

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Mongolia	Project Title:	Strengthening Information Communication Technology Systems for Efficient and Transparent Public Investment and Tax Administration
Lending/Financing Modality:	Loan Project	Department/Division:	East Asia Regional Department Public Management, Financial Sector and Regional Cooperation Division

<b>I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY</b> Targeting classification: Sector Development Goal 8
<b>A. Links to the Mongolia’s Sustainable Development Vision 2030; Government Action Plan, 2016–2020; and Asian Development Bank Country Partnership Strategy for Mongolia, 2017–2020.</b>  The proposed project will support the Government of Mongolia to enhance accountability and efficiency of public financial resource mobilization and management through improved information and communication technology (ICT), especially for tax administration and public investment management. The project will support redesigning current business processes, improving ICT systems, and developing capacities of staff and agencies. The proposed ICT system for the tax administration project aims to establish an integrated information repository on taxpayers to help manage the life cycle of tax administration across all the taxes collected by the government, replacing outdated and unintegrated systems. For public investment management (PIM), the proposed ICT system will support the government in managing the entire life cycle of PIM functions, which are currently carried out manually, with inefficiencies and in an unintegrated manner across the agencies. The project is in line with (i) Mongolia’s Sustainable Development Vision 2030, <sup>a</sup> by strengthening public sector efficiency and transparency via improved tax administration and public investment performance; (ii) the Government Action Plan, 2016–2020, to strengthen public sector efficiency and governance standards; and (iii) the Asian Development Bank (ADB) country partnership strategy for Mongolia, 2017–2020, on public sector management to raise the standard of public investment and the implementation of government programs.
<b>B. Results from the Poverty and Social Analysis during PPTA or Due Diligence</b>
<b>1. Key poverty and social issues.</b> Mongolia has made impressive progress in reducing poverty to 21.6% in 2014 down from 38.7% in 2010. However, poverty incidence increased to 29.6% in 2016 <sup>a</sup> with about 900,000 people still living below the national poverty line. Economic development is rapidly decelerating, with GDP growth of only 1.2% in 2016 compared to 11.6% in 2013. The negative impacts of economic decline have already been observed in production, construction, and in job markets. Unemployment remains as high as 7.3%. The existing system for tax collection causes inefficiencies in budget management and planning and the proper execution of public investments.
<b>2. Beneficiaries.</b> About 2,000 staff from the Ministry of Finance (MOF) and the Mongolian Tax Authority (MTA) involved in public investment, development policy planning, and budgeting, as well as governing bodies at the local, state, and central levels, will directly benefit from capacity development activities under the project. About 177,000 business entities will also benefit from improved ICT through better access to real-time information and shortened processing time in registration and tax payments. About 944,000 registered taxpayers will also benefit from streamlined processes and quick access to information.
<b>3. Impact channels.</b> Overall, given the threats to poor households and the positive impact of social welfare programs on poverty reduction in Mongolia, the proposed project will improve the fiscal sustainability of targeted welfare programs.  The direct impacts of the project are (i) improved access to integrated tax revenue and expenditure information and linking government revenues with expenditure, and in creating an open and transparent service delivery mechanism for all stakeholders; (ii) enhanced revenue management because of improved ICT systems among the business entities; (iii) improved ICT knowledge and skills for tax administration and public investment management staff; and (v) enhanced business efficiency because of improved ICT systems. The indirect impact of the project will be improved business operations and increased transparency and accountability in public investment planning, investment prioritization, implementation, and monitoring and evaluation.
<b>4. Other social and poverty issues.</b> An estimated 159,687 people are in the informal sector without registration and social protection. Among 177,000 business entities, 80% provide tax reports. The project will contribute to increased registration and reporting among business entities.
<b>5. Design features.</b> Key design features include (i) promotion of public consultation and engagement in the process of identifying public investment priorities and decision making; and (ii) ensuring targeted capacity building is provided

