

Mongolia : Weathering Exogenous Shocks Program

1. Project Information

Project ID:	P000688	Instrument ID:	L0688A
Member:	Mongolia	Region:	Eastern Asia
Sector:	CRF-Economic Resilience/PBF	Sub-sector:	N/A
Instrument type:	<input checked="" type="checkbox"/> Loan:100.00 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier (s):	Asian Development Bank
ES category:	C	Borrowing Entity:	Ministry of Finance, Mongolia
Implementing Entity:	Ministry of Finance, Mongolia		
Project Team Leader:	Manuel Certero Bárcena		
Responsible DG:	Gregory Liu		
Responsible Department:	INF2		
Project Team Members:	Marcin Sasin, Economist; Young Bong Cho, Credit Officer; Yenda Noeurm, