

# Gender Assessment

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## **FP028: MSME Business Loan Program for GHG Emissions Reduction**

Mongolia | XacBank | B.15/07



**GREEN  
CLIMATE  
FUND**

*Annex 9: Gender Assessment*

**Mongolia: MSME Business Loan Program for GHG Reduction**  
**Brief Gender Assessment**

**I. Introduction**

This assessment aims to provide an overview of the gender situation in Mongolia, identify gender issues that are relevant to the program, and examine potential gender mainstreaming opportunities given the scope of the program. The assessment was based on available data from studies conducted by various international organizations, all of which are cited in the relevant text. The full text of these studies can be provided upon request.

**II. Existing Gender Inequality**

Numerous comprehensive studies on the state of gender inequality in Mongolia have been conducted. In 2015, the World Economic Forum's Global Gender Gap Index ranked Mongolia 56 out of 145 nations for its gender gap (a higher ranking represents a lower gap between men and women in that country). The ranking takes into account economic, political, educational, and health factors. Significantly for this proposal, Mongolia ranked 22<sup>nd</sup> in terms of economic participation and opportunity for women. Mongolia also ranked alongside other nations as first for having no gap in the health and safety of women. Mongolia, however, ranked lower on educational attainment (73<sup>rd</sup>) and was particularly low in the category of political empowerment (117<sup>th</sup>).

The Swiss Agency for Development and Cooperation conducted a Gender Overview of Mongolia in 2014. The major findings of this report were that:

- Mongolia's regulatory framework for gender equality is relatively strong. Mongolia fully supports international human rights standards and is a signatory to all major international instruments pertaining to women's rights and gender equality. National legislation is comparatively comprehensive.
- Pronounced gender bias exists in the division of labor between men and women, and the labor market is highly occupationally segmented by gender. Although women play a major role in the economy, they continue to lag behind in labor relations. The most feminized employment sectors are those that are typically paid through state budgets and have the lowest salaries. Female employees are concentrated in sectors that are economically static and low paid, such as education, health care, social services and culture.
- There are gender remuneration gaps in Mongolia. There are persistent patterns of direct and indirect discriminatory practices against women in regard to recruitment and equal pay.
- Political empowerment remains one of the weakest indices of Mongolia in terms of gender equality. Women continue to be underrepresented at political decision-making levels. In 2014, only 14.47 percent of parliamentary seats are held by women. Gender stereotypes are common among the general public in Mongolia.

- Domestic violence is a serious problem for women in Mongolia. The National Center against Violence estimated in 2010 that one in three women in Mongolia was a victim of domestic violence and one in 10 was a victim of battery.
- There is insufficient gender-disaggregated data at the national level in various sectors. According to a UNIFEM assessment conducted in 2006, Ministries do not disaggregate sectoral data by gender. In addition, gender dimensions are overlooked in the area of infrastructure in both the public and private sectors. Gender-based analysis and gender-impact assessments thus cannot be properly conducted in any sectors, resulting in ignorance of the gender gaps and constraints at the policy-making level.

### **III. Legal and Administrative Framework Protecting and Promoting Gender Equality in Mongolia**

Women's economic empowerment is supported by a favorable legal and regulatory environment in Mongolia, on both an international and national legislative level. On an international level, Mongolia is signatory to international instruments pertaining to women's rights and gender equality, including the following:

- Universal Declaration of Human Rights
- International Covenant on Economic, Social and Cultural Rights
- International Covenant on Civil and Political Rights
- Convention on the Political Rights of Women
- Convention on the Elimination of All Forms of Discrimination Against Women
- Convention on the Elimination of All Forms of Racial Discrimination
- Convention on Improvement of the Situation of Women in Rural Areas
- Convention on the Rights of the Child
- United Nations Convention against Transnational Organized Crime and its Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children
- ILO conventions on equal remuneration and discrimination with respect to employment and occupation
- Convention on the Rights of Persons with Disabilities
- Convention Against Discrimination in Education
- Maternity Protection of ILO Convention 103
- Worst Forms of Child Labor Convention 182 and Recommendation 190
- Optional Protocol to the Convention on the Rights of the Child on the Sale of Children, Child Prostitution and Child Pornography
- Equal Remuneration Convention

On a national level, Mongolia's Constitution prohibits discrimination based on gender. In 2011, Mongolian parliament adopted the Law on Promotion of Gender Equality. The law calls for equal participation of men and women in all political, legal, economic, cultural, and social spheres. The law has been implemented by the National Committee on Gender Equality, which has domain throughout Mongolia. In addition, civil law guarantees women's labor rights and women's right to property ownership and inheritance. This legal framework creates an enabling environment for women-owned SMEs. As the Swiss Development Agency report writes, "the regulatory framework for gender equality is relatively strong in Mongolia. Gender equality, protection from any violation of rights, equal and fair participation, and social justice for women,

men, girls and boys have been enshrined in the National laws” A summary of these national laws can be found in Addendum 1.

