



Mongolia: Additional Financing of Food and Nutrition Social Welfare Project

Project Name	Additional Financing of Food and Nutrition Social Welfare Project		
Project Number	42322-023		
Country	Mongolia		
Project Status	Active		
Project Type / Modality of Assistance	Loan Technical Assistance		
Source of Funding / Amount	Loan 3086-MON: Food and Nutrition Social Welfare Program and Project - Additional Financing		
	concessional ordinary capital resources lending / Asian Development Fund		US\$ 20.00 million
	TA 8544-MON: Supporting Social Protection Reforms		
	Technical Assistance Special Fund		US\$ 500,000.00
Strategic Agendas	Inclusive economic growth		
Drivers of Change	Governance and capacity development		
Sector / Subsector	Health - Health insurance and subsidized health programs		
Gender Equity and Mainstreaming	Effective gender mainstreaming		
Description	<p>The original program (\$9 million ADF) included the design and implementation of a food stamp program as part of the social welfare system. The original project (\$3 million ADF) improved targeting and prepared strategies to reform social welfare. The additional financing will scale up the original project by pursuing the reforms initiated to date in social welfare. Social welfare benefits will be further consolidated to reduce the complexity of the system and increase its effectiveness. The use of proxy means testing to identify poor households will be expanded to apply to other social welfare benefits. The additional financing will also support an expansion in the scope of the original project by improving social insurance services. The additional financing meets the three criteria for priority consideration set out in OM H5/BP para.11: (i) the project is performing well; (ii) there is a high degree of project readiness to implement the additional financing; and (iii) developing social welfare and insurance services that are effective, efficient, transparent, and user-centered is highly innovative in the context of Mongolia and could have a demonstration effect for other sectors.</p>		

Project Rationale and Linkage to Country/Regional Strategy

The Asian Development Bank (ADB) approved the original program and project grants in 2008, which were designed to improve access to food by vulnerable and poor households through a targeted food stamp program and strengthened social welfare systems. The government has requested ADB's consideration of additional financing to continue reforming social welfare and strengthen social insurance services.

The Food and Nutrition Social Welfare Program and Project (FNSWPP) were designed as an immediate response to the 2008 food and fuel crisis and a step in reforming the social welfare system. The program included the design and implementation of a food stamp program as an integral part of social welfare assistance to address the needs of the most vulnerable population. The project supported the implementation of the food stamp program through the introduction of an innovative poverty targeting method in Mongolia, and prepared a package of reform of social welfare strategies.

Mongolia's promising economic outlook and the prospect of increased labor participation in the formal sector justify the increased focus on social insurance. However in Mongolia, high economic growth coexists with large numbers of vulnerable and poor populations requiring a continuous focus on social welfare. In July 2012, the newly elected government published the Government Action Plan (2012-2016), which aimed at introducing new and transparent financial services and advanced information technology tools in the social welfare and insurance sector. The intention of the government is to address the dissatisfaction of the users with insurance and social welfare services, and the lack of transparency in the way social insurance and welfare services are provided to beneficiaries.

The Ministry of Population Development and Social Protection (MPDSP) includes two attached agencies, the Social Insurance General Office (SIGO) in charge of managing 5 social insurance funds, and the General Office for Social Welfare Services (GOSWS) in charge of social welfare benefit management. SIGO and GOSWS are fairly decentralized with their 30 branch offices in all 21 aimags (province) and 9 districts of Ulaanbaatar, and services offered in all 352 soums (administrative subdivision of the aimag) of the country. The MPDSP also includes the National Children Authority and the Public Service Office of People with Disabilities. SIGO and GOSWS staff suffer from a lack of automated procedures for reporting, poor connectivity to automate social services at the soum and aimag levels, and a multitude of databases which complicates data management, analysis and reporting. Social welfare has undergone major reforms over the last 10 years with ADB support, but key issues such as fiscal sustainability and impact of welfare benefits still need to be addressed through the consolidation of social welfare benefits. Social welfare includes an excessive number of benefits (more than 60), which lack proper targeting and are overlapping. The absence of an effective centrally operated management information system in GOSWS leads to duplication of benefits, limited analysis, and other inefficiencies. Progress made in reforming social welfare since 2009 include the introduction of proxy means testing (PMT) to target the poor, cancellation of several universal benefits, the introduction of the food stamp program as the first poverty-targeted benefit in Mongolia, and passage of an amended Social Welfare Law in January 2012 that legalized the reforms. Advocacy, effective public communication, and capacity development will be needed to overcome the inherent resistance to rationalizing social entitlements.

