

SOCIAL WELFARE REFORM AND SOCIAL PROTECTION STRENGTHENING (OUTPUT 3.3)

1. **Background and rationale.** Mongolia has an extensive social protection system which provides social insurance and social welfare entitlements to all people of the country categorized as eligible beneficiary. Most of those benefits are delivered through the social insurance (Social Insurance General Office [SIGO]) and the social welfare (General Office for Social Welfare Services [GOSWS]) agencies under the Ministry of Population Development and Social Protection (MPDSP). However, some benefits are also delivered through other ministries and government bodies responsible for education, labor, housing and urban services, and so on. Despite high budgetary contributions (15% of the budget expenditure, and about 6.5% of the gross domestic product)¹ the system's effectiveness in reducing poverty and protecting the vulnerable and the poor against social risks is limited. At the same time, poverty remains high. In June 2013, the National Statistical Office released its latest poverty statistics showing that the incidence of poverty was 27.4% in 2012, down from 38.7% in 2010, and 33.7% in 2011. However, poverty reduction was mainly due to high growth rates, and only a little was attributed to the effects of social protection programs. The rapid growth coming from the mining and urban construction sectors does not translate into employment for the lower income groups. In addition, informal employment is rapidly rising due to urbanization and internal migration. In addition, the social protection programs are challenged in the political and academic debates that they do not address the rising inequality in the country, and do not generate jobs for the rising number of under and unemployed, especially among the youth and some vulnerable groups. While the effectiveness of the social protection system is questioned, its cost is also criticized. For example in the case of pension payments the combined employer and employee contribution to the mandatory social insurance system is high at 14% of the wage bill (7% for the employer and 7% for the employee). At the same time, payments are low and insufficient to guarantee a decent living when people face major health, old age, disability, or unemployment risks.

2. **Strategic development goal and objectives.** The government therefore recognizes the need to reform the social protection system to better target the poor and vulnerable and rationalize the services to achieve better results for the people. Output 3.2 of the project will support this reform process. It will be achieved through three major objectives, i.e., through (i) rationalizing social welfare benefits through consolidation and improving the services outcomes; (ii) improving the poverty and vulnerability targeting; and (iii) providing the basis for more effective social protection through updating the 2003 social protection strategy. These three objectives will be achieved with support of the following outcomes and activities.

3. **Rationalizing social protection services.** Various background studies will be financed by a piggybacked Asian Development Bank technical assistance grant. The studies will analyze the impact and effectiveness of social protection benefits on the beneficiaries (the vulnerable and the poor). The studies are not limited to the impact of social welfare benefits only as they are provided by the GOSWS under the MPDSP. Rather it will look also at social protection benefits provided by all government agencies. These studies will be complemented by activities under the additional financing, i.e., (i) participatory activities (such as workshops, conferences, focus group discussions, and surveys), and (ii) communication activities on the various knowledge products (such as TV and radio spots and publications). Studies will include, among others participatory impact assessment on social welfare and social insurance benefits, and a proposal for rationalizing social protection in Mongolia.²

¹ Government of Mongolia (June 2013): Statistical Yearbook 2012

² For more information on the studies financed under the technical assistance grant see supplementary appendix 3.

4. **Improving the poverty and vulnerability targeting.** The social welfare programs are currently being provided—mostly in cash—to categorically targeted groups (e.g., elderly, disabled, retirees) and are not targeted to the socioeconomic status of the people. With the 2012 amended Social Welfare Law and the introduction of the food stamp program targeted to the very poor, the government has however entered into poverty and vulnerability targeting, and it is committed to broaden such targeting to more social protection benefits under MPDSP but also other government agencies and ministries providing social welfare benefits (e.g., Ministry of Health, Ministry of Education and Science, Ministry of Justice). The current criteria for targeting social assistance are based on categories of people. This neglects the socioeconomic status of those people, and it does not address equity considerations based on the needs for different scale of assistance to different socioeconomic groups. Such reforms towards a more effective and equitable social welfare system would however need consensus building in the society and in the political context. The project will support this through related communication activities. In addition it will help updating—through selective reassessment of 70,000 households yearly—the new poverty data base which identified the various socioeconomic status of about 70% of the 750,000 households in the country through a proxy means testing (PMT) approach. The government wishes to use this PMT poverty database for delivering the reformed benefits to a better targeted social protection system.

5. **Updating the Strategy on Social Protection.** The existing social security strategy was approved in 2003. It needs to be updated to adjust to the new socioeconomic environment of the country with increased urbanization, job concentration in capital intensive industries, and an increasing informal labor market. The project will facilitate the updating of this strategy,³ including public awareness campaigns and workshops to build consensus on the new strategy.

6. **Capacity development.** To implement rationalization, targeting, and better social services delivery the project will finance a large capacity development and training component for social workers, insurance staff, and for decision makers and senior technical staff of the MPDSP, SIGO, and GOSWS. While the training costs are financed under the additional financing, the technical assistance grant will finance the resource persons and technical inputs.

7. **Implementation arrangements.** Output 3.3 will be implemented through the following consulting services: (i) for the rationalization and the strategy updates the project finances two individual consultants (with one local and one international expert for each topic) to prepare various background studies related to labor market social protection, and on investment opportunities for the social insurances funds. These consultants will also serve as resource persons in some of the training courses; (ii) for arranging the outreach and communication activities, the project will finance a national journalist manager; (iii) for arranging and conducting all the participatory activities the project will engage a national event manager; (iv) for the training activities, the project will finance a national capacity building provider (i.e., a training institution or consulting firm); and (v) for the PMT updates and grievance checks, the project will engage an international consulting firm specialized in poverty assessment and working with national assessment teams.

³ In addition the technical assistance grant will prepare various background studies on (i) the role of social protection in a changing labor market and economic environment; (ii) social protection as a multisectoral approach followed by various ministries; (iii) the role of the private sector and nongovernment organization- and community-based social protection support; (iv) the increasing relevance of social protection services delivery versus cash transfers including the implications on staffing, capacity development, supervision, and budgets; and (v) gender implications of social protection in Mongolia.