#### IV. Women and MSMEs in Mongolia

Outside of Mongolian government legal structures that call for gender inclusion in the economy, there are many programs supporting SME development in Mongolia. The Ministry of Labor operates a SME Development Department unit which aims to create an enabling environment for the success of SMEs. Through this department, the Ministry of Labor has launched two large-scale programs to develop domestic SMEs. The first program, completed in 2004, focused on infrastructure issues, while the second program, completed in 2012, focused on enhancing the legal and policy environment to support SMEs. By nature of the high employment and ownership rates of women in Mongolian SMEs, these programs have supported the economic empowerment of Mongolian women, though they do not have a gender-segregated component.

There is currently no official definition for what qualifies as a woman-led SME from the Mongolian government, which is a limiting factor in the collection of baseline data. The Mongolia Enterprise Survey 2013 recently completed by the World Bank, which shows the percentage of firms with female ownership at 38.9%. Women’s participation in Mongolian SMEs is strong for a variety of reasons. These reasons are explained below in quotations extracted from an International Finance Corporation (IFC) report titled “SMEs and Women-owned SMEs in Mongolia” which can be found here:

<https://www.ifc.org/wps/wcm/connect/d85f65804697b853a598bd9916182e35/Women+SME-Mongolia-Final.pdf?MOD=AJPERES>

“Mongolian culture exhibits collectivistic cultural characteristics: it is family-oriented with a strong cultural identity and cohesiveness. Women have been participating in all activities related to this way of life as well as in taking decisions about family businesses. Today, family ties still play a significant role. Many of the businesses are established as family businesses or with the support of family members. Even if a woman is not an owner, she nevertheless takes an active part in key business decisions.

Another factor that has played a role in the high social status of women in Mongolia is the equality in education and social rights granted to women during the communist era from 1924 to 1990. After the collapse of the communist system, Mongolia witnessed a rise in women’s social status as many of women started their own businesses and now perform the same jobs men do.

This study revealed that the issues confronting women entrepreneurs do not differ considerably from those confronting male entrepreneurs in terms of doing business and access to finance. The legal framework provides women equal rights in inheritance, land use and ownership of the property. However, industry stakeholders are of the opinion that women entrepreneurs usually possess less movable and immovable assets. Women’s businesses are typically smaller, demonstrate 5 lower turnover rates and have fewer employees. In general, women are more likely to employ women.

While government programs do not employ gender mainstreaming methods, several Mongolian NGOs focus on a gender-mainstreamed approach to supporting Mongolian women-owned SMEs. The first is the Mongolian Women’s Fund (MONES), which supports the business development of micro, women-entrepreneur start-ups. The second is the Asia Foundation’s

Women’s Business Center, which provides advisory, infrastructure, and financial support to women-owned SMEs.”

For more information on this topic, please see the attached report conducted by IFC, linked above.

## V. Women’s Access to Financial Sector

Across all banks, loans to SMEs represent 9% of total assets and 16% of loans outstanding. A survey conducted by IFC using a random sampling of 45,000 SMEs extracted from the labor data base provides a helpful gender dis-aggregated lens for understanding the relationship between women-led SMEs and the financial sector. Significant findings of the survey are as follows:

- The most common sector of operation for SMEs is the services sector (47%), followed by trade (wholesale and retail, 22%) and production (16%).
- Women-owned businesses employ fewer staff than men-owned businesses
- Women-owned businesses employ more women; 52% of their employees are women, compared to 32% female staff in men-owned enterprises.
- Women-owned businesses are smaller in annual turnover; with 63% of them having a turnover of less than MNT 50 million in 2013 (45% in the case of men-owned and 42% of family businesses).
- Access to finance is the main obstacle and is more frequently mentioned by male entrepreneurs (cited by 48% of men-owned, 38% of women-owned and 39% of family businesses)
- Only 26% of male entrepreneurs and 20% of female entrepreneurs receive advice from banks
- While 74% of male entrepreneurs receive some kind of financial advice, almost 40% of women entrepreneurs do not receive any
- While most of the men who tried to get a loan were successful, women entrepreneurs and family businesses were more often rejected by banks.
- 72% of family businesses, 53% of men-owned and 49% women-owned enterprises have or recently had a loan outstanding
- Women complain more about difficulties in providing financial documents and slow processing of loan applications, as they seem to be more sensitive to those issues.
- While men most often get loans above MNT 40 million, the majority of women entrepreneurs get loans below MNT 20 million.

- 9% of women-owned businesses get loans above MNT 200 million, while only 4% of men-owned companies obtain loans with such large balances.
- While most women pay interest rates similar to those regularly offered (47%), men more often get lower rates.

