



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 02/19/2022 | Report No: ESRSA01942



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Mongolia	EAST ASIA AND PACIFIC	P176631	
Project Name	Mongolia: Smart Government II Project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Digital Development	Investment Project Financing	2/23/2022	5/16/2022
Borrower(s)	Implementing Agency(ies)		
Mongolia	Office of the Cabinet Secretariat		

Proposed Development Objective

To improve the usability and efficiency of online public services to citizens and businesses, and to increase digital skills and digital-enabled jobs.

Financing (in USD Million)	Amount
Total Project Cost	41.70

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 follow-on project of Smart Government Project (P130891) supports the development of (i) digital-related policies and regulations, (ii) digital government, (iii) digital economy and (iv) digital technologies for contingent emergency response.

D. Environmental and Social Overview

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



The project aims to improve the quality and efficiency of online public services to citizens and businesses, and to increase digital skills and digital-enabled jobs, and will be implemented nationwide.

Mongolia is a landlocked country in Northern Asia. It has an area of 1.6 million km², about three million inhabitants, 1.4 million living in Ulaanbaatar, the capital city. Mongolia is divided into Ulaanbaatar and 21 aimags. Over 90% of the population in Mongolia is of Mongol background, mainly Khalkh (83.8%) and other Mongol groups with distinct dialects and cultures. A Kazakh-speaking minority group is 3.8%, mainly in the western province of Bayan-Ölgii. Other ethnic minorities such as Buriad, Tuva, Urianhai, and Khotons, represents between 0.4%-1.4% of the population. Generally, infrastructure investments and public services lack inclusive design and planning processes to recognize and adopt gender and disability needs such as poor or loss of hearing, eyesight, and mobility. A large segment of people with disabilities remains dependent on state welfare and unable to lead independent lives due to constraints and challenges to receive basic services, education, healthcare, and employment opportunities.

Mongolia has taken early and decisive measures to prevent the inflow and outbreak of COVID-19. However, the household-level socio-economic impact caused by COVID-19 can be long-lasting and disproportionately hit the poor and vulnerable the hardest. The Mongolia COVID-19 Household Response Phone Survey (Round 3, NSO, 2020) shows that prolonged pandemic and lockdown accentuated an already deteriorating business environment.

The project will be a follow up to Bank financed SMART Government project and will have 5 components. Component 1 will help to create an Enabling Environment for Digital Transformation by strengthening policies and regulations for digital transformation and connectivity; change and stakeholder management for the public sector; and promoting online engagement/participation of citizens. Component 2 will focus on transforming digital government by increasing and improving digital public services in the e-Mongolia portal, upgrading Government of Mongolia's National and Disaster Recovery Data Centers, and setting up a Cybersecurity Emergency Response Team. Component 3 will be growing the digital economy, support for digital skills training for government and citizens, digital skills and jobs for youths, especially for women, and SMEs' adoption of digital solutions. Component 4 will support the continuation and expansion of the existing PIU that was set up by the original project. Component 5 will finance the Contingent Emergency Response Component to allow an agile response to any emergency crisis that can be dealt with by adopting ICT technologies or equipment under the COVID-19 pandemic, such as providing additional remote work systems and support for government officials and/or Internet bandwidth for remote health facilities and educational institutions. No civil work will be expected/supported in CERC activities.

The activities supported by this project include technical assistance through information technologies, consulting and non-consulting services, capacity building, and the physical investment which will be limited to the purchase of new Information and Communication Technological (ICT) equipment and hardware, and potential minor civil works related to the use of sustainable cooling technologies and/or integration with renewable energy sources in the activity of increasing the energy efficiency of the cooling and power systems in the existing National Data Center (NDC) and Disaster Recovery Center (DRC). Both centers are located in urbanized areas. The NDC located in Ulaanbaatar city and the DRC located in the center of Darkhan city, the second largest city in Mongolia. Both NDC and DRC are small data centers, only 1307 square meters and 310 square meters separately. The minor civil works could entail digging of trenches less than 500 meters in length, rehabilitation of spaces in existing buildings, or electrical retrofitting.

