



## Concept Paper

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Project Number: 50302-001  
March 2017

# Proposed Policy-Based Loan Mongolia: Social Welfare Support Program Phase 2

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**Asian Development Bank**

## CURRENCY EQUIVALENTS

((as of 3 March 2017)

Currency unit	–	togrog (MNT)
MNT1.00	=	\$0.00040
\$1.00	=	MNT2,478.3900

## ABBREVIATIONS

ADB	–	Asian Development Bank
CMP	–	child money program
ERP	–	economic recovery plan
FSP	–	food stamp program
GDP	–	gross domestic product
IHID	–	integrated household information database
IMF	–	International Monetary Fund
MLSP	–	Ministry of Labor and Social Protection
MOE	–	Ministry of Education
MOF	–	Ministry of Finance
MOJ	–	Ministry of Justice

## NOTE

In this report, "\$" refers to US dollars.

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## PROGRAM AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 50302-001</b>	
<b>Project Name</b>	Social Welfare Support Program Phase 2	<b>Department /Division</b>	EARD/EAPF
<b>Country Borrower</b>	Mongolia Mongolia	<b>Executing Agency</b>	Ministry of Finance
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
✓ <b>Public sector management</b>	Social protection initiatives		150.00
		<b>Total</b>	<b>150.00</b>
<b>3. Strategic Agenda</b>	<b>Subcomponents</b>	<b>Climate Change Information</b>	
Inclusive economic growth (IEG)	Pillar 3: Extreme deprivation prevented and effects of shocks reduced (Social Protection)	Climate Change impact on the Project	Low
<b>4. Drivers of Change</b>	<b>Components</b>	<b>Gender Equity and Mainstreaming</b>	
Governance and capacity development (GCD)	Public financial governance	Some gender elements (SGE)	✓
<b>5. Poverty and SDG Targeting</b>		<b>Location Impact</b>	
Geographic Targeting	Yes	Nation-wide	High
Household Targeting	Yes		
SDG Targeting	Yes		
SDG Goals	SDG1, SDG8		
<b>6. Risk Categorization:</b>	Complex		
<b>7. Safeguard Categorization</b>	Environment: C Involuntary Resettlement: C Indigenous Peoples: C		
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>150.00</b>	
Sovereign Program loan (Regular Loan): Ordinary capital resources		150.00	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Counterpart</b>		<b>0.00</b>	
None		0.00	
<b>Total</b>		<b>150.00</b>	
<b>9. Effective Development Cooperation</b>			
Use of country procurement systems		Yes	
Use of country public financial management systems		Yes	

## I. THE PROGRAM

### A. Rationale

1. The Asian Development Bank (ADB) provided \$150 million for phase 1 of the Social Welfare Support Program<sup>1</sup> in 2015 to support social welfare programs to minimize the negative impact of the economic slowdown on the poor and vulnerable in Mongolia, while improving the targeting of such programs.<sup>2</sup> Following the general election on 18 August 2016, the new government requested a follow-up policy-based loan in the face of further slowing of the economy and widening fiscal deficit.<sup>3</sup>

2. **Socioeconomic development and challenges.** During a period of rapid economic growth between 2004 and 2014, Mongolia expanded its social welfare programs through large fiscal surpluses and distributed mining income. Social transfers, which account for about 40.0% of the income of poor people, have significantly reduced poverty in Mongolia. Since 2010, poverty has declined by 17 percentage points to 21.6% in 2014. Income inequality, measured by the Gini coefficient, fell from 0.36 in 2008 to 0.32 in 2014. Nevertheless, 35% of the population with a monthly per capita consumption of MNT150,000–MNT250,000 in 2014 was living just above the 2014 poverty line of MNT146,500 per month. They were particularly vulnerable to shocks and at risk of falling back into poverty.

