



Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 26-Oct-2016 | Report No: PIDISDSC17908



BASIC INFORMATION

A. Basic Project Data

Country Mongolia	Project ID P159215	Parent Project ID (if any)	Project Name Mongolia Employment Support Project (P159215)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date Dec 05, 2016	Estimated Board Date Mar 22, 2017	Practice Area (Lead) Social Protection & Labor
Lending Instrument Investment Project Financing	Borrower(s) Mongolia	Implementing Agency Ministry of Labor and Social Protection	

Financing (in USD Million)

Financing Source	Amount
Borrower	4.00
International Development Association (IDA)	25.00
Total Project Cost	29.00

Environmental Assessment Category

B-Partial Assessment

Concept Review Decision

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

N/A

B. Introduction and Context

Country Context

Mongolia is a landlocked country in Northern Asia. It has a surface area of 1.6 million square kilometers and about three million inhabitants, 1.3 million of whom live in Ulaanbaatar, the country’s capital. With a population density of around 1.9 inhabitants per square kilometer, Mongolia is the world’s least densely populated country.

A large segment of Mongolia’s economy depends on the extraction and export of natural resources. This has led to a pronounced cyclicity in economic activity. In 2014, Mongolia’s GNI per capita reached USD 4129 at market exchange rates and in 2015 Mongolia attained the status of an upper-middle income country (in 2016 the status reversed to lower-middle income country). Recently, the dampening of commodity markets and slower growth in China (Mongolia’s main trading partner) have led to a fall in export earnings and FDI inflows. The result has been a dramatic slow-down in Mongolia’s growth. The country’s GDP growth rate fell to 2.3 percent in 2015 and is expected to slow even further in 2016, to 0.1 percent. Mongolia’s medium-term outlook is more positive as a recovery in FDI inflows is projected to begin to support growth in the second half of 2016. Two other cyclicalities



also characterize Mongolia's economy. First, Mongolia's continental climate and extreme seasonal temperature differences lead to pronounced seasonal cyclicity in economic activity. Second, growth and development have been uneven across Mongolia's regions. In particular, they have been lacking in rural and remote areas. This has induced both permanent and temporary internal migration from rural areas to *aimag* centers (provincial capitals) and in particular to Ulaanbaatar. Many rural-to-urban migrants have struggled to fully adapt to their new environment.

Despite the stark decline in Mongolia's poverty rate until 2014, the latest year for which data is available, over 20 percent of the country's population still lives below its national poverty line. Poverty rates are highest in rural areas (26.4 percent) and lowest in Ulaanbaatar (16.4 percent). At the same time, while poverty had long been seen as an almost exclusively rural phenomenon, in 2014, 55.6 percent of the poor actually lived in urban areas

Also of note, Mongolia is currently in a phase of demographic transition. During this phase the average number of children per family is declining due to a drop in fertility rates while the proportion of the elderly among the whole population is still small. This opens up a demographic window of opportunity with the potential to accumulate physical and human capital and to foster long-run reductions in poverty and increases in shared prosperity. However, Mongolia will only be able to take advantage of this window of opportunity if its economy can create a sufficient number of jobs to productively employ its labor force and if it ensures that labor-related constraints do not limit employment outcomes.

Sectoral and Institutional Context

Comparatively poor labor market outcomes continue to be a major concern in Mongolia and threaten the country's potential to take advantage of its demographic window of opportunity. In 2013 the labor force participation rate stood at about 61.9 percent as compared to an average of 66.5 percent for upper-middle income countries (among lower-middle income countries it stood at 53.6 percent due to very low female labor force participation rates in some countries in this group). In the same year, the labor force participation rate stood at 68.1 percent for men and 56.3 percent for women. In 2014, Mongolia's unemployment rate stood at 7.9 percent as compared to an average of 5.0 percent for upper-middle income countries and 5.2 percent for lower-middle income countries. During the same time period, the unemployment rate was 1.2 percentage points higher for men than for women.

In Mongolia, jobs and poverty are closely linked. In rural areas, the majority of poor households have no access to wage jobs. In 2014, only 34.3 percent of poor households in rural areas had one or more household member with income from wages. In contrast, in the same year 65.7 percent of poor households in urban areas earned some form of wage income. While it is impossible to say with certainty whether in urban areas jobs are a key determinant of poverty or whether poverty restricts the access to jobs, it is clear that poor people making a living out of wage income mainly live in households with little human capital and subdued employment rates. Among non-poor households the labor force participation rate is 70 percent, whereas among the poor it amounts to only 57.8 percent. Furthermore, there is a significant difference in the share of low-skilled workers among all workers between poor and non-poor households dependent on wages as their main source of income. In 2014, the share was 51.2 percent among the non-poor but 87.7 percent among the poor.

