

SECTOR ASSESSMENT (SUMMARY): PUBLIC SECTOR MANAGEMENT (SOCIAL PROTECTION INITIATIVES)¹

A. Sector Road Map

1. Sector Performance, Problems, and Opportunities

1. Mongolia's social protection system has played a central role in fostering and protecting the country's gains in poverty reduction and human development, especially during periods of economic difficulties. The Asian Development Bank (ADB) has been a leading partner in the development of Mongolia's social protection system for two and a half decades, helping to build the foundations of social welfare and social insurance since the mid-1990s.² Since then, a mix of ADB loans, grants, and technical assistance (TA) has helped Mongolia mitigate the adverse impacts of economic crises; strengthen the sustainability of social expenditures; and improve social protection strategies, programs, and services.³ However, despite good progress, the reform agenda is still evolving as it adapts to new forms of vulnerability (e.g., in urban areas, or among children and older persons), responds to changing economic and social realities, and addresses the legacies of a social welfare system inherited from the pre-transition era.

2. **Social welfare mitigates risk and reduces poverty.** The 2018 Household Socio-Economic Survey confirms that social transfers to the poor and vulnerable were the main driver of poverty reduction in Mongolia from 2016 to 2018.⁴ The child money program is the country's largest cash transfer program, normally providing MNT20,000 per month (about 12% of the per capita monthly poverty threshold) to all children under the age of 18. As a highly effective shock-responsive measure, in April 2020, the government initiated a temporary top-up to MNT100,000 per month to help households cope with the socioeconomic impact of the coronavirus disease (COVID-19) prevention measures, including strict lockdowns and border closures. ADB supported microsimulations suggest that this measure not only counteracted the shock at the household level but may have reduced poverty and inequality compared with pre-pandemic levels.⁵ Support for the poorest households through food stamps has also been successful in Mongolia. An impact evaluation of the food stamp program, intended for the poorest 5% of households, found substantial positive impacts on food security—food stamp recipients ate more diverse diets and were less likely to have inadequate amounts of food than a control group that did not receive food stamps.⁶

3. **Challenges and opportunities in social welfare.** While social welfare has reduced poverty, the system could be strengthened to be even more effective. With more than 70 distinct social welfare benefits and more than 120 service providers accredited by the Ministry of Labor and Social Protection (MLSP) to provide community-based social welfare services, several challenges emerge. The system is complex and fragmented. Duplication and overlap of often

¹ This summary is based on a detailed sector assessment of social protection and targeted social welfare services: ADB. Forthcoming. *Country Partnership Strategy: Mongolia, 2021–2025*. Manila. Available on request.

² ADB. Forthcoming. *Mongolia: Social Protection Sector Factsheet*. Manila.

³ ADB defines social protection as the set of policies and programs comprising (i) social assistance (non-contributory cash or in-kind transfers for the poor and vulnerable); (ii) social insurance (pensions and unemployment insurance); and (iii) labor market programs (skills development and public works). This assessment focuses on social assistance, also known as social welfare, which is the preferred term in Mongolia.

⁴ National Statistics Office of Mongolia and World Bank. 2020. *Mongolia Poverty Update 2018: Main Report of the Household Socio-Economic Survey 2018*. Ulaanbaatar.

⁵ ADB. 2020. [Building Capacity for an Effective Social Welfare System: Assessment of the Social Protection Response to COVID-19 in Mongolia](#). Consultant's report. Manila (TA 9893-MON).

⁶ ADB. 2014. [Food Stamps and Medicaid: Impact Evaluation Report](#). Consultant's report. Manila (Loan 3086-MON).

quite low benefit levels lead to inefficient use of limited resources. Most programs are categorically targeted, meaning they target certain population groups, but some such groups are not necessarily all vulnerable. Mongolia has a poverty targeting system based on the proxy means test (PMT) methodology, but in practice very few programs use it, possibly because of inclusion and exclusion errors (a feature of any targeting system) and the fact that the PMT survey is not conducted frequently enough to reflect households' current situations. The government has a contracting system for community-based social welfare services, but they reach relatively few people, and the quality of service delivery can be inconsistent depending on the service provider. This is for two reasons: very limited funding of the program, and limited capacity and coverage of nongovernment organizations (NGOs). The contracting, management, delivery, and monitoring of social welfare services all need strengthening.