3. Since 2015, Mongolia's economic situation has deteriorated further. The gross domestic product (GDP) growth rate declined to 1.4% in the first half of 2016, and unemployment increased from 8.3% at the end of December 2015 to 10.4% at the end of June 2016. On 9 August 2016, the Ministry of Finance (MOF) informed the nation that Mongolia is facing serious fiscal challenges. The 2016 supplementary budget, approved by the Parliament on 29 September 2016, projected a fiscal deficit of MNT4,346.2 billion, or 18.0% of GDP, in 2016. A large fiscal revenue shortfall is expected for 2016, with revenue down from MNT7,013.9 billion in 2015 to MNT5,348.2 billion in 2016. Fiscal expenditure is expected to increase from MNT7,645.6 billion in 2015 to MNT9,694.4 billion in 2016, mainly due to the inclusion of off-budget expenditures.

4. **Proposed economic recovery plan.** The government recognizes that if the current fiscal challenges are not addressed effectively, the country could face an economic crisis. In response, the government has crafted an economic recovery plan (ERP), in consultation with key development partners, including the International Monetary Fund (IMF), to stabilize the economy at the macro level, reduce debt burden in the medium term, restore foreign investors' confidence, and diversify the economy.<sup>4</sup> The government is committed to reducing the fiscal deficit to 9.1% of GDP in 2017 and to 7.5% of GDP in 2018, consistent with the amended Fiscal Stability Law. The government has also reached an agreement with the IMF on an economic adjustment program.

5. As a result of this fiscal situation, funding for some social welfare programs was reduced in 2016, and a further 10% reduction in the funding for social welfare programs for 2017 was reflected in 2017 state budget. This could reverse the poverty reduction gains by creating new poor and bringing into poverty those that crossed the poverty line. It is estimated that the

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<sup>1</sup> ADB. 2015. *Loan to Mongolia for Social Welfare Support Program*. Manila. The agreed upon policy actions were successfully implemented and the loan proceeds were fully disbursed.

<sup>2</sup> Mongolia's economy has slowed rapidly from a GDP growth rate of 17.3% in 2011 to 2.3% in 2015.

<sup>3</sup> This lending proposal was not included in ADB's 2016 country operations business plan for Mongolia.

<sup>4</sup> The ERP was approved by the Parliament on 24 November 2016.

poverty rate would be about 10 percentage points higher in the absence of social welfare programs.<sup>5</sup> Therefore, it is important that the proposed phase 2 of the Social Welfare Support Program protects social welfare programs for the poor and vulnerable during the implementation of the ERP.<sup>6</sup>

6. **Social welfare programs and the poor.** Social welfare programs in Mongolia are designed to support the elderly, disabled, and the poor and vulnerable. The Ministry of Labor and Social Protection (MLSP) administers 71 social welfare programs, which can be grouped into seven broad categories: social welfare pensions, social welfare allowance, community-based welfare services, allowance for the elderly with state merit, allowance for the elderly, allowance for the disabled, and allowance for mothers and children. In addition, the food stamp program (FSP) and the child money program (CMP) provide significant support to the poor. For instance, the poverty rate would have been 3 percentage points higher, at 24.6% in 2014, without the CMP.<sup>7</sup> Furthermore, about 64% of poor people receive one social welfare program, and over 50% of social welfare beneficiaries are female.<sup>8</sup>

7. As discussed in phase 1 of the program, the current social welfare programs are (i) fragmented, resulting in the duplication of benefits and high administrative and implementation costs; and (ii) wide in coverage and targeted by category, which is costly as some of the recipients are not poor. For example, nonpoor beneficiaries comprise a large share of welfare program recipients: about 50% of social welfare pensions and allowance recipients are not poor, as are 61.8% of allowance for the disabled recipients, 69.6% of CMP recipients, 73.2% of community-based welfare services recipients, 72.0% of allowance for mothers and children recipients, 85.2% for allowance for the elderly recipients, and 95.4% of social welfare allowance for the elderly with state merit recipients. The benefit level is also inadequate for the poor. Hence, the current social welfare system is not effective enough in protecting the poor and vulnerable, especially during an economic downturn. It is imperative that the government continues to improve poverty and vulnerability targeting, and consolidation of social welfare programs.