Social insurance. SIGO manages five social insurance funds, namely the (i) pension fund; (ii) unemployment fund; (iii) health insurance fund; (iv) benefits fund (sickness, maternal, and funeral grants); and (v) IAOD insurance fund (industrial accidents, occupational diseases). Population coverage of each fund varies. All funds are subsidized by the government, and the pension and health insurance funds are contributory funds. The MPDSP has initiated pension reform, which covered about 850,000 people at the end of 2012, to shift from a single layer contributory system to a multilayer pension system encouraging private sector involvement. The health insurance system, covering up to 98% of the population, is undergoing reforms including better governance, more managerial autonomy, and increased health services purchasing capacity. As social insurance will become more important in the future due to increased employment and to address inequalities, it is timely to update the social security sector strategy to develop a consensus on the way forward to 2020.

GOSWS and SIGO information technology systems. These systems show a contrasting picture in terms of information technology (IT) processes, software, hardware, and networks. The current approach to strictly separate IT systems for GOSWS and SIGO is inefficient. These IT environments can complement each other and IT solutions could be implemented in a coordinated way to increase efficiency and cross support, including maintenance. SIGO is using an outdated system, which cannot support current international accounting standards requirements for the public sector. The social welfare IT system requires upgrading, which is planned under a World Bank technical assistance. The processes for both GOSWS and SIGO need to become transparent and stakeholder-centric. Current client-server software applications need to be upgraded to web-based interfaces to increase the transparency of IT processes.

Reporting and data analytics (business intelligence) lack automated processes in SIGO, GOSWS, and at the ministry level resulting in considerable manual efforts to produce regular reports and answering to ad hoc requests from higher authorities about social welfare and insurance performances. The current security and backup processes in SIGO and GOSWS are deficient. Almost none of the offices use proper licenses for the software in use. Open source free software need to be used whenever possible. Both SIGO and GOSWS seem adequately staffed but given the planned IT improvements, the human resources capacity needs to be reassessed. There is a need to acquire additional IT hardware (computer, server, digital storage) at central level, aimags, districts, and soum level but this needs to be supported by proper IT budget allocation to implement effective maintenance, depreciation, and replacement policies. Currently about 50% of the soums are connected through an internet network. Government together with private parties are working on extending network connectivity to remote soums. Bandwidth, which seems sufficient for SIGO at present, will need to be reassessed in light of the planned requirements of the IT system in the future.

The additional financing is considered to meet the four eligibility criteria for additional financing set out in OM H5/BP para. 4: (i) ADB reviewed the original project in February 2013 and confirmed the satisfactory performance of the original project and no significant changes in approaches and methodologies are envisioned. Accordingly the original project remains technically feasible, economically viable, and financially sound; (ii) the government accords high priority to the original project as proposed to be expanded through the additional financing. Additional financing will be crucial in meeting a key reform included in the Government Action Plan (2012-2016) to deliver social protection services to citizens efficiently and without any red tape, as acknowledged by the government's request for additional financing; (iii) the revised project outcome will continue improving social welfare services started under the original project and extend to social insurance services while the output

Impact

Improved social equity, less poverty, better social risks mitigation and prevention, and improved food security

Project Outcome

Description of Outcome	More efficient and transparent delivery of social welfare and insurance services (including support to food consumption), through strengthened policy, systems, and information technology
Progress Toward Outcome	<p>The IT firm in charge of the assessment of the 17 IT reform packages under the project has started working since Dec 2015. The findings and recommendations of the firm will be the basis for hiring implementation firms for each of these packages. The TOR and recommendations on dynamic reporting system, storage area network, external website, tools to share data, two-factor authentication system were developed by the IT firm.</p> <p>BI system development is completed. Preparation of the tender documents, system analysis, and designing of business intelligence is completed and ready for installation.</p> <p>The national firm was recruited which will organize training, build capacity of staff at social protection sector, and conduct training needs assessment. The questionnaire on training needs assessment was conducted which is under EA's review and approval.</p>