4. **Capacity issues.** Social workers and social protection policy makers have limited capacity to deliver effective social welfare benefits and services. Mongolia's cadre of social workers went from a very professionalized service before the transition, to a much reduced one with positions often filled with untrained personnel. In addition, social workers often have a very high caseload and have to manage many separate benefits and programs, leaving little time for tailored support to the poor and vulnerable. Consolidation of programs could help here, as could more training for social workers and members of local livelihood support councils (who often make decisions on program eligibility) who have few opportunities for training.

5. **Gaps in social welfare service delivery.** Mongolia is one of the few countries that has developed clear processes and guidance on contracting NGOs and private entities to deliver welfare services. Because of the country's vast distances, remoteness, and limited human resources, this has been a very important strategy to ensure coverage and access and fill the gaps in government service delivery. However, many service providers are very small, established only to deliver a specific service, and have limited capacity and no training opportunities to improve their performance. Several service areas lack good coverage by NGOs. The MLSP has not developed a clear monitoring and evaluation system for community-based social welfare services (nor for most of their programs despite establishing a monitoring and research office). Contracted NGOs need tailored training on working with specific vulnerable groups as identified in the Social Welfare Law, 2012.

6. **Limited evidence-based policy dialogue.** Evidence to inform policy dialogue on existing and proposed social welfare programs is limited. Insufficient assessment of programs and services leads to a limited evidence base on what works; what does not; and whether there might be better, more efficient, or effective alternatives. Policy makers have long discussed consolidating programs and better targeting in Mongolia, but social assistance can be highly politicized. This makes evidence-based policy dialogue and advocacy around the purpose and effectiveness of particular programs—and the social welfare system as a whole—particularly important. Such evidence should come from the full range of social welfare system stakeholders, including civil society organizations.

2. Government's Sector Strategy

7. **Mongolia's Vision 2050.** The Government of Mongolia aims to reduce poverty from 28% in 2018 to 15% by 2030 and 5% by 2050.⁷ Vision 2050's chapter 2 presents the country's vision for human development as creating a favorable environment for every citizen to enjoy a long, happy, and healthy life, which includes social protection for all. Activity 2.3.4. aims to improve the

⁷ Government of Mongolia. 2020. *Vision 2050*. Ulaanbaatar.

quality and accessibility of social welfare services by reviewing living standard measurements and methodologies. Vision 2050's chapter 3 presents the country's vision for forming a middle class and improving the quality of life by promoting employment and increasing household income. Target 3.1. is to develop social protection services that guarantee a secure living. According to Vision 2050, the goals for the first decade, 2020–2030, are to (i) expand social insurance coverage, (ii) transform pension insurance into a multitier pension system, (iii) ensure that social welfare services fully cover all vulnerable groups, and (iv) provide social welfare and assistance services to the poor and vulnerable.

8. **Government Action Plan, 2020–2024.** Approved in August 2020, the action plan sets out the goals for social assistance under labor and social welfare, committing to the government to increase the quality of life of the Mongolian people by reforming the social insurance system, streamlining social welfare, increasing employment, ensuring human development, and expanding middle class.⁸ Selected targets include (i) digitizing the labor and social welfare system to make public services to citizens transparent, responsive, and accessible (2.5.6); (ii) improving the methodology to determine household living standards, making social welfare services targeted, to promote employment and reduce poverty (2.5.7); (iii) engaging adults in low-income households in vocational and skill advancement trainings and providing support for employment (2.5.9); and (iv) implementing a child savings program and encouraging child money program grants to be spent on children's food and nutritional needs, physical education, personal development, leisure, and savings (2.5.12).