More information on the results of this survey can be found in the above linked IFC report.

## **VI. XacBank's Gender Inclusion Practices**

XacBank promotes gender equality in two ways: in internal employment practices, and in external customer service. With regards to internal gender policy, XacBank is an equal opportunity employer, with 64% of company employees and 47 % of senior leadership being women.

In terms of external client-facing practices, in 2014, XacBank engaged IFC to conduct a review of XacBank's SME practices, which included a plan for becoming a market leader in the women's SME market in Mongolia. The steps to becoming the market leader included articulating a Women's Market Customer Value Proposition, designing product packages catered to the needs to women-SME owners, as well as adopting crucial quantitative metrics to assess the market opportunity and market penetration. These findings were supported by market research and focus groups, conducted by IFC and XacBank. In addition, the follow-up research report here enclosed identified key challenges to bank interfacing and access faced by women-owned SMEs. Spurred on by these findings, which highlight market opportunity in this sector, the program was designed to cater to women-led MSMEs using the above articulated gender action plan. The FP is confident that the heretofore proposed program will live up to the GCF's Gender Policy and Action Plan by way of ensuring that women and men equally contribute to and benefit from activities supported by the fund.

## **VII. Recommendations**

In authoring this document, XacBank recognizes the particular gender environment in which this program is operating. Numerous recommendations are necessary given the above described gender context in order for XacBank's here proposed program to successfully reduce some of these existing inequalities and comply with all national and international gender-related regulations. For information regarding the specific actions XacBank plans to take given these contexts, refer to the Gender Action Plan, enclosed as an annex to the Funding Proposal.

Addendum 1: **Summary of National Laws Containing Gender-Equality Provisions**  
(extracted from the Swiss Development Agency report “Gender Overview – Mongolia, 2014)

#	Name of legislation	How it addresses gender issues
1	Constitution of Mongolia (1992)	<p>Social reforms underway since 1990 have consolidated the rights of women, enshrined in the 1992 Constitution (MCA-Mongolia; ESOC 2011, 6). Article 16 of the Constitution of Mongolia institutes gender equality, stating</p> <p><i>Men and women have equal rights in the political, economic, social, cultural life and family relations.</i></p> <p>And it is stipulated in Article 14 that:</p> <p><i>Everyone shall be free from any types of discrimination based on his/her ethnicity, language, race, age, sex, social status, wealth, employment, position, religious belief, viewpoints and education level.</i></p>
2	Law on Promotion of Gender Equality (2011)	<p>This law specifically ensures gender equality in political, legal, economic, social, cultural and family relations, and regulates relations related to their implementation. It spells out the responsibilities of specific public agencies to ensure gender equality (Khan and Aslam 2013).</p>
3	Criminal Code (as amended in 2008)	<p>The Criminal Code contains several provisions to prevent crimes violating women’s rights. The Code’s “amendment which included a full definition of trafficking according to international standards is another milestone in the area of gender equality and protection of women’s rights” (Purevjav 2010, 203). Article 126 of the Code states that rape is illegal in Mongolia (The Advocates for Human Rights 2013).</p>
4	Civil Code (2002)	<p>Civil law contains a concentration of legal principles concerned with the regulation of civil life -affairs between private individuals and transactions undertaken between a public body and an individual are governed by civil law (Tseven and Garbold 2006). It specifies that the “Citizens of Mongolia shall equally enjoy a civil law capacity equally, i.e. capacity to have the rights and duties of citizens” (Civil Code of Mongolia 2006). To illustrate, the law ensures that:</p>