Ultimately, many of Mongolia's labor market challenges are of structural nature and can only really be solved by a vibrant and growing private sector that creates a sufficient number of decent-quality jobs. At the same time, labor market policies and programs also have a role to play in promoting employment, in reducing structural and frictional unemployment and in addressing some of the specific challenges select groups face. In recent years, the Government of Mongolia has recognized and emphasized this role. Mongolia's Sustainable Development Vision 2030 stresses supporting employment, training the younger generation with proper knowledge and skills to have a decent work and run a private business, and reducing the unemployment rate as a strategic objective.

Relationship to CPF

The proposed operation is closely aligned with the World Bank Country Partnership Strategy (CPS) for Mongolia for the period



FY2013–2017. In particular, the proposed operation is aligned with the Third Pillar of the CPS on addressing vulnerabilities through improved access to services and better service delivery, safety net provision and improved disaster risk management and more specifically with Outcome 3.1 on working with the Government of Mongolia on the design, adoption and implementation of a comprehensive social protection system that supports the poor. Since the formulation of the CPF, significant progress has been achieved on this outcome. At the same time, Mongolia’s deteriorating macroeconomic climate and continued imbalances have made it clear that while social assistance benefits that secure incomes need to be an integral part of a comprehensive social protective system that supports the poor, they need to be complemented by employment support policies and programs that improve the access to jobs of poor and vulnerable groups.

C. Proposed Development Objective(s)

16. The project development objective is to improve the employment outcomes of unemployed and self-employed jobseekers in Mongolia. This will be achieved by supporting client-centric public employment services, strengthening select active labor market programs and facilitating labor market monitoring and analysis.

Key Results (From PCN)

Project Development Indicators

- Percentage of unemployed labor department clients in employment after 12 months (male/female).
- Percentage of beneficiaries of short-term trainings in employment after 12 months (male/female).
- Percentage of beneficiaries of micro-entrepreneurship support in employment after 12 (male/female).
- Percentage of beneficiaries of innovation fund in employment after 12 months (male/female).

Intermediate Outcome Indicators

- Number of job seekers recorded in the labor market information system (male/female).
- Number of vacancies recorded in the labor market information system.
- Percentage of job seekers satisfied with the public employment services (male/female).
- Percentage of employers satisfied with the public employment services (male/female).
- Number of beneficiaries of short-term trainings (male/female).
- Number of beneficiaries of micro-entrepreneurship support (male/female)
- Number of beneficiaries of innovation fund (male/female).
- Number of monitoring reports on public employment services and active labor market programs produced.
- Number of rigorous impact evaluations of active labor market programs produced.

D. Concept Description

The project will consist of the following three components: Component 1 will support the establishment of client-centric public employment services. Component 2 will strengthen the design, relevance and demand-orientation of select active labor market programs including short-term trainings and support for micro-entrepreneurs and will pilot a new innovation program. Component 3 will help improve labor market information systems and also facilitate monitoring and evaluation and project management. Each component will address one or more specific demand-side or supply-side constraint to improved employment outcomes. Together, the three components will also lead to a comprehensive reform of Mongolia’s labor policies and programs. They will do this in a way that is mindful of Mongolia’s specific circumstances and is appropriate both during the current economic slowdown and the more benign economic environment that is forecast to come about in the medium term. Ultimately, they will improve the employment outcomes of workers in Mongolia.



The project will aim to improve the broader functioning of the Mongolian labor market and will focus on urban areas of Mongolia. While project activities will not be restricted to any particular groups, both the project design and outreach efforts will pay attention to the specific constraints and needs of youth in urban areas and other poor and vulnerable groups such as rural-to-urban migrants.

The proposed components and reform areas were selected based on a request from the Ministry of Labor, consultations with the Ministry of Labor, several of its subordinate agencies, labor unions and employers’ associations and focus group discussions with different groups of workers, employers, unemployed job seekers and participants of active labor market programs. The selection of components was also informed by recent analytical work on Mongolia’s labor market (including a World Bank report on ‘Improving Labor Market Outcomes for Poor and Vulnerable Groups in Mongolia’) and by a review of the broader literature. The three project components are not meant to be self-standing activities but will instead be mutually reinforcing and complementary; their combined and parallel implementation will serve to reinforce the project’s development impact. As significant gender disparities in access to economic opportunities, earnings and productivity have been documented for Mongolia, all project components will take both the differential situation of men and women and possible differential impacts of activities on men and women into account.

SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project will finance activities in the whole territory of the Mongolia and focus on urban areas. While project activities will not be restricted to any particular groups, both the project design and outreach efforts will pay attention to the specific constraints and needs of youth in urban areas and other poor and vulnerable groups such as rural-to-urban migrants and work-age adults who are out-of-work and receive social assistance benefits.

