

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Mongolia	Project Title:	Senior Loan to Khan Bank
Lending/Financing Modality:	Senior Loan	Department/ Division:	Private Sector Operations Department / Private Sector Financial Institutions Division

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

#### A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

Khan Bank (KB) is a commercial bank in Mongolia with assets of approximately \$2billion, with a strong strategic focus on Micro Small and Medium Enterprises (MSMEs). The proposed Loan to KB will increase its capacity to provide financial service outreach to underserved areas primarily outside Ulaanbaatar and is consistent with the country partnership strategy (CPS)<sup>a</sup> for Mongolia, and with the government priorities of servicing the underserved segments of the Mongolian population. The CPS highlights that private sector development will be a thematic driver of change, and that ADB will assist to strengthen financial markets to support long-term investment, innovation and access to finance. The project will specifically address the CPS recommendation to improve access of MSMEs in the underserved ger and rural areas to formal sources of credit. The strategy encourages private participation in financing and strengthening financial intermediation through the banking sector.

#### B. Targeting Classification

☒ General Intervention ☐ Individual or Household (TI-H) ☐ Geographic (TI-G) ☐ Non-Income MDGs (TI-M1, M2, etc.)

The proposed investment is expected to address poverty reduction through (i) increasing Khan Bank's capacity to serve MSMEs outside Ulaanbaatar, and (ii) contribution to improve the business environment for local entrepreneurs and thereby the contribution of MSMEs to Mongolia's economy.

#### C. Poverty and Social Analysis

##### 1. Key issues and potential beneficiaries.

While SMEs contribute about 65% of Mongolia's GDP, only 10% of around 37,000 SMEs have regular access to finance through banks which have high interest rates and excessive collateral. The senior loan to Khan Bank will explore opportunities to bridging the financing gap and increase access to finance for MSMEs in Mongolia.

##### 2. Impact channels and expected systemic changes.

Most SMEs in Mongolia are from agriculture, mining, manufacturing, construction and service sectors. The proposed investment will increase Khan Bank's capacity to serve MSMEs in these sectors in remote locations outside Ulaanbaatar.

##### 3. Focus of (and resources allocated in) the PPTA or due diligence.

The project team will collect baseline data on Khan Bank's Operations during due diligence to identify and address possible poverty and social issues such as but not limited to access to finance, gender issues and core labor standards.

##### 4. Specific analysis for policy-based lending.

N/A

### II. GENDER AND DEVELOPMENT

#### 1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program?

Mongolia ranks high on the gender development index (0.727), but persistent gender gaps remain in the country. The Mongolia Country Partnership Strategy 2012-2016 reports that the official unemployment of women in 2008 was 38% higher than that of men, a significant surge from 18% in 2004, and an estimated 54% of women are engaged in the informal sector with limited access to finance.

#### 2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?

☒ Yes ☐ No Please explain. The proposed senior loan to Khan Bank will explore providing women borrowers with increased access to finance. Measures to address other gender issues and concerns with respect to Khan Bank's operations (e.g. equal employment opportunities, etc) will be explored during due diligence.

#### 3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

☐ Yes ☒ No Please explain

#### 4. Indicate the intended gender mainstreaming category:

☐ GEN (gender equity theme) ☐ EGM (effective gender mainstreaming)

☒ SGE (some gender elements) ☐ NGE (no gender elements)

<b>III. PARTICIPATION AND EMPOWERMENT</b>	
<p>1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.</p> <p>The due diligence will assess Khan Bank's approach to reach potential borrowers, on information to make business decisions apart from skill development programs. The due diligence will include discussions with KB on financial inclusion of the MSME borrowers, especially in the underserved regions of Mongolia.</p>	
<p>2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded?</p> <p>There are no expected issues in the project design requiring the participation of the poor and excluded.</p>	
<p>3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?</p> <p>L <input checked="" type="checkbox"/> Information generation and sharing <input type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership</p>	
<p>4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>There are no anticipated issues which would require the participation of the poor and excluded in the project design.</p>	
<b>IV. SOCIAL SAFEGUARDS</b>	
<p><b>A. Involuntary Resettlement Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI</p>	
<p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>The proposed investment is unlikely to involve any involuntary land acquisition which would result in physical and economic displacement. Khan Bank's existing and likely future portfolio as well as its Environment and Social Management System will be reviewed during due diligence to ensure that the investment will meet all applicable national laws and regulations of Mongolia as well as ADB's requirements.</p>	
<p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix</p> <p><input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>	
<p><b>B. Indigenous Peoples Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI</p>	
<p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	
<p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>The proposed investment is not expected to have any impact on indigenous peoples. Khan Bank's existing and likely future portfolio as well as its Environment and Social Management System will be assessed during due diligence to ensure that the investment will meet all applicable national laws and regulations of Mongolia as well as ADB's requirements.</p>	
<p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	
<p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix</p> <p><input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>	
<b>V. OTHER SOCIAL ISSUES AND RISKS</b>	
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input type="checkbox"/> Creating decent jobs and employment L <input checked="" type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability</p> <p><input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p>	
<p>2. How are these additional social issues and risks going to be addressed in the project design?</p> <p>Khan Bank's adherence to core labor standards and other social protection measures will be reviewed during due diligence and included in the environmental and social management system and relevant documents.</p>	
<b>VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT</b>	
<p>1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact,</p>	

(iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified?

☒ Yes

☐ No

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and participation plan during the PPTA or due diligence? The project team will conduct poverty, social and gender analysis during due diligence.

---

<sup>a</sup> ADB.2012. *Country Partnership Strategy: Mongolia 2012-2016*. Manila