D. 2. Borrower's Institutional Capacity

The Office of the Cabinet Secretariat (CS) will be the principal implementing agency for this Project. A Project Steering Committee (PSC) will be established prior to the Declaration of Effectiveness of the loan under the leadership of the CS. The PSC will provide overall strategic direction and policy guidance for the Project, oversee project monitoring functions, and support inter-agency coordination. The PSC will be headed by CS and will be made up of the Heads of the Beneficiary Agencies including CITA, Ministry of Nature and Tourism (MNET), General Authority for State



Registration (GASR) (or their designees) and the Ministry of Finance representatives. A Project Implementation Unit (PIU) will be established by CS and will report to the PSC. The PIU established and engaged under the original SMART Government project, of which the environmental and social performance is deemed satisfactory, is expected to fulfill this role for the proposed Project. The PIU will be responsible for the day-to-day implementation oversight of the Project. The PIU will assign at least one dedicated E&S specialist and will recruit external E&S consultants based on demand to manage the E&S risks.

Nevertheless, the PIU has no experience implementing projects under the ESF as the SMART Government 1 project used old safeguard policy requirements. Experience from other Bank-financed projects highlights that the capacity to manage environmental and social risks and impacts still requires improvement in supervision, monitoring, and reporting. The PIU already set up a well functioning GM system at the project level and a communication specialist is responsible for managing it on behalf of the CS. In addition to the use of conventional channels (website, email or in-person) to receive grievance from stakeholders, the PIU extensively uses social media platform for both outreach and for receiving comments, suggestions and grievances. In addition, GM report disclosed biannually at project website in Mongolian and English languages. Technical support as well as trainings on environmental and social management including Environmental and Social Framework, ES documents, and supervision and monitoring of contractor performance, will be provided to the PIU, key beneficiary agencies, consultants, contractors, communities, and project workers to ensure that measures to address environmental and social risks are adequately implemented.

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

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Moderate

The environmental risk rating of this project is considered 'Moderate' as the potential adverse risks and impacts on the environment are temporary, site specific, and low in magnitude due to the type and scope of the activities. The physical investment will be limited to the purchase and installation of new ICT equipment and hardware, and potential minor civil works related to the use of sustainable cooling technologies and/or integration with renewable energy sources in the activity of increasing the energy efficiency of the cooling and power systems in the existing NDC (only 1307 square meters) and DRC (only 310 square meters), such as digging of trenches, rehabilitation of spaces in existing buildings, electrical retrofitting, or cable routing, etc. The ICT infrastructure that would be financed will be for new functionalities and services and not for replacing old/obsolete IT equipment used by existing applications/services and be of the latest and most energy-efficient type. Environmental risks related to these physical investment include potential dust, noise, solid waste, and occupational health and safety (OHS) hazards, which are considered site specific, short term, low in magnitude and readily managed through the environment mitigation hierarchy. The energy efficiency increment of the cooling and power systems in the existing NDC and DRC will also contribute to lower the indirect greenhouse gas emission and energy waste. Borrower has prepared an Environmental Code of Practice (ECOP) for the installation of new digital infrastructures and the potential minor civil works including rehabilitation of spaces in existing buildings, digging of trenches, or electrical retrofitting to mitigate the limited environmental impacts. The other activities supported by this proposed project are various TAs that can be divided into 2 types: supporting the strengthening of legal, regulatory, policy, and institutional frameworks (Type 2), and capacity building and training (Type 3), and may have more diffuse and induced impacts, often playing out over a longer term. For example, the downstream investments in 5G infrastructure to enable the TA

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recommendations to be implemented will also has benefits on energy efficiency but may increase the generation of e-waste. The terms of reference, work plans or other documents defining the scope and outputs of technical assistance activities will be drafted during project implementation so that the advice and other support provided is consistent with ESSs 1–10 and this has been included in the ESCP. In addition, there may be risks of COVID-19 during public meeting/capacity building, which will be mitigated by adopting OHS requirements and measures based on the World Bank Environment Health and Safety Guidelines as well as WHO health guidance regarding COVID-19 in the TOR of the public meeting/capacity building and this has also been included in the ESCP.

