

INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: ISDSC921

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I. BASIC INFORMATION

A. Basic Project Data

Country:	Mongolia	Project ID:	P125232
Project Name:	Third Sustainable Livelihoods Project (P125232)		
Task Team Leader:	Andrew D. Goodland		
Estimated Appraisal Date:	19-Feb-2013	Estimated Board Date:	09-Jul-2013
Managing Unit:	EASCS	Lending Instrument:	Adaptable Program Loan
Sector(s):	General agriculture, fishing and forestry sector (40%), Sub-national government administration (25%), Other social services (25%), Microfinance (10%)		
Theme(s):	Other environment and natural resources management (20%), Decentralization (20%), Rural services and infrastructure (20%), Other social protection and risk management (20%), Participation and civic engagement (20%)		
Financing (In USD Million)			
Total Project Cost:	40.00	Total Bank Financing:	30.00
Total Cofinancing:		Financing Gap:	0.00
Financing Source		Amount	
BORROWER/RECIPIENT		0.00	
International Development Association (IDA)		30.00	
SWITZERLAND Swiss Agency for Dev. & Coop. (SDC)		10.00	
Total		40.00	
Environmental Category:	B - Partial Assessment		
Is this a Repeater project?	No		

B. Project Objectives

This would be the third phase of an APL. Objectives for the phases were set at the time of the initial appraisal and remain valid:

SLP1: An effective approach to promoting improved, secure and sustainable livelihood strategies developed, demonstrated, and validated in selected areas, and institutional capacity created so that these strategies can be replicated and scaled-up in phase II of the program.

SLP2: To enhance livelihood security and sustainability by scaling up institutional mechanisms that reduce the vulnerability of rural communities throughout Mongolia.

SLP3: To fully institutionalize appropriate mechanisms utilized in phase I and II to reduce the vulnerability of rural communities throughout Mongolia.

The Project Development Objective of the proposed project would therefore be to enhance livelihood security and sustainability by supporting the emerging policy framework and creating the institutional capacity to reduce the vulnerability of rural communities throughout Mongolia. The focus would be to embed the principles of the Program into this emerging policy and institutional framework.

C. Project Description

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The proposed project would be centered on supporting the implementation of the Integrated Budget Law (IBL), and specifically supporting the implementation of Local Development Funds (LDF), which were established under the IBL and will become effective from January 2013. LDFs will provide capital budget to the soum (rural district) level for the financing of locally identified investment priorities. The IBL explicitly specifies that local governments must utilize LDF allocations in accordance with citizen priorities as identified through a robust process of community participation in local government budget preparation and execution. Many of these processes have been modelled on the approaches demonstrated under the previous phases of the Sustainable Livelihoods Program. The passage of the IBL and the creation of the LDFs therefore constitutes a major step in institutionalizing the approaches of SLP, which was the ultimate objective of the program.

While the IBL is clearly aimed at promoting fiscal decentralization, good governance, community participation and equity in Mongolia, the LDF mechanism does not provide specific incentives for improved local government performance. In this respect, the LDF allocations verge on entitlements, and experience has shown both in Mongolia and many other countries that in the absence of incentives and effective central monitoring and evaluation, revenue sharing often leads to sub-optimal utilization of decentralized fiscal resources. Therefore, the proposed SLP3 is extremely well positioned to institutionalize lessons learned and community participation processes tested over the first two phases of the project.

The project would have the following components:

- a. Good Governance Capacity Building: capacity building support targeted to the local governments that will be most challenged to meet the good governance objectives and processes set out in the IBL;
- b. Good Governance Performance Grants: a complementary performance based incentive grant that will reward well performing soum local governments and support MOF in institutionalizing local government performance monitoring and evaluation; plus
- c. Project Management and Technical Assistance: supporting the implementation of the project and the full institutionalization of SLP approaches, including for microfinance.

Component 1: Good Governance Capacity Building

Soum governments in particular will be challenged to effectively manage the significant increases in

governance responsibilities and investment planning and execution delegated through the IBL. Based on experience gained in SLP1 and 2, it is proposed that SLP3 will include a four-year program of capacity building, coaching and establishment of effective monitoring and evaluation systems to support all of Mongolia's soums.

The objective of capacity building at soum level is twofold, touching political and administrative decentralization. Politically, the objective is to make participative processes in soums strong and functional in order to elicit citizen's preferences and make sure that soums respond to these preferences. Administratively, the objective is to have soums with an effective, efficient, transparent, and robust financial management that is strategy-oriented, lawful and accountable at the same time. To support this, training would be delivered in the necessary topics, including:

- a. Community participation
- b. Budget preparation and adoption
- c. Budget execution/performance/procurement
- d. Municipal treasury and audit
- e. Reporting/M&E and MIS/community supervision.

The detailed training curricula will be further elaborated by national service providers operating with international backstopping. Furthermore, the service provider will elaborate manuals for the five training components and training material for the five types of courses.