9. **Legal framework for social assistance.** The Social Welfare Law defines four types of benefits: pensions, allowances, services, and assistance and discounts. Some are targeted at certain population groups, while others use the national poverty targeting system, a PMT. A revised Social Welfare Law is anticipated to be considered by Parliament in the 2021 spring session. Aligned with the Government Action Plan, the revised law aims to (i) better coordinate social welfare allowances with employment policy, (ii) better define the targeted groups for different programs and differentiate benefit levels based on need, and (iii) promote job-seeking behavior such as participation in employment promotion measures and training. A new draft social protection strategy is planned to be finalized after the adoption of the revised law.

B. Major Development Partners: Strategic Foci and Key Activities

10. ADB is a regular participant in development partner coordination activities in Mongolia and plays a leadership role in several sectors, including social protection. ADB, the World Bank, and the United Nations Children's Fund (UNICEF) are key development partners in social protection in Mongolia; while the International Labour Organization, the World Food Programme, and others have supported important analytical work. The Japan International Cooperation Agency is a lead partner in disability-inclusive development. Under its pillar 3.1, the World Bank country strategy aims to improve the management, targeting, and coverage of social welfare benefits.⁹ Through lending and analytical support, the World Bank has worked with the government on the design of the comprehensive social welfare administration information system and database for targeting the poor; and supported the refinement of the PMT methodology. The World Bank has also been closely engaged with the government in social insurance and pension reform policy dialogue, proposing a comprehensive reform package to the pension insurance scheme to achieve financial

⁸ State Great Khural of Mongolia. 2020. *Action Plan of the Government of Mongolia for 2020-2024. Resolution No. 24.* Ulaanbaatar.

⁹ World Bank. 2019. [Performance and Learning Review of the Country Partnership Strategy for Mongolia for the Period FY13–FY18](#). Washington, D.C.

sustainability. Collaboration between ADB and the World Bank over the years has been strong, including on poverty targeting, the food stamp program, and joint support for the shock-responsive increase in child money benefits in response to the COVID-19 pandemic. UNICEF's social policy team focuses on ensuring that child-related policies, budgets, and systems in Mongolia are inclusive and gender and equity-focused. UNICEF has conducted budget reviews focusing on social protection spending, and supported an assessment of the effectiveness of the child money program in poverty reduction. UNICEF collaborates with partners including ADB and the World Bank on national social protection reforms around social assistance and cash transfers for disadvantaged children and vulnerable families, and has pilot-tested the use of the child money program for shock-responsive social protection. ADB and UNICEF are coordinating closely on assessing the impact of the shock-responsive top-ups of food stamps and child grants, including from a gender perspective.

11. In the context of COVID-19 response coordination, UNICEF is the lead United Nations agency for social protection. ADB has worked closely with the International Monetary Fund, the World Bank, other development partners, and various United Nations agencies, including the Humanitarian Country Team, to ensure that COVID-19 pandemic social protection responses are well aligned and complementary.

Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
Public Sector Management (Social Protection)			
ADB	Shock-Responsive Social Protection Project	2020–2021	26.4
International Labour Organization	Extending Social Protection to Herders with Enhanced Shock Responsiveness	2020–2022	2.0
United Nations Development Programme	Supporting an Inclusive and Multi-Sectoral Response to COVID-19 and Addressing its Socio-Economic Impact	2020–2021	1.1
World Bank	Mongolia Emergency Relief and Employment Support Project	2020–2023	20.0
Multisector			
EBRD	Building Resilient SMEs Post COVID-19 Crisis	2020–2025	12.5
	Stepping Up for Women	2020–2030	4.6
European Union	Employment Intensive Programmes	2020–2024	2.6
	Budget Support Operations in Mongolia	2020–2024	18.2

ADB = Asian Development Bank, COVID-19 = coronavirus disease, EBRD = European Bank for Reconstruction and Development, SMEs = small and medium-sized enterprises.

