

**SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY**

Country:	Mongolia	Project Title:	Payment System Modernization Project
Lending/Financing Modality:	Project	Department/ Division:	East Asia Department Public Management, Financial Sector, and Regional Cooperation Division

<b>I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY</b>
Targeting classification: general intervention
<b>A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy</b>
The project will contribute to private sector development, one of the cornerstones of the country's poverty reduction strategy and thematic driver for change under the Asian Development Bank's (ADB) country partnership strategy for Mongolia, 2012–2016. It will achieve this by helping to increase access to finance and facilitating market transactions at lower costs. Increased access to finance can reduce poverty by providing the poor with more resources to cope with emergent needs, smooth out consumption, or start up new businesses. The project will enable rural residents and herders, who have access to much less conventional banking than the wider population due to geographical distances, to enjoy better access to finance by using such up-to-date information technology as mobile banking, other forms of electronic transfer, and e-commerce. The project will also contribute to poverty reduction by providing crucial ways for the financial markets to link with hard-to-reach rural populations and the informal sector. Participation in the system will encourage the informal sector to interact with the formal sector and to be assimilated, thereby gaining access to the benefits provided to the formal sector by the government.
<b>B. Results from the Poverty and Social Analysis during PPTA or Due Diligence</b>
<ol style="list-style-type: none"> <li>1. <b>Key poverty and social issues.</b> The project will provide an efficient, secure payments system that will boost the overall economy and benefit many stakeholders, principally consumers (especially in the rural areas), depositors and borrowers, investors, financial institutions, other providers of financial services, and the government. It will do this by facilitating market transactions, providing liquidity to financial markets, contributing to market stability, helping reduce transaction costs, and establishing an enabling business environment.</li> <li>2. <b>Beneficiaries.</b> The payments system to be established under the project will be national in character and will be targeted to benefit the country as a whole, not any specific group. However, it will help provide banking services to those who have had difficulty accessing the system. The project thus promotes financial inclusiveness by helping the poor participate in the financial markets by providing better access to sources of finance and making payments easier and more affordable. As the project itself is focused on developing the e-banking infrastructure, which provides only the operating system upon which private financial institutions will design specific payment services, the possibility of a pro-poor design that was specifically targeted was not great. Nevertheless, banks and mobile network operators told a reconnaissance mission of ADB in September 2012 that they intended to expand services to the rural areas. The fiber-optic connection is expected to reach 85% of the rural areas by December of this year, and mobile phone users now number 3 million, with about 390,000 people using the internet through their mobile phones.</li> <li>3. <b>Impact channels.</b> The impact channels will be the mechanisms for the use of card, mobile, internet, and other electronic means to make payments and transfers that provide the poor with access to financial systems.</li> <li>4. <b>Other social and poverty issues.</b> Other development partners are developing other sources of financing for the poor. The World Bank has developed a microfinance development fund that provides onlending for microfinance. The fund was established under a World Bank sustainable livelihood project to lend to participating financial institutions that include 11 commercial banks and 17 nonbank financial institutions. These institutions onlend these funds mostly to rural households, with the aim of expanding and diversifying livelihood sources and rural incomes.</li> <li>5. <b>Design features.</b> The project aims to bring the payments system to the rural areas and to those not being served by the banks at present. Local managers will be hired to help administer the project.</li> </ol>

## II. PARTICIPATION AND EMPOWERING THE POOR

1. Summarize the participatory approaches and the proposed project activities that strengthen inclusiveness and empowerment of the poor and vulnerable in project implementation. The project will use agents for payment system services, especially in rural areas.
2. If civil society has a specific role in the project, summarize the actions taken to ensure their participation. Not applicable.
3. Explain how the project ensures adequate participation of civil society organizations in project implementation. Not applicable.
4. What forms of civil society organization participation is envisaged during project implementation? Indicate in each box the level of participation by marking high (H), medium (M), low (L), or not applicable (N) based on definitions in ADB's Guide to Participation.  
 Information gathering and sharing  Consultation  Collaboration  Partnership
5. Will a project level participation plan be prepared to strengthen participation of civil society as interest holders for affected persons particularly the poor and vulnerable?  
 Yes. Describe key features, responsibilities and allocated resources  No. Civil society organizations' intervention not required. Project already designed to include rural dwellers/poor.

