

## KEY POINTS

- The program funded short-term revenue shortages in 2015 which, if unaddressed, would have resulted in significant cuts in welfare programs. These cuts would have disproportionately affected the poor—as many depend heavily on benefits for daily subsistence—and push more Mongolians into poverty.
- The program supported reforms under Mongolia's economic adjustment plan to improve fiscal policy management to ensure the sustainability of welfare programs, and develop policies and regulations to improve targeting of beneficiaries and consolidate social welfare programs.
- A realistic policy framework with manageable policy actions is needed to achieve intended results and successfully implement reforms. All policy actions under the program were fully achieved 9 months ahead of the deadline, illustrating this important lesson.

## SOCIAL PROTECTION BRIEF

Social Welfare Support Program  
in Mongolia

## BACKGROUND

Social welfare in Mongolia is an integral part of social protection. In 2015, the government allocated Mongolia togrog (MNT)285 billion (approximately \$143.4 million) on social welfare. The Child Money Program—funded through the Human Development Fund—contributed an additional MNT246 billion in 2015. The combined funding amounts to 2.7% of Mongolia's gross domestic product (GDP), exceeding the average 1.6% of GDP in other emerging economies. Social welfare programs are generally pro-poor with about 35% of the benefits reaching the poorest 20% in Mongolia. By comparison, about 20% of benefits in Thailand reach the poorest 20%.

Welfare programs in Mongolia focus on the provision of social pensions, allowances, and services to citizens with special needs who are in poor health, lack family support, and are not capable of living independently. Programs also support individual household members who require social welfare assistance to meet their basic daily needs. The Ministry of Population Development and Social Protection administers 71 social welfare programs, which can be grouped into seven broad categories.<sup>1</sup> These programs reached about one-third of the total population in 2014. Expenditures for all programs have been increased since 2010 to reflect demographic trends in an expanding population, offset the impact of inflation on household incomes, and reduce poverty.

In addition, the Food Stamp Program distributed MNT18 billion to its 144,000 beneficiaries. Initiated on a pilot basis in 2008 through Asian Development Bank (ADB) financing,<sup>2</sup> the program became part of the entitlements guaranteed by the Social Welfare Law in 2013. It supports the consumption of basic food items by extremely poor families to increase their daily calorie intake. The Food Stamp Program is the only welfare program using proxy means testing to identify the poorest households.

Since 2012, the Child Money Program has provided monthly payments of MNT20,000 (approximately \$20) to about 1 million children (aged 18 and below). It is the largest program, accounting for half of the government's cash transfers. Given its universal coverage, the program has helped reduce poverty significantly. It is funded by the Human Development Fund, which uses mining revenue to support the economic and human development of the country.

<sup>1</sup> The categories are social welfare pensions, social welfare allowance, community-based services, social welfare allowance for the elderly with state merit, allowance for the elderly, allowance for the disabled, and allowance for mothers and children.

<sup>2</sup> ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Asian Development Fund Grants to Mongolia for the Food and Nutrition Social Welfare Program and Project*. Manila.

However, challenges persist. Most social welfare programs target beneficiaries by category, which is costly as some of the recipients are not poor. Moreover, the fragmentation of programs results in the duplication of benefits and high administrative and implementation costs. Some welfare benefits, such as the school textbook and electricity subsidies, are administered through various ministries and institutions. These subsidies would have a greater impact on the poor if they were better targeted. To enhance these welfare programs, reforms should focus on improving poverty targeting and consolidation to reduce implementation costs and increase their impact and sustainability.

## THE PROGRAM

The program funded short-term revenue shortages in 2015 which, if unaddressed, would have resulted in significant cuts in welfare programs. These cuts would have disproportionately affected the existing poor—as many depend heavily on benefits for daily subsistence—and push more Mongolians into poverty.

The program supported reforms under the country's economic adjustment plan to (i) improve fiscal policy management to ensure the sustainability of welfare programs and (ii) develop policies and regulations to improve targeting and consolidate social welfare programs. Through these reforms, the program mitigated the adverse effects of the government's fiscal consolidation plan on the poor and sustained financing for social welfare programs.

The main area of reform under the program focused on improving policies and regulations to support targeting and consolidation of social welfare programs. To strengthen poverty targeting, a cabinet resolution was issued requiring at least two ministries to use the poverty-targeted integrated household information database to

allocate benefits in selected programs. Resources were allocated in the 2016 budget for maintaining and updating the database to capture the new poor resulting from the austerity measures under the economic stabilization and adjustment process. To increase social welfare effectiveness, a working group of representatives from different ministries was established to prepare a plan to consolidate social welfare programs. Consolidation will reduce administrative and implementation costs, as well as the duplication of benefits. Finally, the program ensured funding for the quarterly implementation of the household socioeconomic survey to strengthen monitoring and evaluation of social protection programs.

## MAJOR LESSONS

The Social Welfare Support Program built on lessons learned from previous assistance programs in Mongolia. Key lessons from earlier economic crises on how to contain the impact of poverty highlight the importance of (i) strengthening and implementing social protection systems and welfare programs, and (ii) investing foreign aid to expand social protection in countries with limited fiscal space.

A major lesson from ADB's intervention in the sector is the need to have sustained engagement because implementing social welfare reforms requires long-term commitment. While ADB has been successful in introducing poverty targeting mechanisms to distribute welfare benefits and establishing the Food Stamp Program, less progress has been achieved in terms of consolidating welfare programs.

Another key lesson is the need for a realistic policy framework with manageable policy actions to achieve the intended results and successfully implement the reforms. All policy actions under the program were fully achieved 9 months ahead of the deadline, illustrating this important lesson.

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