Source: ADB.

C. Institutional Arrangements and Processes for Development Coordination

12. The MLSP is the lead agency for social protection in Mongolia. Specialized agencies are responsible for the implementation and regulation of social assistance; social insurance; labor market; and family, youth, and child development programs. These include (i) the General Office of Labor and Welfare Services, tasked with delivering social welfare services and social assistance benefits and providing employment services; (ii) the Social Insurance General Office, the lead agency responsible for social insurance; and (iii) the Family, Youth and Child Development Center, in charge of implementing policies and programs related to protection and development of family, youth, and children. Some social welfare is also provided by other entities such as the Ministry of Health (through a program to ensure access to health care for the poor) and the Ministry of Education and Science (which provides subsidies to poor students).

D. ADB Experience and Assistance Program

13. ADB support for Mongolia's social protection system began with TA in 1994 and a first lending operation in 2001. Over two and a half decades, through a mixture of investment projects, budget support, grants, and TA, ADB has helped the government mitigate the adverse impacts of economic crises; ensure fiscal sustainability; strengthen social protection programs and information technology systems; and improve social welfare service delivery, especially for older persons, people with disabilities, and victims of gender-based violence. As of June 2020, ADB's total support for social protection in Mongolia amounted to nearly \$450 million (footnote 2). ADB's engagement has supported government policies to reduce unemployment, provide essential social welfare and social insurance services for those unable to work, and provide social insurance to support working people at risk of falling into poverty. ADB assistance has aimed to improve social welfare services for vulnerable groups by strengthening government capacity and developing the systems for NGO delivery of community-based social welfare services. ADB also helped the government establish the first one-stop centers for all social protection benefits and services (e.g., social insurance, social welfare, and employment) and was instrumental in developing the country's food stamp program and poverty targeting system. ADB helped develop national social protection strategies in 2006 and 2019.¹⁰ Through capacity building and regional knowledge sharing events, ADB supported the drafting of a national strategic plan on elderly care.

14. ADB's first disability inclusion project, approved in 2017, is creating opportunities in education and employment, and providing access to services for people with disabilities.¹¹ The project is also helping to strengthen the early identification of disability; improve service delivery and access to the physical environment; improve employment prospects; and contribute to strategic disability-inclusive development, including social welfare reform, awareness raising, and attitude change. ADB is supporting the development of rehabilitation centers, rehabilitation facilities for older persons, and prosthetics manufacturing. Other recent social protection system support has helped enhance information technology systems and processes for the MLSP, the Social Insurance General Office, and the General Office of Labor and Welfare Services, to make them more transparent and stakeholder-centric, with web-based interfaces. Policy-based lending through the Social Welfare Support Program helped maintain fiscal expenditure for social welfare programs for the poor and vulnerable during a period of severe economic deterioration, ultimately helping to reduce poverty.¹² As a partner in the government's social protection response to the COVID-19 pandemic, ADB provided rapid emergency assistance through the Shock-Responsive Social Protection Project which supported the first round of temporary increases to the food stamp and child grant program benefits.¹³