Component 2: Good Governance Performance Grants

To provide incentives for soums to achieve the IBL's good governance objectives, a performance-based grant mechanism to be financed by IDA is proposed for SLP 3. The objective of the performance-based grants would be to enhance good governance in the entire budgeting process starting with financial and policy planning, including budget preparation and adoption, budget execution, accounting, reporting, internal and external control and public scrutiny. Financing and execution of public capital investments at soum level and below is certainly an important part of the budgeting process. Taking into account the objectives of SLPO and the weightings suggested by a previous performance-based grant proposal developed by SLPO in 2011, particular importance would be given to citizen participation, alignment of soum budgets with bagh citizen priorities and citizen satisfaction with the LDF process and outcomes, and on the alignment of investments in pastoral risk management with soum level pastoral management plans. Based on the soum performance monitoring system, all soums will be rated annually by independent experts against a set of agreed performance indicators, covering: i) community participation; ii) budget planning; iii) budget execution (including procurement); iv) reporting; v) financial management; vi) monitoring and evaluation; vii) environment safeguards; viii) social safeguards; and ix) pastoral risk management. Those soums meeting or exceeding agreed targets would receive a top up (estimated at around 20-25 percent) to the prior year's LDF allocation as budget support in the following financial year. Each qualifying soum will be required to demonstrate that its ongoing capital investment program is measurably pro-poor. Performance grants will be disbursed to qualifying soums through MOF systems along with LDF allocations.

SLP3 would finance a TA contract for strengthening of performance monitoring in connection with a system of good governance performance-based grants. The monitoring and assessment system for performance-based grants would be implemented by SLPO on behalf of MoF. The MoF would need to outsource the assessment and ranking of soum performance to a politically neutral third party (referred to here as the Good Governance Performance Assessment Team). SLP3 would finance the training the Good Governance Performance Assessment. SLPO would oversee the capacity building

to ensure comparability between the yardsticks used to measure performance from one to another part of the country and to ensure political neutrality.

Component 3: Capacity Building and Project Management

As with previous phases, this component would finance all the necessary functions to ensure effective, efficient, and timely implementation and management of all project activities at the national level. This includes financing of: (a) capacity building; (b) the Sustainable Livelihoods Program Office (SLPO) at the national level; and (c) general project support. The project management will include a robust monitoring and evaluation system to ensure compliance with all fiduciary and safeguard policies of the Bank and GoM and a dynamic training program for all the project staff to maximize their potential.

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

The project will operate across the country in every soum and therefore across all ecological regions (desert-steppe, steppe, mountain-steppe). The investment support would be at soum level and below. The majority of soums are rural and the predominant resource base is grassland supporting semi-nomadic herding. Small urban centers (provincial capitals) would also be eligible for investment support under the PBGs. Discussion is on-going with regard to the participation of Ulaanbaatar in the project. The capital city has nearly half of the country's population and is the only major urban area. Most likely, Ulaanbaatar would receive some technical assistance for capacity building but no investment under the project (ie urban districts would be excluded from the PBGs).

E. Borrowers Institutional Capacity for Safeguard Policies

This is the third phase of the Sustainable Livelihoods Program. In the previous phases the implementing agency demonstrated its adequate capacity to deal with safeguard policies and issues during implementation. The third phase would also be under the same implementation agency – the Sustainable Livelihoods Support Office under the Ministry of Finance. The major difference in design under the proposed third phase is that the World Bank funds would be co-mingled with Government public budget in the Local Development Funds and therefore the safeguards policies should apply to whole LDF, which is the responsibility of the local government to implement. It is therefore of importance that there is capacity at the local level to address safeguard issues. The project would provide support for this, and would only release Bank funds to those soums which have been assessed and found to be compliance with environmental policy.

Capacity demonstrated under SLP2: The main challenge for SLP2 has been to adapt the environmental screening process to new legal requirements. The environmental law of 2009 gave responsibility for environmental screening and impact assessment to licensed officers of the Ministry of Nature, Environment and Tourism, posted at aimag level and limited the roles of soum environmental inspectors to environmental audit of completed investments. Because the licensed EIA officer is only 1 per aimag and far from the soums, it created a bottleneck, especially for screening of large numbers of small PRM subprojects involving fencing of hay fields and improvement of livestock water sources. The bottleneck was addressed by preparing a checklist for screening of CIF and PRM subprojects for use by soum environmental inspectors, who would compile environmental screening forms and send them to the aimag EIA officer for signature or further investigation. Another process introduced by a recent amendment to the environmental law makes it legal to conduct a “strategic environmental assessment” for a category of similar investments under a program approach, instead of requiring each single subproject to go through the screening and sign-off process. This could greatly facilitate the approval of large numbers of small PRM subprojects in

support of implementing pastureland management plans. It would be important for SLPO to seek official government consent that the abovementioned streamlined environmental screening process developed for SLP2 would be carried over into IBL implementation under SLP3.