Implementation Progress

Description of Project Outputs	<p>Component 1: Design and implementation of a targeted food stamp program</p> <p>1.1 Innovative targeting approaches for food stamps pilot tested by December 2009</p> <p>1.2. A mechanism for delivering food stamps is established by June 2009</p> <p>Component 2: Capacity development and communication strategy for the food stamp program</p> <p>2.1. Capacity development tools for national and local stakeholders and institutional strengthening designed and implemented by January 2010</p> <p>2.2. A communication strategy to ensure transparent implementation of the food stamp program developed and implemented by December 2009</p> <p>Component 3: Strengthening social welfare strategies and systems</p> <p>3.1. Effective food crisis response by 2010</p> <p>3.2. IT processes and systems are upgraded to deliver more efficient and transparent social welfare and social insurance services.</p> <p>3.3. Social welfare reformed and social protection strengthened by 2017</p> <p>3.4 An early warning and response system to respond to social shocks by October 2011</p>
Status of Implementation Progress (Outputs, Activities, and Issues)	<p>IT assessment ongoing</p> <p>Recruitment of consultants ongoing</p> <p>Hardware and software are being procured.</p> <p>Recruitment of a training firm for IT solution and social protection has been recruited. MPDSP and its agencies have prepared an initial training plan. A more comprehensive human development strategy will be developed under the training firm.</p>
Geographical Location	

Safeguard Categories

Environment	C
Involuntary Resettlement	C
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects	No safeguard issues are anticipated.
Involuntary Resettlement	No safeguard issues are anticipated.
Indigenous Peoples	No safeguard issues are anticipated.

Stakeholder Communication, Participation, and Consultation

During Project Design	Consultations with key stakeholders have been held and will continue during project processing. These include focus group discussions with SIGO and GOSWS staff, MPDSP staff and management, current project staff and others such as the World Bank who are supporting IT development in the GOSWS. More extensive consultation, including with staff is anticipated during processing.
During Project Implementation	Stakeholder communication, participation, and consultation during project implementation will be included in the communication program, which will be implemented on a yearly basis, to ensure social welfare and insurance services meet stakeholders' (including direct beneficiaries') expectations in terms of timeliness, effectiveness, and transparency.

Responsible Staff

Responsible ADB Officer	Mamatkulov, Raushanbek
Responsible ADB Department	East Asia Department

Responsible ADB Division

Mongolia Resident Mission

Executing Agencies

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 Ulaanbaatar-15160,
 Ulaanbaatar, Mongolia

Timetable

Concept Clearance	21 Jun 2013
Fact Finding	24 Jun 2013 to 06 Jul 2013
MRM	11 Sep 2013
Approval	10 Dec 2013
Last Review Mission	-
Last PDS Update	31 Mar 2017

Loan 3086-MON

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
10 Dec 2013	06 Feb 2014	21 Jul 2014	30 Nov 2017	30 Nov 2019	-

Financing Plan			Loan Utilization			
	Total (Amount in US\$ million)		Date	ADB	Others	Net Percentage
Project Cost	23.00		Cumulative Contract Awards			
ADB	20.00		10 Dec 2013	7.00	0.00	39%
Counterpart	3.00		Cumulative Disbursements			
Cofinancing	0.00		10 Dec 2013	7.07	0.00	39%

TA 8544-MON

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
10 Dec 2013	02 Jan 2014	02 Jan 2014	30 May 2017	-	-

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
500,000.00	0.00	270,000.00	0.00	0.00	0.00	770,000.00	10 Dec 2013	170,000.00

Project Page <https://www.adb.org/projects/42322-023/main>

Request for Information <http://www.adb.org/forms/request-information-form?subject=42322-023>

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