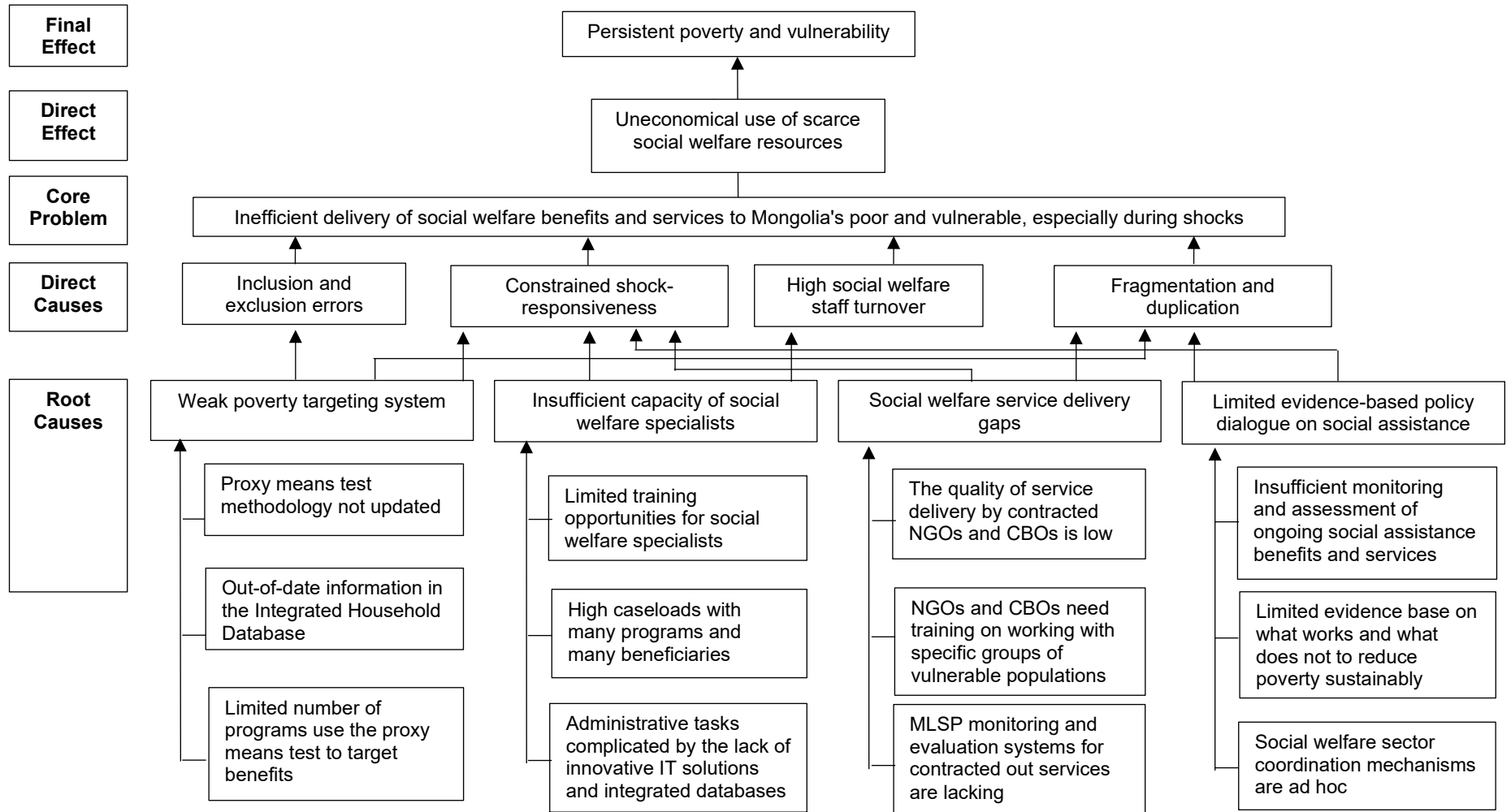
¹⁰ The 2019 strategy has not yet been approved.

¹¹ ADB. [Mongolia: Ensuring Inclusiveness and Service Delivery for Persons with Disabilities Project](#).

¹² ADB. 2020. [Completion Report: Social Welfare Support Program Phase 2 in Mongolia](#). Manila.

¹³ ADB. [Mongolia: Shock-Responsive Social Protection Project](#).

Problem Tree for Public Sector Management (Social Protection Initiatives)^a



CBO = community-based organization, IT = information technology, MLSP = Ministry of Labor and Social Protection, NGO = nongovernment organization.

^a Social protection comprises social assistance, social insurance, and labor market programs. This problem tree is for social assistance.