8. **Progress made under phase 1 of the Social Welfare Support Program.**<sup>9</sup> Through phase 1 of the program, ADB has helped the government take the necessary initial steps toward improving and expanding targeting, and consolidating various social welfare programs. For instance, the government has taken the following policy actions to strengthen targeting: (i) issued a resolution to use the poverty-targeted Integrated Household Information Database (IHID) across government programs, (ii) allocated funding to update the poverty-targeted IHID, and (iii) prepared a draft resolution requiring the Ministry of Justice (MOJ) and Ministry of Education (MOE) to adopt proxy means testing to provide free legal services (MOJ) and secondary school textbooks (MOE) to the poorest households. In addition, funding for the FSP increased by 80%, which expanded both benefit and coverage. The government has also taken steps to support consolidation by establishing an interministerial working group to analyze the

<sup>5</sup> National Statistical Office of Mongolia and World Bank. 2015. *Poverty Profile in 2014. Results of the Household Socioeconomic Survey 2014*. Ulaanbaatar.

<sup>6</sup> The poor are classified as the bottom 20% of the population, ranked by income or consumption levels.

<sup>7</sup> National Registration and Statistics Office of Mongolia and ADB. 2016. *Assessing and Monitoring Social Protection Programs in Mongolia*. Ulaanbaatar.

<sup>8</sup> Except for beneficiaries of allowance for the elderly with state merits, where only 18% are female.

<sup>9</sup> ADB has been at the forefront of social welfare reform in Mongolia since 2001, including support for (i) the introduction of proxy means testing to target the poor, (ii) the cancellation of several universal benefits considered poorly targeted, (iii) the introduction of the food stamp program as the first poverty-targeted benefit in Mongolia, and (iv) the passage of the amended Social Welfare Law in January 2012 that legalized the reforms.

options for the consolidation of welfare benefits.<sup>10</sup> Phase 1 of the program also supported the drafting of the Future Heritage Law to establish a Sovereign Wealth Fund.

9. **Further reform is needed.** Phase 1 of the Social Welfare Support Program established the policy framework to improve targeting and consolidate social welfare programs. The next step is to implement actions to achieve the desired result. The proposed phase 2 would develop manageable policy actions to achieve better targeting. These policy actions could include (i) developing eligibility guidelines for selected social welfare programs; (ii) updating the poverty-targeted IHID, and household socioeconomic survey; and (iii) applying the use of proxy means testing to other agencies such as the MOJ, which was initiated under phase 1.

10. Consolidation of 71 programs is a long-term goal which requires in-depth analysis of the impact on the recipients. There is also a need to clarify the purpose of each program. Under the proposed phase 2, the interministerial working group would need to be strengthened. The working group should (i) differentiate among the different programs in order to see more clearly where the duplication lies and analyze funding options; (ii) further analyze options and impacts of welfare benefit consolidation; and (iii) develop an action plan for consolidation, including the required amendments to the Social Welfare Law. Furthermore, it is important for the government to implement a communications strategy to raise public awareness of targeting and consolidation changes. A technical assistance project will be provided to help conduct analytical work and strengthen the capacity for better targeting and consolidation of social welfare programs.

11. **Government plans and linkage with the country partnership strategy.** The proposed program will be aligned with the ERP. It is consistent with the main pillars of ADB's interim country partnership strategy for Mongolia, 2014–2016.<sup>11</sup>

12. **Development partner coordination.** The objectives of the program have been shared with the IMF, the Japan International Cooperation Agency, and the World Bank. These agencies concurred that the program will help support poor and vulnerable people during fiscal consolidation.

## B. Impact, Outcome, and Outputs

13. The impact will be the mitigation of the adverse impacts of economic slowdown and fiscal consolidation on the poor and vulnerable people. The outcome will be to maintain social welfare programs for the poor and vulnerable people. The outputs will be improved fiscal policy management, and improved targeting and consolidation of social welfare programs.

## C. Program Costs and Financing Plan

14. The program is estimated to cost \$150 million, which will be drawn from ADB's ordinary capital resources.<sup>12</sup> The program will have a 15-year term, including a grace period of three years and an annual interest rate determined in accordance with ADB's London interbank

<sup>10</sup> The working group consists of representatives from the MOF and Ministry of Population Development and Social Protection (which is now the MLSP).

<sup>11</sup> ADB. 2014. *Interim Country Partnership Strategy: Mongolia, 2014–2016*. Manila.