Social Risk Rating

Moderate

The social risk is considered as Moderate. The project will not involve land acquisition or resettlement. Digitizing all public services for citizens and businesses will bring positive social impact such as promoting accountability and information transparency and eliminating corruption and bureaucracies with the support of citizen participation, as stated in the Vision-2050, a long-term development plan. The SMART Government-1 project (to be closed in August 2022) has delivered numerous benefits to people – such as (i)improving the response time for citizen’s queries to the 11-11 centers, application of e-Property registration; and (ii) providing 39 online services on state registration, labor and welfare services for Mongolia’s citizens and businesses. The proposed project is expected to produce positive impacts such as improved access to public services to citizens and businesses, increased digital literacy and skills for civil servants, professionals, and general citizens, revenue generated by the ITC industry, job creations, and improved protection of users of digital services. Access, affordability, and digital ability are applied to measure digital inclusion, and since the start of the COVID 19 pandemic, these dimensions have been changed in addition to people’s social and economic circumstances, as well as across geographic locations. The key social risks and impacts identified under the concept level ESRS are: (a) exclusion risk for vulnerable groups, the elderly, poor, people with disabilities, youth, women, low skilled workers, unemployed, herders, families without adequate internet access; (b) risk of impacting privacy through new/updated cybersecurity laws and regulations; (c) risk of exclusion and discrimination for people with disabilities, and women from training and employment opportunities; (d) risk of online harassment, especially for female entrepreneurs and (k) lack of or inclusive stakeholder engagement and service design. In relation to ethnic minority communities, while internet network covers all rural soums (smallest rural administrative unit), the ability to access and benefit from the e-Mongolia platform may be limited due to language (Kazakh) and remoteness of Dukha people, who live in northern forest region. To assess the impacts, risks and opportunities of the project, a Social Impact Assessment (SIA) has been prepared to inform the SMART Government II project design, implementation and M&E framework. The assessment was based on the risks and impacts identified at Concept Stage ESRS. The project sub-components that has significant aspect of inclusiveness and its targeted beneficiaries identified as: Digital Skills Training for Government and Citizens; Increase and Improve Digital Public Services in the e-Mongolia Portal; Promote Online Engagement/ Participation of Citizens; Digital-enabled Jobs for 3,000 Youths (ensuring 50% of women). Draft SIA been prepared and disclosed for stakeholder consultations. Meaningful engagement will be vital for managing fears and the potential risks and consequences of the project activities. Risk of gender-based violence (GBV) is considered as low given the expected scale works and activity setting. The Stakeholder Engagement Plan (SEP) been prepared and disclosed by the client on 26 November, 2021. Based on a request from CS, the Bank team organized on-line training on ESF and ESSs that are relevant to proposed project. Since this is the first ESF project for CS, the capacity of the implementing agency needs improved capacity in regard to the application of the ESSs related to labor management and stakeholder engagement to ensure that digital public services are reach to all social groups inclusively. Additional consultants will be hired during the project implementation phase by PIU to effectively operationalize the ESCP, LMP and SEP.

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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:

ESS1 is relevant given that environmental risks and impacts are expected from installing new digital infrastructures in existing buildings, potential rehabilitation of existing spaces in existing buildings, and potential minor civil works related to the use of sustainable cooling technologies and/or integration with renewable energy sources in the activity of converting the current NDC and DRC into green data centers under Component 2. However, the environmental impacts, including potential dust, noise, solid waste, and OHS hazards, are anticipated to be temporary, site specific, and low in magnitude considering the scales and type of the activities. The new IT equipment and software will be procured for new functionalities and services and not for replacing old/obsolete IT equipment used by existing applications/services.

Given that only limited environmental impacts will be expected from the minor physical works including minor civil works, such as rehabilitation of spaces in existing buildings, digging of trenches less than 500 meters in length, or electrical retrofitting, related to increase the energy efficiency of the cooling and power systems in the existing NDC (only around 1307 square meters) and DRC (only 310 square meters) and IT equipment procurement and installation, the borrower has prepared an ECOP to mitigate these limited impacts. Potential risks regarding e-waste from the installation of electronic equipment, disposal of equipment in the existing cooling systems, as well as disposal of newly purchased IT equipment at the end of their useful life, has been mitigated as part of the ECOP by adopting the requirements of World Bank EHS guidelines. It is confirmed by client that the asbestos or asbestos containing material were not used for the NDC and DRC during their construction or past renovation. The requirement of adopting non-asbestos material for the office refurbishment/ renovation works financed by this project has been included in the ECOP. The COVID-19 risks during public meeting/capacity building will be mitigated by adopting OHS requirements and measures based on the World Bank Environment Health and Safety Guidelines as well as WHO health guidance regarding COVID-19 in the TOR of the public meeting/capacity building and this has been included in the ESCP. TA activities need to be screened for environmental and social risks and TA TORs need to include provisions to ensure environmental and social risks are assessed and mitigation measures are proposed as part of the TA outputs for addressing those E&S implications consistent with the ESF, and the requirement has been included in the ESCP. The ECOP and the ESCP have been disclosed at the website of the SMART Government Project on November 26, 2021 and these documents will be disclosed at the Bank's website upon clearance.