		<ul style="list-style-type: none"> <li>• Sons and daughters have equal inheritance rights to property - Civil Code, Art. 520</li> <li>• Female and male surviving spouses have equal inheritance rights to property - Civil Code, Art. 520</li> <li>• Unmarried men and unmarried women have equal ownership rights to property - Civil Code, Arts. 101.1 and 127.2</li> <li>• Married men and married women have equal ownership rights to property - Civil Code, Arts. 127.2 and 128.1</li> <li>• The law provides for the valuation of non-monetary contributions during marriage - Civil Code, Art. 126.4</li> </ul>
5	Labour Law (1999)	<p>The Law prohibits gender-based discrimination in employment and contains some sections protecting the rights of pregnant and nursing women. For instance:</p> <ul style="list-style-type: none"> <li>• Sections 7.4 and 7.5 - It is illegal for an employer to ask about family status during a job interview,</li> <li>• Section 100 –Penalises and prevents the dismissal of pregnant women.</li> <li>• Section 106 - Employers must give employees an equivalent position when they return from maternity leave.</li> <li>• Section 103 – Employers are required to provide break times for nursing mothers.</li> </ul> <p>However, the law does not allow non-pregnant and non-nursing women to undertake the same jobs as men (Labour Law, Sections 101 and 108), and does not mandate equal remuneration for men and women for work of equal value (Labour Law, Section 49).</p>
6	Law on Domestic Violence (2005)	<p>“The purpose of the law is to regulate all matters pertaining to protection against human rights violations, ensuring victims’ safety, holding perpetrators accountable, and regulating the participation of government and NGOs, citizens, economic entities and authorities in combating and preventing domestic violence” (Law on Domestic Violence 2005).</p> <p>The enactment of the law was a significant step forward in strengthening women’s rights and efforts to reduce violence against women (Purevjav 2010). However, “human rights activists and organisations in Mongolia are concerned that the law needs to be further strengthened to provide adequate protection to victims of domestic violence. Since the law was enacted, only 41 protective restraining orders have been issued, and none have been enforced by a court” (Chuhumbaatar 2013).</p>
7	Law on Health (2011)	<p>The Health Law provides the right to primary health care, maternal and child care and some public health services regardless of socio-economic status and health insurance coverage.</p>
8	Law on Education (2002, amended 2006)	<p>The law reflects the principle of equality in education: Every citizen has an equal right to receive an education regardless of race, ethnicity, nationality, sex, religion, disability, social status and economic condition (UNESCO 2008). The amendment of the law in 2006 introduced such changes as:</p> <ul style="list-style-type: none"> <li>- Educational settings will be free from discrimination and any form of emotional or physical punishment.</li> </ul>





		<ul style="list-style-type: none"> <li>- All forms of abuse, violence and corporal punishment will be prohibited in education settings (CRIN 2006).</li> </ul>
9	Law on Combating Trafficking in Persons (2012)	<p>The law was passed in 2012 by the Parliament of Mongolia; it stipulates “the duties of law-enforcement organisations in relation to combating human trafficking - a crime which predominantly involves women and children. The law also stipulates measures for the protection of victims’ rights and the upholding of their dignity” (SD C-Mongolia 2012). For example, Article 113 of the law articulates prosecuting internal trafficking, child prostitution cases and sexual exploitation.</p> <p>Although the Law on Trafficking in Persons is relatively new in Mongolia (Avkhia, Munkhbat and Theunissen 2014), a recent report reiterates the need for the government to recognise forced labour as a problem (US Department of State 2013, 267).</p>
10	Law on Social Welfare (2012)	<p>The law defines the age at which a woman can retire and receive full benefits as 55 and for man as 60 (Article 12.1.1). It also specifies that women aged below 45 and men aged below 50 who have more than four children under the age of 18 and who are the “single head of household”<sup>24</sup> are entitled to social welfare payments (Article 12.1.5).</p>
11	Law on Allocation of Land to Mongolian Citizens for Ownership	<p>The Government of Mongolia attaches particular importance to ensuring gender equality, in particular in relation to improving both men and women’s access to land and promoting the land-ownership process to implement the Law on Privatising Land for every citizen. An historic decision to privatise land only for citizens of Mongolia was made in 2002. A lot has been achieved in advancing the land ownership rights of women since the adoption of the aforementioned law. However, the rapid and intensive changes taking place in the country require amendments and improvements in the legislative framework (MCA-Mongolia 2013d).</p>
12	Law on Parliament Election	<p>The Law on Parliamentary Election enacted in 2011, following Provision 7.2.2 of the Gender Equality Law states: “... determining the number of seats or implementing other such quotas aimed at equalising the representation of men or women at political and decision-making levels”.</p> <p>However, there are still a number of areas that need to be addressed. There are a few clauses that have not yet been enforced and hence require a greater effort to ensure the law is fully realised, including: “7.2.3. Special measures to eliminate gender imbalances in certain sectors or setting up discounts, incentives or benefits to improve imbalanced gender representation in a trade or occupation; 11.4.1. Incorporate in organisation’s internal procedures specific norms for prevention of sexual harassment in a workplace and the redress of such complaints; 14.6. The value of unpaid labour for household work, family business, childcare or care for elderly devoted by a spouse since marriage shall be considered as his or her contribution to social wealth and family economy.”</p>
13	Law on Family (1999)	<p>The purpose of the law is to regulate domestic law related to marriage, divorce, divorce settlement procedures, property and non-property relations of family members, adoption and child custody, and granting the same responsibilities and rights in marriage to both husbands and wives. In the article covering divorce, it stipulates that if the wife is pregnant and a child is under one year of age, it is forbidden to dissolve the marriage. During the dissolution process, spouses can agree on child custody and maintenance</p>



		(MCA-Mongolia; ESOC 2011, 7).
<b>14</b>	Law on political parties (2005)	The purpose of this law is the regulation of the registration of political parties, setting out the legal basis for their establishment, structures, and the conditions under which party activities may be suspended. This law used to have an article stipulating that 30 percent of total party members must be women (MCA-Mongolia; ESOC 2011, 7).