction if cultural heritage are encountered during construction and follow national legal requirements for managing cultural heritage. If cultural heritage sites are identified, roads alignment and location of the logistics hub will be adjusted to avoid negative impact to these sites. No construction work should commence until approved by the cultural heritage authorities.

ESS9 Financial Intermediaries

The project is not expected to work with Financial Intermediaries.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways	No
OP 7.60 Projects in Disputed Areas	No

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

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

Areas where "Use of Borrower Framework" is being considered:

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

IV. CONTACT POINTS

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Borrower/Client/Recipient

Borrower: Mongolia

Implementing Agency(ies)

Implementing Agency: Ministry of Road and Transport Development

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s):	Bernard Aritua, Jenny Jing Chao, Noroarisoa Rabefaniraka
Practice Manager (ENR/Social)	Ann Jeannette Glauber Cleared on 10-Feb-2022 at 05:46:14 GMT-05:00
Safeguards Advisor ESSA	Nina Chee (SAESSA) Concurred on 18-Jan-2022 at 09:13:15 GMT-05:00