The key social risk and impact anticipated for this project are: (a) exclusion risk for vulnerable groups, the elderly, poor, people with disabilities, youth, women, low skilled workers, unemployed, herders, families without adequate internet access; (b) risk of impacting privacy through new/updated cybersecurity laws and regulations; (c) risk of exclusion and discrimination for people with disabilities, and women from training and employment opportunities; (d) risk of online harassment, especially for female entrepreneurs and (k) lack of or inclusive stakeholder engagement and service design.

With the support of a consultant, the Cabinet Secretariat has drafted a Social Impact Assessment (SIA) prior to appraisal to inform project design and proposed mitigation measures. A standalone SEP been prepared to help the borrower identify affected and/or interested stakeholders, build and maintain constructive communication with



them, and ensure project documents are disclosed and consulted per requirement set under ESS10. The SIA and SEP been drafted with active involvement of stakeholders and disclosed in PIU's website.

GRM: The SMART Government -1 project already established and successfully managed a grievance/feedback mechanism (GM) at the project level. A dedicated person is already in place at PIU responsible for managing the project level GM and producing a report bi-annually that will be disclosed on the project website (<http://www.smart.gov.mn/en/feedback>).

An Environmental and Social Commitment Plan(ESCP), drawn up and agreed between Bank and the Borrower, have set out the important measures and actions that will be required for the project. The measures will be implemented within a specified time frame, and the implementation status will be reviewed as part of project monitoring and reporting. The requirement that TA activities need to be screened for environmental and social risks and TA TORs need to include provisions to ensure environmental and social risks are assessed and mitigation measures are proposed as part of the TA outputs for addressing those E&S implications consistent with the ESF have been included in the ESCP. The ECOP, SEP and ESCP have been disclosed at the website of the SMART Government Project on November 26, 2021 and these documents will be disclosed at the Bank's website upon clearance.

CERC activities will be financed under the project to allow an agile response to any emergency crisis that can be dealt with by adopting ICT technologies or equipment under the COVID-19 pandemic, such as providing additional remote work systems and support for government officials and/or Internet bandwidth for remote health facilities and educational institutions, from which no environmental and social implications are expected. No civil work will be expected and supported in CERC activities. The ECOP and SEP have also covered the CERC activities to address the potential limited E&S implication of the CERC activities, such as e-waste generated during ICT equipment installation.

ESS10 Stakeholder Engagement and Information Disclosure

The project implementing agency (CS) prepared a SEP (in Mongolian and English) which will be consulted with project affected stakeholders and ultimately disclosed in project website on December 10,2021. The SEP defines a program for stakeholder engagement, including public information disclosure and consultation, throughout the entire project cycle. Furthermore, it outlines the ways in which the project team will communicate with stakeholders and includes a mechanism by which people can raise concerns, provide feedback, or make complaints about project and any activities related to the project. The approach to engagement activities is also considered the needs of ethnic groups, vulnerability, language, literacy, and consent and child protection measures, both as part of the engagement and assessment process.

The project is expected to involve different stakeholders at the national level, including local communities, government line agencies, mass organizations, and the private sector. The project's stakeholders and their engagement level will be identified and analyzed by the client during project preparation. They will likely include (a) line ministries and agencies (to be confirmed by appraisal), (b) local government and public service providers, (c) individuals and groups, (d) private sector, (e) academia and education service providers and (e) other development partners at the central level. These stakeholders will be further defined as project components are determined, and consultations take place.



As part of the information disclosure arrangement, the ESCP, LMP and the SEP have been disclosed publicly on the Borrower websites after holding stakeholder consultation meeting using virtual mode.