for women, leading to more career opportunities in ICT in tax administration in the MTA and public investment management in the MOF.	
<b>C. Poverty Impact Analysis for Policy-Based Lending:</b> not applicable.	
<b>II. PARTICIPATION AND EMPOWERING THE POOR</b>	
<p><b>1. Summarize the participatory approaches and the proposed project activities that strengthen inclusiveness and empowerment of the poor and vulnerable in project implementation.</b> During the project design, poverty and social analysis was conducted with key stakeholders through key informant interviews and consultations, and a review of key sector-specific policies and regulations. Attention was given during project design to ensuring sufficient community consultations and public engagement during public investment management and planning, investment prioritization, implementation, and monitoring and evaluation processes.</p> <p><b>2. If civil society has a specific role in the project, summarize the actions taken to ensure their participation.</b> To promote community engagement in decision making, particularly in identifying public investment projects, engaging civil society organizations with extensive experience in gender mainstreaming will be considered as potential partners to work closely with the MOF and MTA to better achieve program objectives.</p> <p><b>3. Explain how the project ensures adequate participation of civil society organizations in project implementation.</b> There are a number of civil society organizations and experts working on gender mainstreaming in Mongolia. The project team will work closely with stakeholders and conduct community consultations to ensure that key issues and concerns are considered during project implementation.</p> <p><b>4. What forms of civil society organization participation is envisaged during project implementation?</b>  <input checked="" type="checkbox"/> Information gathering and sharing (H) <input checked="" type="checkbox"/> Consultation (M) <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership</p> <p><b>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?</b>  <input type="checkbox"/> Yes. <input checked="" type="checkbox"/> No.</p>	
<b>III. GENDER AND DEVELOPMENT</b>	
<b>Gender mainstreaming category:</b> Some gender elements.	
<p><b>A. Key issues.</b> Women's participation in economic development activities is low, leaving them out of social protection schemes and with limited access to employment opportunities. Community consultations and engagement are often overlooked in public investment decision making and prioritization of investment projects. The specific needs of both men and women, ethnic minorities, and other social groups should be considered to ensure inclusive and pro-poor planning, implementation, and monitoring and evaluation of public investment projects.</p> <p><b>B. Key actions.</b> The project will include specific sex-disaggregated targets to ensure female government officers have more opportunities in building capacity in the areas of ICT, where female staff are provided with fewer opportunities not only for job assignment but also for career progress opportunities, especially in management positions. Overall the female staff ratio in both the MTA and the MOF is over 50.0% (52.5% in the MTA and 53.5% in the MOF). However, fewer female than male staff are working in the ICT departments and teams (25% female in the MTA and zero in the MOF). Capacity building programs and activities will have a target to encourage more female staff participation. The project implementation unit (PIU) will closely monitor the performance target and report to ADB. Performance indicators have been included in the design and monitoring framework (DMF). The project will also ensure that men and women gain access to more efficient tax registration and tax payment systems and processes.</p> <p><input type="checkbox"/> Gender action plan <input checked="" type="checkbox"/> Other actions or measures <input type="checkbox"/> No action or measure</p>	
<b>IV. ADDRESSING SOCIAL SAFEGUARD ISSUES</b>	
<p><b>A. Involuntary Resettlement</b> <b>Safeguard Category:</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p><b>1. Key impacts.</b> The project does not trigger involuntary resettlement safeguard.</p> <p><b>2. Strategy to address the impacts.</b></p> <p>3. Plan or other Actions.</p> <p><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</p>	
<p><b>B. Indigenous Peoples</b> <b>Safeguard Category:</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p>	

<p><b>1. Key impacts.</b> The project will improve access to real-time information for taxpayers and business entities and streamlined tax registration and payment systems and processes. Proposed ICT capacity building activities in the MTA and MOF will provide more job opportunities and career progress opportunities for women.</p> <p>Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>										
<p><b>2. Strategy to address the impacts.</b> (not applicable)</p>										
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<p><b>V. ADDRESSING OTHER SOCIAL RISKS</b></p>										
<p><b>A. Risks in the Labor Market</b></p> <p>1. Relevance of the project for the country's or region's or sector's labor market.  <input type="checkbox"/> unemployment <input type="checkbox"/> underemployment <input type="checkbox"/> retrenchment <input checked="" type="checkbox"/> core labor standards (L)  Local labor standards or the International Federation of Consulting Engineers requirements will be applied and monitored during implementation.</p> <p>2. <b>Labor market impact.</b> The project will provide both long- and short-term employment. The improved public investment system will help businesses provide local employment opportunities through public investment projects.</p>										
<p><b>B. Affordability.</b> None of the project components have a direct cost implication on beneficiaries as no service or other fees are involved.</p>										
<p><b>C. Communicable Diseases and Other Social Risks</b></p> <p>1. Indicate the respective risks, if any, and rate the impact as high (H), medium (M), low (L), or not applicable (NA):  <input type="checkbox"/> Communicable diseases (L) <input type="checkbox"/> Human trafficking (L)  <input type="checkbox"/> Others (please specify) _____ NA _____</p> <p>2. <b>Describe the related risks of the project on people in project area.</b> NA</p>										
<p><b>VI. MONITORING AND EVALUATION</b></p>										
<p><b>1. Targets and indicators:</b> The DMF includes targets and indicators related to gender targets for project implementation and management. Specifically, there are also sex-disaggregated targets in the DMF under output 3 (capacity of government staff in administering and managing tax administration and information system and public investment management information system improved) such as at least 50% of staff (with 50% female staff participation) trained in the ICT system user interface, at least 50% of staff (with 50% female staff participation) trained in systems-based management, and at least 50% of staff (with 30% female staff participation) trained in maintenance and upgrade of the systems processes developed. These targets have been designed to support female staff career progress opportunities, especially in management positions. These will be monitored through the project training participant statistics and reflected in quarterly and annual project reports.</p> <p><b>2. Required human resources:</b> The executing agency will provide appropriate staff to monitor and supervise gender targets indicated in the DMF.</p> <p><b>3. Information in project administration manual:</b> The project administration manual includes a brief description of gender and poverty dimensions of the project and monitoring and evaluation arrangements. The PIU—assisted by consultants, the tax administration and public investment department, and development policy planning divisions—will monitor and report quarterly on the actions and the indicators.</p> <p><b>4. Monitoring tools:</b> The executing agency and the PIU will develop a reporting and monitoring mechanism subject to oversight and confirmation from ADB.</p>										

<sup>a</sup> 2016. *Mongolia Sustainable Development Vision 2030*. Ulaanbaatar. [www.un-page.org/files/public/20160205\\_mongolia\\_sdv\\_2030.pdf](http://www.un-page.org/files/public/20160205_mongolia_sdv_2030.pdf).

Source: Asian Development Bank.