

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:

Mongolia

Project Title:

Supporting the Credit Guarantee System  
for Economic Diversification and  
Employment Project

Lending/Financing  
Modality:

Project loan

Department/  
Division:

East Asia Department/Public Mgt,  
Financial Sector, & Regional Coop  
Division

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

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) interim country partnership strategy for Mongolia, 2012–2016. It will achieve this by helping to increase access to finance by bridging gaps that SMEs have to pledgeable collateral and by facilitating market-based long term funding. The focus on economic diversification and job creation will help support a more stable economy, less reliant on volatile resource-based employment. Financial instability will most negatively impact the poor as this group is least capable to manage economic risks.

#### B. Targeting Classification

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

The project will contribute to enhancing access to finance for SMEs run by women and to SMEs located in more remote and rural areas of the country through design of credit guarantee products tailored to support these areas.

#### C. Poverty and Social Analysis

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

SMEs face difficulties to access finance due in part to a lack of pledgeable collateral. Access to finance by SMEs is more acute for those located outside the capital, for entrepreneurs, and women-run businesses. While 90% of registered businesses in Mongolia are SMEs, most have limited access to finance and are unable to contribute more fully to diversification of the economy, employment creation and economic growth. Only 10% of the 36,800 SMEs regularly access finance through banks. There is a large under-banked population, particularly outside the capital with about 30% of the population living below the income poverty line. Lending to rural areas is limited. SME growth in remote areas will indirectly benefit local communities.

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

Impact will be to expand access to finance by SMEs that can contribute to economic diversification by job growth both in and outside the capital. Opportunities to create employment will be raised.

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

Access to finance by SMEs, particularly those located in remote rural areas and those owned and managed by women.

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

Not applicable

### 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?

The project will have an indirect impact by improving access by women to financial resources and opportunities. This is because SMEs owned by women will be offered better access to finance as will other SMEs. 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, that improves general access to financing, 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.

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

Women are likely to benefit from an expansion of and better access to finance in the rural areas as well as men.

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

Yes  No

Specific criteria will be established to help ensure that access to the credit guarantee facility is open to all with emphasis on opportunities for women owned and operated businesses.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity theme)  EGM (effective gender mainstreaming)  
 SGE (some gender elements)  NGE (no gender elements)

### III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.

The main stakeholders of the project are SME owners that have limited access to finance. These SMEs may also be owned and operated by women and by individuals located in more rural areas of the country where poverty rates are high. Project design will include outreach to these groups to identify their impediments to obtaining finance. Outreach will include a survey and workshops.

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?

Access to finance is a general issue within the country that generally affects small business owners most. The project's efforts to enhance access to finance for SMEs will also contribute to poverty reduction and inclusion of women into the economy.

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?

**M** Information generation and sharing **M** Consultation Collaboration Partnership

Opportunities for inclusion of civil society organizations and NGOs to participate in the due diligence and project design will be sought.

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?  Yes  No

Utilization of the credit guarantee facility is open to all and there is not particular emphasis on poor or excluded.

### IV. SOCIAL SAFEGUARDS

**A. Involuntary Resettlement Category**  A  B  C  FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement?  Yes  No

Due diligence will be conducted to confirm this.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?

Resettlement plan  Resettlement framework  Social impact matrix  
 Environmental and social management system arrangement  None

**B. Indigenous Peoples Category**  A  B  C  FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples?  Yes  No

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain?  Yes  No

There is no focus for guarantee utilization in any areas of indigenous peoples.

3. Will the project require broad community support of affected indigenous communities?  Yes  No

There is no focus for guarantee utilization in any areas of indigenous peoples.

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?

Indigenous peoples plan  Indigenous peoples planning framework  Social impact matrix

Environmental and social management system arrangement

None

#### V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

- Creating decent jobs and employment(M)     Adhering to core labor standards(M)     Labor retrenchment  
 Spread of communicable diseases, including HIV/AIDS     Increase in human trafficking     Affordability  
 Increase in unplanned migration     Increase in vulnerability to natural disasters     Creating political instability  
 Creating internal social conflicts     Others, please specify \_\_\_\_\_

2. How are these additional social issues and risks going to be addressed in the project design?  
Not applicable

#### VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT

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, (iii) participation dimensions; (iv) social safeguards; and (vi) 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 PPTA will contract two national and two international consultants to perform due diligence.