<sup>12</sup> Mongolia's welfare budget for 2016 is \$230 million. About 64% of the poor receive one welfare program. Therefore, to protect the bottom 20% of the population, the government would need around \$150 million.

offered rate (LIBOR)-based lending facility, plus a commitment charge of 0.15%.<sup>13</sup> The loan proceeds will be disbursed in two tranches.

#### D. Indicative Implementation Arrangements

15. The MOF will serve as the executing agency to coordinate and monitor program implementation. The implementing agency will be the MLSP, and implementation will be from 1 September 2016 to 31 March 2018. The loan proceeds will be disbursed in line with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time). The proceeds of a particular tranche under the loan will be disbursed upon ADB's satisfaction that the agreed policy actions have been completed.

### II. DUE DILIGENCE REQUIRED

16. Due diligence for the program will include a sector assessment, fiduciary risks assessment, and preparation of a summary poverty reduction and social strategy. The program is expected to be category C for environment, involuntary resettlement, and indigenous peoples. A matrix of potential environmental and social impacts with appropriate mitigation measures will be prepared.

### III. PROCESSING PLAN

#### A. Risk Categorization

17. The program is classified *complex* as it exceeds \$50 million.

#### B. Resource Requirements

18. Program processing is estimated to require a total of 8 person-months of staff time.

#### C. Processing Schedule

19. The proposed processing schedule is in Table 2.

**Table 2: Proposed Processing Schedule**

Major Milestones	Expected Completion Date
Concept paper approval	Week 4, February 2017
Management review meeting	March 2017
Loan negotiations	March 2017
Board consideration	April 2017

Source: Asian Development Bank estimates.

### IV. KEY ISSUES

20. The IMF has reached staff-level agreement with the government on a Three-Year Extended Fund Facility. ADB is coordinating closely with the IMF to monitor Mongolia's macroeconomic developments and fiscal budget to ensure that the government's fiscal consolidation does not cause adverse impact on the poor and vulnerable.

<sup>13</sup> ADB. 2013. Program Lending. *Operations Manual*. OM D4. Manila.



