

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Mongolia	Project Title:	Strengthening Public Financial Resource Management through IC Technology System
Lending/Financing Modality:	Multi-sectoral	Department Division:	East Asia Department (EARD)/Public Management, Financial Sector, and Regional Cooperation Division (EAPF)

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The project will support the government to continue its reform efforts in public financial resource management by strengthening tax administration and public investment management. The design of the project follows Asian Development Bank's (ADB) sector and thematic operational plan, Financial Sector Operational Plan (2011). The project is in line with ADB's Country Partnership Strategy for Mongolia, 2017–2020; and the Government Action Plan, 2016–2020, to sustain inclusive economic growth and improve the transparency and accountability of the management systems of the public sector to help ensure that the financial resources of both ADB and the government are used appropriately and effectively.

#### B. Poverty Targeting:

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

The improved public financial management will result in transparent allocation of public funds, efficient revenue collection, and robust monitoring of public expenditures, which will lead to opportunities of prioritization of resources towards inclusive development. The project benefits will be shared with all Mongolian residents and businesses, foreign investors, and the donor community.

#### C. Poverty and Social Analysis

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

According to the Household Income Expenditure and Living Standards Survey, by the National Statistics Office and World Bank,<sup>a</sup> the poverty rate dropped from 38.8% in 2010 to 21.6% in 2014. The poor in Mongolia is represented mainly by the following groups of people: long-term unemployed, families with four and above children, single-headed households, disabled people, job seekers of age above 40 years old and youth, including young graduates, and working poor. The major reason of poverty is lack of employment opportunities, which can be generated through the direct employment and expansion of business opportunities within small- and medium-sized enterprise (SME). Mongolia's too much dependence on mineral is also causing a problem in providing sustainable jobs for the people as the economy has become vulnerable to fast changing commodity prices. With limited job opportunities and lack of diversified industry base, targeted people tend to rely on social benefits rather of being employed. To effectively address these issues, the government's role is critical in effectively mobilizing public financial resources and making effective investments in public infrastructure, in diversifying economic structure, and in providing necessary social support for the most vulnerable group of people under the poverty. The proposed project will help the government build efficient public financial management system to better mobilize public financial resources to reach socially vulnerable group of people and enhance business environment for SMEs for job creation.

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

Identifying effective public investment opportunities, particularly allocating resources to decent job creation, requires appropriate institutional mechanism for effective national financial resource mobilization. For example, infrastructure investment can help Mongolia's economy to diversify away from its mining dependency, creating more sustainable jobs for all level of citizens including poor people. In order for the national resources to effectively reach the targeted groups, the public finance management system should function well to allocate resources in line with policy priorities based of principles of transparency and efficiency. The proposed project will help the government of Mongolia to improve its public management systems with better accountability and efficiency, especially with improved tax administration and public investment. The currently fragmented information repository system for tax

<p>registration and collection system will be improved based on enhanced information and communication technology (ICT) for better government revenue collection, management, and utilization, leading to better allocation of the resources towards poor people, improving business environment for SMEs, and strengthening the service delivery both at national and local levels. Improved public investment mechanism through ICT will also help with more transparent and efficient use of public resources for the government's priority agendas such as inclusive growth and job creations where socially vulnerable people can benefit the most. More importantly, the public will have access to information of public investment that will have direct impact on their lives and will be able to monitor the use of the public financial resources, leading to more effective utilization of the funds and outreach to the poor people. The improved tax administration process and public investment information will be disseminated through government public relations channels for public awareness and education.</p>
<p>3. Focus of (and resources allocated in) the project preparatory TA or due diligence.          Since the project deals with the reforms in the public financial management it will not have a "direct" impact on poverty, but it has enormous indirect benefits to poor people in improving their livelihood by indirectly supporting more job creations and more and better utilization of public financial resources for the poor. Therefore, no direct social impacts are expected from the program. On the other hand, "indirect" social impacts are significant, manifested in improvements in the quality and quantity of public services and improved governance resulting from transparent and accountable management of public resources. Therefore, the poverty, social, and gender analyses will focus on the national budget planning and execution, and proposed tax administration system improvement, including poverty, social, and gender implications of tax administration system enhancement and public investment management on the poor and vulnerable groups, including women.</p>
<p><b>II. GENDER AND DEVELOPMENT</b></p>
<p>1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? None</p>
<p>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?  <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Since the project will impact all people in urban and rural areas through better public financial management, there will be no specific issues related to gender. However, women, particularly poor or unemployed, will have easier access to information on the taxation and monitoring of public investment projects.</p>
<p>3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?  <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>4. Indicate the intended gender mainstreaming category:  <input type="checkbox"/> GEN (gender equity) <input type="checkbox"/> EGM (effective gender mainstreaming)  <input type="checkbox"/> SGE (some gender elements) <input checked="" type="checkbox"/> NGE (no gender elements)</p>
<p><b>III. PARTICIPATION AND EMPOWERMENT</b></p>
<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.          The primary stakeholders of the project are the Ministry of Finance (MOF) and Mongolian Tax Authority (MTA). MOF and MTA will participate in the design stage of the project through a series of consultations as executing agency and implementing agency, respectively.</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?          The stakeholders will closely coordinate through regular communications with project team, and the progress and outputs of the project will be disseminated to the public using MOF and MTA public relations communication channels.</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?  <input checked="" type="checkbox"/> Information generation and sharing <input type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership          Low: The proposed project is enhancing the ICT systems within the government public financial management framework; civil society organizations have not been consulted.</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
<b>IV. SOCIAL SAFEGUARDS</b>
<b>A. Involuntary Resettlement Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
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 The project will not involve any construction works resulting in land acquisition and involuntary resettlement. Minor expansion of facilities is needed for installing equipment, and it will be accommodated within existing premises of MOF and MTA and their local offices.
2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process? <input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None – due diligence will be conducted
<b>B. Indigenous Peoples Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> 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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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
3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process? <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None – due diligence will be conducted
<b>V. OTHER SOCIAL ISSUES AND RISKS</b>
1. What other social issues and risks should be considered in the project design? <input checked="" type="checkbox"/> (L) Creating decent jobs and employment <input checked="" type="checkbox"/> (L) Adhering to core labor standards <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> (M) Affordability <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____
2. How are these additional social issues and risks going to be addressed in the project design? N/A
<b>VI. TRTA OR DUE DILIGENCE RESOURCE REQUIREMENT</b>
1. Do the terms of reference for the TRTA (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 (v) other social risks. Are the relevant specialists identified? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> 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 Transaction TA (TRTA) or due diligence? A total of 3 person-months of social safeguard specialists will be hired to conduct social due diligence and poverty, social, and gender analyses during TRTA implementation.

<sup>a</sup> Household Income Expenditure and Living Standards Survey done by World Bank and National Statistics Office (2003), and National Statistics Office (2015).