## III. GENDER AND DEVELOPMENT

Gender mainstreaming category: no gender elements

**A. Key issues.** The direct impact of the project is gender neutral, but it will have an indirect impact by improving access by women to financial resources and opportunities. This is because efficient payment services will reduce the time and cost for women to use several financial services. Many of the rural poor are women. The proportion of households headed by women in the country rose from about 17.0% during 2004–2006 to about 28.5% by 2008, according to World Bank data. Any positive impact on the poor by the project would therefore likely benefit women. ADB has established that women face no legal barriers to accessing loans. More than 50% of borrowers at XAC Bank are women. Consequently, women are likely to benefit from an expansion of and better access to microfinance in the rural areas as well as men.

**B. Key actions. No gender elements but will indirectly benefit women.**

Gender action plan  Other actions or measures  No action or measure

## IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

**A. Involuntary Resettlement**

**Safeguard Category:**  A  B  C  FI

1. Key impacts. No impacts.
2. Strategy to address the impacts. No action required.
3. Plan or other Actions.

- |   |  |
|---|--|
| <input type="checkbox"/> Resettlement plan                                      | <input type="checkbox"/> Combined resettlement and indigenous peoples plan                         |
| <input type="checkbox"/> Resettlement framework                                 | <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework |
| <input type="checkbox"/> Environmental and social management system arrangement | <input type="checkbox"/> Social impact matrix  |
| <input checked="" type="checkbox"/> No action                                   |  |

**B. Indigenous Peoples**

**Safeguard Category:**  A  B  C  FI

1. Key impacts. No impact anticipated.
2. Is broad community support triggered?  Yes  No
3. Strategy to address the impacts. No action required.
4. Plan or other actions.

- |   |  |
|---|--|
| <input type="checkbox"/> Indigenous peoples plan                                | <input type="checkbox"/> Combined resettlement plan and indigenous peoples plan                    |
| <input type="checkbox"/> Indigenous peoples planning framework                  | <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework |
| <input type="checkbox"/> Environmental and social management system arrangement | <input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary     |
| <input type="checkbox"/> Social impact matrix                                   |  |
| <input checked="" type="checkbox"/> No action                                   |  |

**V. ADDRESSING OTHER SOCIAL RISKS**

**A. Risks in the Labor Market**

1. Relevance of the project for the country's or region's or sector's labor market. Indicate the impact as high (H), medium (M), and low or not significant (L).

unemployment  underemployment  retrenchment  core labor standards

2. Labor market impact. Some jobs created. Government to adhere to core labor standards.

**B. Affordability**

Almost 3 million people have cell phones and a market exists for less-expensive, second-hand cell phones. The country has 390,000 internet users and the number is growing. Fiber-optic connectivity will reach 85% of the population by December 2012. Transaction costs are expected to go down due to scale economies.

**C. Communicable Diseases and Other Social Risks**

1. Indicate the respective risks, if any, and rate the impact as high (H), medium (M), low (L), or not applicable (NA):

NA  Communicable diseases NA  Human trafficking

Others (please specify) \_\_\_\_\_

2. Describe the related risks of the project on people in project area. No expected risks.

Indicate the actions taken in the project to mitigate the risks, and how they are reflected in the DMF, PAM, and loan agreement.

**VI. MONITORING AND EVALUATION**

1. Targets and indicators: Use of payment cards and new electronic payment services by rural residents (those outside Ulaanbaatar) and herders who can access the new banking services are targeted to be doubled. Data will be collected from the Statistical Bulletin of the Bank of Mongolia.

2. Required human resources: The Social Development Action Plan will require recruitment of minimum of 5 national project managers, including women, who can assume responsibility for the project management of specific components of the Mongolia Payment System Modernizations Project

3. Information in PAM: The only monitoring activity included in the PAM is with respect to the recruitment of 5 project managers under the Social Development Action Plan.

4. Monitoring tools: The action plan will be monitored by determining the numbers of local labor employed and local sellers provisioning the project sites by gender.