### DESIGN AND MONITORING FRAMEWORK

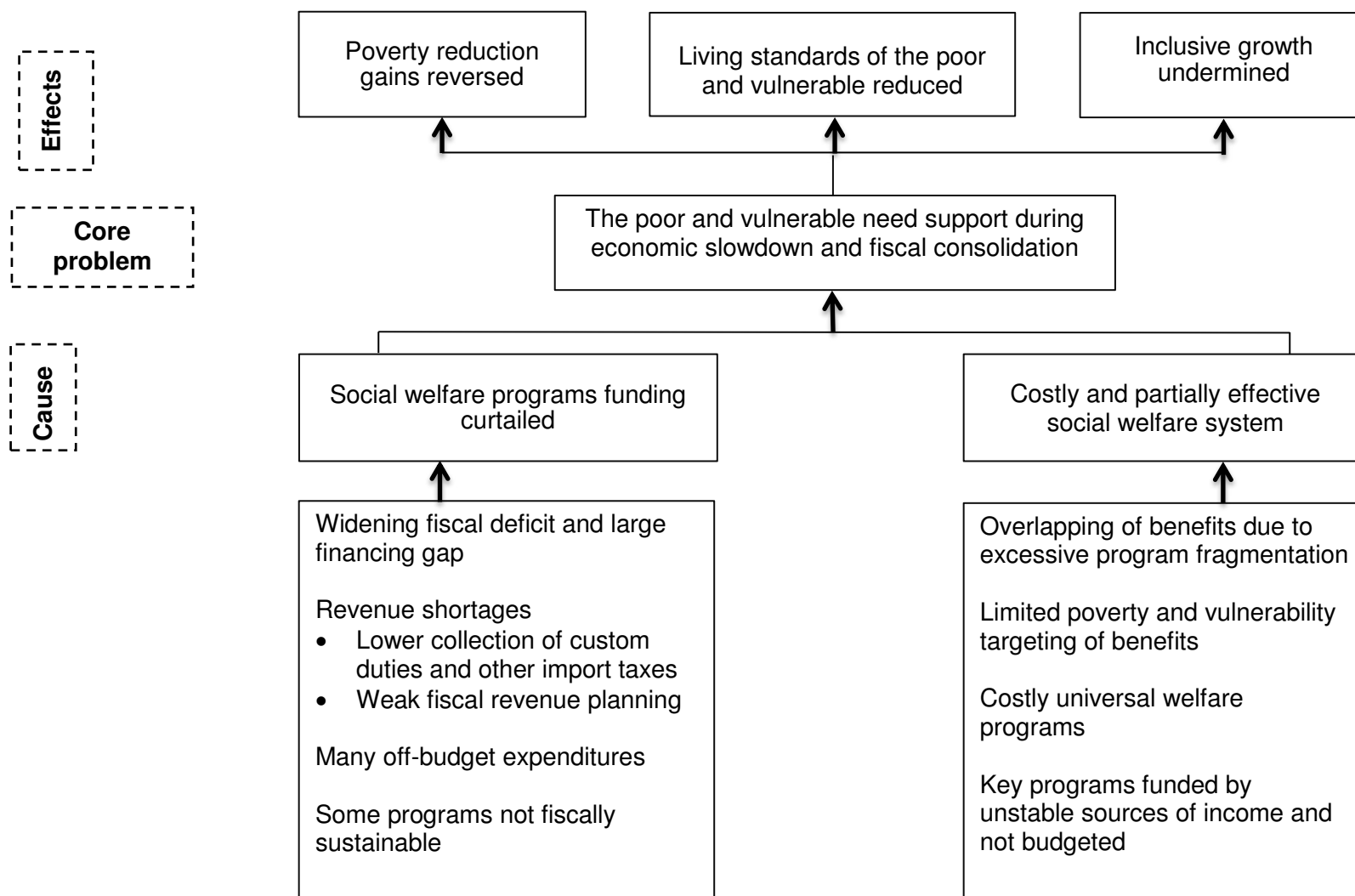
<b>Impacts the program is aligned with:</b> Adverse impacts of economic slowdown and fiscal consolidation on the poor and vulnerable mitigated (Economic Recovery Plan and International Monetary Fund Adjustment Program) <sup>a</sup>			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks</b>
<b>Outcome</b> Social welfare programs maintained	a. Social welfare expenditure maintained at least at MNT339 billion in 2017	a. Annual budget report	Fiscal expenditure will be reduced.
<b>Outputs</b>  1. Fiscal policy management improved	(All baselines: Not applicable)  1a. Economic recovery plan (ERP) approved by Parliament  1b. Off-budget activities included in the 2016 supplementary budget  1c. At least two fiscally unsustainable government programs eliminated  1d. Revised Fiscal Stability Law (FSL) to support fiscal consolidation and improve debt management approved by Parliament  1e. Future Heritage Fund established, and Human Development Fund eliminated  1f. Amended law for Development Bank of Mongolia approved by Parliament  1g. Aligned with fiscal consolidation measures of the International Monetary Fund (IMF)	1a. Copy of Parliament approval of ERP  1b–c. Copy of Parliament approval of 2016 supplementary budget, and 2017 budget  1d. Copy of Parliament approval of FSL  1e. Copy of Parliament approval of the 2017 budget  1f. Copy of the approved law  1g. Copy of latest IMF quarterly review satisfactory	Weak public financial management.
2. Targeting and consolidation of social welfare programs improved	2a. Child money program (CMP) incorporated into the budget  2b. Eligibility guidelines for targeting of the CMP to 60% of the children issued by the Ministry of Labor and Social Protection (MLSP)  2c. CMP incorporated into Social Welfare Law  2d. Amendment to Social Welfare Law to introduce additional needs-based	2a, d. Copy of Parliament approval of the 2017 budget  2b. Copy of Parliament resolution and ministerial order from MLSP  2c. Copy of amended Social Welfare Law  2d. Copy of amended Social Welfare Law	Speed of implementation of the proposed reform may slow because of capacity limitations and political constraint.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	<p>eligibility criteria for Allowance for Caregivers</p> <p>2e. Law on Social Welfare for the Elderly amended, and new Law on Allowance with State Merits approved.</p> <p>2f. Poverty-targeted Integrated Household Information Database (IHID) comprehensively updated by MLSP</p> <p>2g. Household Socioeconomic Survey updated by National Statistical Office (NSO)</p> <p>2h. Eligibility guidelines for Allowance for Caregivers approved by MLSP (needs-based)</p> <p>2i. Draft proposal to introduce needs-based eligibility criteria for Social Welfare Allowance, and Allowance for Mother Heroes submitted to Cabinet</p> <p>2j. Law to provide free legal services to poor households drafted by Ministry of Justice (use proxy means testing to target the poor)</p> <p>2k. Interministerial working group institutionalized; terms of reference and work plan developed, with clear deliverables</p> <p>2l. An action plan for consolidation, including the required amendments to the Social Welfare Law, developed by the interministerial working group.</p>	<p>2e. Copy of the approved law</p> <p>2f. Copy of press release on updated IHID by MLSP</p> <p>2g. Updated information reflected on NSO website</p> <p>2h. Copy of joint ministerial order from MLSP and Ministry of Health</p> <p>2i. Copy of draft proposal and letter from MLSP to Cabinet Secretary</p> <p>2j. Copy of the draft law</p> <p>2k. Copy of the interministerial order</p> <p>2l. Copy of the action plan</p>	
<b>Key Activities with Milestones</b> Not applicable			
<b>Inputs</b> ADB: \$150 million			
<b>Assumptions for Partner Financing</b> Not applicable			