Under SLP2, nearly all social investments under the Community Initiative Fund involved small improvements of existing facilities and only the public baths and other subprojects those involving the construction of new facilities or adding new buildings to existing facilities were required to go through environmental screening as well to comply with social safeguards on land acquisition. Under SLP3, the ten-fold increase in funds available for soum budgets is likely to increase the number of new facilities built. In addition, under SLP2, SLPO was required to implement social safeguards for Tsaatan reindeer herders in the far north of Khovsgul aimag and to track beneficiaries of investments in Bayan Olgii aimag to ensure that the Kazakh minority received an equitable share of benefits. The main difference from SLP2 is that SLP3 supports the government's program and adopts government standards and procedures. Government has the necessary environmental standards and procedures but it does not have social safeguards.

F. Environmental and Social Safeguards Specialists on the Team

Songling Yao (EASCS)

Feng Ji (EASCS)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	Yes	Under the Local Development Funds, local governments will be able to finance investment priorities identified in consultation with local communities. These investments are likely to be similar in nature to those supported under the first and second phases on the Program under project funds (under SLP2 the project supported the Community Initiatives Fund which was used to finance small scale works and goods to increase local access to social services, and the Pastoral Risk Management Fund, which supported investments identified in soum level pastoral management plans). Typical investments therefore included school and school dormitory renovation and refurbishment, health care center renovation and equipment, improved cultural centers and recreational facilities, and for PRM, improved storage facilities for animal feed and fodder, renovation of wells for livestock and the protection of crop land and fencing of natural springs also for protection. The estimated size of support under the LDF will be in the order of USD250k per year, so the size of individual sub-project will remain to be small.

		<p>Based on the experience from SLPI, SLP II, the SLP III project would have a broadly positive environmental impact. But it may also bring adverse impacts, including (i) there is a risk that herders will seek to increase their numbers of livestock which would have implications for land degradation; (ii) the project will finance the rehabilitation of existing wells. Though probably negligible, there may be adverse impacts of wells on groundwater recharge due to the extraction of groundwater from the wells.</p> <p>All investments under the project would be subject to the environmental guidelines under the Ministry of Nature and Environment. As part of the annual assessment of soum performance, performance in applying environmental guidelines and EMF will be closely monitored, and if they are not reached, soums would not qualify for the performance based grants under the project. The environmental assessment would need to assess the adequacy of environmental screening and assessment regulations for small scale works and the capacity for enforcement.</p>
Natural Habitats OP/BP 4.04	Yes	Mongolia's pasture lands are natural habitats in the sense that they conform to the definition in OP4.04 on Natural Habitats. The SLPIII could have adverse impacts on these natural habitats.
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/ BP 4.11	No	
Indigenous Peoples OP/BP 4.10	Yes	<p>There are more than 30 ethnic groups in Mongolia. All groups are either the descendants of Mongolian nomadic tribes, or are groups of Turkic origin who have become Mongolised over time. The Khalkh make up the majority and comprise over 90% of the population. Except for the Kazakh minority group residing in western Mongolia, all ethnic groups speak Mongolian dialects which are comprehensible to speakers of Khalkha and to each other. The Kazakhs also are the only ethnic group that</p>

		<p>relies primarily upon a distinct spoken language.</p> <p>The majority of Mongolia's ethnic minority groups share similar customs, traditions and systems of production as the Khalkh. With the exception of the predominantly Muslim and linguistically differentiated Kazakhs in western Mongolia, and traditionally nomadic reindeer-herding Tsaatan peoples in the north, Mongolia's ethnic groups are not considered to be economically, socially or legally marginalized or otherwise disadvantaged in a manner which would restrict their ability to participate in the project.</p> <p>The project will be nationwide in scope and therefore cover those areas populated by all ethnic groups including Kazakh and Tsaatan. An IPP should be prepared to ensure these groups are not excluded from the project / Local Development Funds.</p>
Involuntary Resettlement OP/BP 4.12	TBD	The project would support the process of pastoral management planning and supporting local communities by introducing approaches to improve pastoral management and conservation of grassland resources. As part of the package, participating soums and herder groups may be offered secure tenure over pastureland in return for maintaining livestock stocking densities at a certain level (in line with assessed carrying capacity). While this is potentially positive approach to pasture management, it may exclude herders from pastureland which is currently open access. If this support goes ahead, the involuntary resettlement policy would be triggered.
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 11-Feb-2013

**B. Time frame for launching and completing the safeguard-related studies that may be needed.
The specific studies and their timing¹ should be specified in the PAD-stage ISDS:**

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.

All safeguard studies to be launched in November 2012 and completed, with the necessary disclosure, prior to Appraisal, scheduled for February 18, 2013.

IV. APPROVALS

Task Team Leader:	Name: Andrew D. Goodland	
<i>Approved By:</i>		
Regional Safeguards Coordinator:	Name: Peter Leonard (RSA)	Date: 23-Mar-2013
Sector Manager:	Name: Mark R. Lundell (SM)	Date: 25-Mar-2013