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 considered relevant. The project will involve following category of workers: (a) project direct workers those employed or engaged directly by the Borrower; (b) contracted workers those employed or engaged through third parties to perform work related to core functions of the project; and (c) primary supply workers those employed or engaged by the Borrower's primary suppliers. This includes full-time, part-time, temporary, and potential a small number of international experts for technical advisory services. There will be potential minimal OHS risks from installing new digital infrastructures in existing buildings and potential rehabilitation of existing spaces in existing buildings as well as the minor civil works. To ensure the health and safety of workers during the installation of new digital infrastructures and rehabilitation of existing spaces in existing buildings as well as the minor civil works, the Borrower has included Health, Safety, and Environmental requirements as part of the ECOP, in line with World Bank Group Environment, Health and Safety (EHS) Guidelines (general guidelines and telecommunication guidelines). To mitigate the COVID-19 risks, the requirements and measures in Bank's ESF/Safeguards Interim Note and WHO health guidance regarding COVID-19 have been referred and included in the ECOP. The project will involve direct workers (consultants to be hired and contracted directly by the CS and MoF) and contracted workers (employees of civil works contractors and subcontractors, service providers, employees of consulting firms). Primary supply workers or community workers are not expected under project. The client developed and disclosed a Labor-Management Procedures (LMP) at the website of the SMART Government Project on November 26, 2021. The LMP prepared in English and Mongolian languages and sets out how all categories of project worker will be managed and treated in line with the national Labor Law and ESS2. The LMP includes Codes of Conduct (CoC), setting out grievance arrangements which will be included in the letter of appointment for direct and contracted project workers.

ESS3 Resource Efficiency and Pollution Prevention and Management

ESS3 is considered relevant to the Project. The project will require limited resources (e.g. energy and water) for its functioning and is expected to generate minimally or no gas emissions and liquid effluents to contaminate the environment and will support the activity of increasing the energy efficiency the existing NDC and DRC. However, potential e-waste from the installation of electronic equipment, waste equipment in the existing cooling systems of the NDC and DRC, as well as the newly purchased IT equipment at the end of their useful life, will be potentially generated during project implementation, the management and disposal of which shall follow the requirements that have been set in the ECOP in alignment with requirements of World Bank EHS guidelines. It has been confirmed by client that the asbestos or asbestos containing material were not used for the NDC and DRC during their construction or past renovation. The requirement of adopting non-asbestos material for the office refurbishment/ renovation works has been included in the ECOP.



ESS4 Community Health and Safety

The standard is considered relevant. Appropriate risk assessment and mitigation measures are to be addressed, including (i) online safety and data privacy; (ii) safe access to services. Technical assistance and capacity building activities such as studies, policy and regulations, and public service digitation should consider those issues. The installation of digital infrastructure and capacity building activities may impose potential safety concerns, and will require COVID-19 mitigation measures. To mitigate risks related to Sexual Exploitation and Abuse/Harassments, worker Codes of Conduct will need to be developed, and included in the LMP, and integrated bidding documents for civil works and other contractors.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

The standard is considered not relevant. The project will not involve resettlement and land acquisition as the described activities will take place within existing premises, spaces and infrastructure. Any construction works that will be financed by the project will involve the rehabilitation of existing buildings already in use by the implementing or beneficiary agencies.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The ESS6 is considered not relevant to the Project. The nature of the project does not involve physical intervention (e.g. land clearing, resource use) that could negatively affect the biodiversity or living natural resources. The NDC and DRC are both located in urbanized area which are far from areas of biodiversity value.

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

There is a Kazakh-speaking minority concentrated mainly in the western province of Bayan-Ölgii and some part of Khovd and around 30% of Nalakh district in Ulaanbaatar. Other groups are Tuviniian-speaking Tsaatan (also known as Duha), Turkic-speaking Uyghurs, Urianhais, and Khotont. Given that the project's area of influence is the entire country, and that ethnic minorities will be among the direct beneficiaries ESS7 is considered relevant. The PIU has past experience in effectively engaging with EM population by producing project information in Kazakh languages. Considering the expected risk and impact from project on EM is low, A dedicated ethnic minority development plan or framework is not be required as the expected risk and impact from project on EM considered as low. The SEP will include ethnic minority engagement measures.

ESS8 Cultural Heritage

The ESS8 is considered not relevant to the Project. The project does not involve any civil works that could affect cultural heritages. Chance-finds Procedures has been developed in the ECOP to deal with the unlikely event that physical cultural property chance-finds occur.

ESS9 Financial Intermediaries



ESS9 is considered not relevant to the Project. The Project does not involve 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.

IV. CONTACT POINTS

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Borrower/Client/Recipient

Borrower: Mongolia

Implementing Agency(ies)

Implementing Agency: Office of the Cabinet Secretariat

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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Practice Manager (ENR/Social)	Ann Jeannette Glauber Cleared on 17-Feb-2022 at 21:59:48 GMT-05:00