<sup>a</sup> Government of Mongolia. 2016. *Economic Recovery Program of Mongolia, 2016–2020*. Ulaanbaatar; and International Monetary Fund. 2017. *Staff-Level Agreement with Mongolia on IMF Adjustment Program*. Ulaanbaatar.

Source: Asian Development Bank.

### PROBLEM TREE



## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	<input type="text" value="Mongolia"/>	Program Title:	<input type="text" value="Social Welfare Support Program Phase 2"/>
Lending/Financing Modality:	<input type="text" value="Policy-Based Lending"/>	Department/ Division:	<input type="text" value="East Asia Department/&lt;br/&gt;Public Management, Financial Sector,&lt;br/&gt;and Regional Cooperation Division"/>

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The Social Welfare Support Program Phase 2 will be aligned with the government's economic recovery plan (ERP). The ERP will include policy actions aimed at stabilizing the economy and promoting structural reforms to lay the foundations for sustainable and inclusive growth. In addition to actions for fiscal consolidation and improved debt management, the ERP will include measures to diversify the sources of the country's economic growth, strengthen investor confidence, and ensure social protection and welfare. The program is consistent with the Asian Development Bank's interim country partnership strategy for Mongolia, 2014–2016, which highlights sustainable growth and inclusive social development as its main pillars.<sup>a</sup>

#### B. Poverty Targeting:

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

The proposed program will provide financial support to the government to sustain social welfare programs during the implementation of the ERP. The program will protect the poor and the vulnerable from these impacts by ensuring adequate funding for welfare programs and improving poverty and vulnerability targeting. Specific measures will be formulated in consultation with the stakeholders in the government (program conditionality) to ensure that necessary actions are taken to protect social safety nets during the implementation of the ERP. These will include the adoption of proxy means targeting across selected welfare programs.

#### C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The current economic slowdown in Mongolia is affecting all citizens through, e.g., job losses, reduced incomes, diminished business opportunities, food price inflation, and increased debt. These impacts are disproportionately hard on the poor. All citizens will benefit from the program and from a system of social assistance that is fiscally sustainable, but the greatest impact will be on the country's poorest and most vulnerable people. They will benefit from enhanced pro-poor and inclusive growth, improved poverty and vulnerability targeting of welfare programs, and greater efficiency and sustainability in social welfare funding.

2. Impact channels and expected systemic changes. Direct and short-term impacts will be from sustaining welfare programs, and ensuring access to social welfare benefits by the poor is maintained. Direct and medium-term impacts will be from increased efficiency in the social welfare system, better targeting of those most in need, and greater government capacity to monitor social welfare assistance.

3. Poverty and social impact assessment and summary poverty reduction and social strategy. The Asian Development Bank has had a steady presence in Mongolia's social welfare sector since 2000 and has provided three program loans to address the crises in 2005, 2009, and 2015. The poverty and social impact assessment and summary poverty reduction and social strategy will be updated, drawing from existing reports and analyses on social welfare reform, current research on poverty, and consultations with key stakeholders.