B. Borrower’s Institutional Capacity for Safeguard Policies

The MLSP will be the sole implementing agency, together with together with the offices that report to it. The MLSP was only re-established in 2016 and while some of its relevant staff have experience in implementing World Bank lending operations, the MLSP as an institution has only limited experience in implementing World Bank lending projects. During project preparation and implantation, the World Bank task team will support capacity development in the MLSP in terms of understanding Bank lending and safeguards requirements.

C. Environmental and Social Safeguards Specialists on the Team

Qing Wang, Erdene Ochir Badarch

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project will finance repairs and renovations of existing labor office buildings (up to 30) all over the country under Component 1. These activities are of a small-scale nature and will have limited environmental impacts regarding noise, dust and



solid waste generation during implementation.

The project will also finance micro entrepreneurs through micro-credits primarily in the commerce and services sectors under Component 2, such as tailoring, carpentry, shoe-making, vehicle repair/maintenance, internet café/IT, hair salon, food and produce vendors, etc., but not including any pollution intensive micro-businesses/operations. These micro-enterprises may cause less adverse or minor environmental impacts including noise, congestion and waste. In addition, there are also occupational health and safety risks in the project financed microenterprise operations as good practices to safeguard the well-being of workers and family members are often ignored due to low income and lack of education about safe and health practices.

These potential environmental impacts are seen to be site specific and readily managed with good practices during the implementation of the Project, therefore, the policy OP4.01 is considered triggered and the Project is categorized as B.

In order to support MLSP and its local offices in mitigating any potential environmental impacts caused by small-scale building renovations and micro-enterprise operations, an Environmental and Social Management Framework (ESMF) is proposed to be prepared. For Component 1, the ESMF will provide environmental code of practices (ECOPs) for small-scale building renovations in labor office buildings, including asbestos management in case existing labor buildings to be repaired and renovated under the project have asbestos materials. For this, the ESMF will refer to the WBG Good Practice Note on Asbestos: Occupational and Community Health Issues dated May 2009. For Component 2, the ESMF will include procedures for MLSP and its local offices to screen micro businesses environmental impacts, eliminate or require mitigations. The ESMF will also include general Environmental, Health and Safety (EHS) principles for micro-enterprises and sector-specific EHS guidelines for micro-businesses identified during project preparation. Sector-specific EHS guidelines for micro-businesses identified during



		<p>project implementation will be added to the ESMF as needed. The WBG General EHS Guidelines and Industry-Specific EHS Guidelines may be referred to when preparing the principles/sector-specific EHS guidelines for micro-businesses</p> <p>In addition, Component 2 will also include public awareness activities and trainings to help microcredit clients improve environment, health and safety performance as an integral part of the training package offered by the project.</p>
Natural Habitats OP/BP 4.04	No	The project does not involve any new construction. There are no activities with a physical footprint envisaged, nor any activities that would have implications on natural habitats.
Forests OP/BP 4.36	No	There are no activities with a physical footprint envisaged, nor any activities that would have implications on forests.
Pest Management OP 4.09	No	The project does not involve the procurement or use of pesticides.
Physical Cultural Resources OP/BP 4.11	No	The project does not involve any new construction.
Indigenous Peoples OP/BP 4.10	TBD	Mongolia's 24 ethnic groups include one of Turkic origin (Kazakh), one of mixed Tuvaan origin (Tsaatan) and 22 Mongolian origin. All enjoy varying degrees of economic integration, vulnerability to impacts on natural resources, and ability to adapt to urban migration. The task team will undertake a stakeholder mapping exercise including a screening component at project preparation to determine whether planned activities will have positive or negative impacts on different ethnic groups (with particular focus on Kazakh and Tsaatan groups). The aim is to help identify measures to enhance social inclusion of vulnerable groups and should involve integration of at least one of the bank's citizen engagement results indicators at design stage to be reported on during implementation. The screening component will be done early to allow for the preparation of an Indigenous Peoples Planning Framework or other appropriate measures to avoid adverse impacts on indigenous peoples and enhance project benefits to them (e.g. an inclusion and participation plan) should it be determined that the policy is triggered.
Involuntary Resettlement OP/BP 4.12	No	There is no land acquisition envisaged under the project. Minor civil works related to refurbishment of



		the existing physical layouts of labor department in provinces will be financed.
Safety of Dams OP/BP 4.37	No	There are no activities related to dams.
Projects on International Waterways OP/BP 7.50	No	The Project does not involve any activity in international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The Project does not involve any activity in disputed areas.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Nov 11, 2016

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

During the project preparation, an ESMF will be prepared and submitted for the Bank’s review in mid-November and disclosed before Appraisal planned in early December 2016. A social screening with an emphasis on OP/BP 4.10 Indigenous Peoples will be carried out and the results will be available before appraisal.

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APPROVAL

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