4. Specific analysis for policy-based lending. The sector assessment (summary) for public sector management (social protection initiatives) will be updated as part of the support documents required for the report and recommendation of the President.

### II. GENDER AND DEVELOPMENT

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

Previous economic crises have demonstrated that cuts in government spending on social services have profoundly disadvantaged women.<sup>b</sup> Over 50% of the welfare beneficiaries are female, except for the beneficiaries of allowance for the elderly with state merits, where only 18% are female. For instance, 54% of the beneficiaries of welfare pensions are female, as are 58% of the beneficiaries of welfare allowance, 69% of the beneficiaries of allowance for the elderly, 50% of the beneficiaries of allowance for the disabled, 100% of the beneficiaries of allowance for mothers and children, 56% of the beneficiaries of the food stamp program, and 50% of the beneficiaries of the child money program. The program's overall goal of ensuring spending for social welfare during fiscal consolidation will have a positive impact on women.

2. Does the proposed 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

The program is focused on protecting the poor and vulnerable by protecting social welfare programs during fiscal consolidation. This will benefit all citizens of Mongolia.

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

Yes  No

Previous economic crises have demonstrated that cuts in government spending on social services have profoundly disadvantaged women. The maintenance of social welfare programs will benefit women and girls.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity)  EGM (effective gender mainstreaming)

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

### III. PARTICIPATION AND EMPOWERMENT

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

The financial support provided by the program will help sustain social welfare programs during fiscal consolidation. The main stakeholders are: Ministry of Finance (MOF), Ministry of Labor and Social Protection, Ministry of Health, the broader population, and the poor in need of social assistance.

2. How can the program contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable, and excluded groups? What issues in the program design require participation of the poor and excluded?

The policy-based loan will provide financial support to MOF to help fund social welfare programs during the implementation of the ERP.

3. What are the key, active, and relevant civil society organizations in the program area? What is the level of civil society organization participation in the project design? Consultation with research institutions.

Information generation and sharing  Consultation  Collaboration  Partnership

4. Are there issues during program design for which participation of the poor and excluded is important? What are they and how shall they be addressed?  Yes  No.

Focus group discussions will be conducted to make a rapid assessment of the impacts of the current crisis on households, particularly the poor.

### IV. SOCIAL SAFEGUARDS

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

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

The program does not include land acquisition or civil works.

2. What action plan is required to address involuntary resettlement as part of the project preparatory TA 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 program have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples?  Yes  No

Existing social welfare programs cover all eligible citizens regardless of ethnicity.

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

All citizens of Mongolia will benefit and no adverse impact on indigenous peoples will be generated.

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

No adverse impact on indigenous peoples will be generated.

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

Indigenous peoples plan  Indigenous peoples planning framework  Social Impact matrix

Environmental and social management system arrangement

None

<b>V. OTHER SOCIAL ISSUES AND RISKS</b>	
<p>1. What other social issues and risks should be considered in the program design?</p> <p><input checked="" type="checkbox"/> Creating decent jobs and employment    <input type="checkbox"/> 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"/> 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 _____</p> <p>2. How are these additional social issues and risks going to be addressed in the program design?  These are addressed as part of the ERP.</p>	
<b>VI. PROJECT PREPARATORY TECHNICAL ASSISTANCE OR DUE DILIGENCE RESOURCE REQUIREMENT</b>	
<p>1. Do the terms of reference for the project preparatory TA (or program assessments) contain key information needed to be gathered during project preparatory TA or the program assessment 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?</p> <p><input checked="" type="checkbox"/> Yes    <input type="checkbox"/> No</p> <p>The poverty and social analysis and social protection sector assessment will be updated. Specific measures will be formulated to ensure adequate welfare funding for the poor.</p> <p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and a participation plan during the project preparatory TA or the program assessments?</p> <p>One national consultant and staff resources.</p>	

<sup>a</sup> ADB. 2014. *Interim Country Partnership Strategy: Mongolia, 2014–2016*. Manila.

<sup>b</sup> United Nations Children's Fund. 2008. *Economic Crisis and its Social Impact: Lessons from the 1997 Asian Economic Crisis*. New York.

Source: Asian Development Bank.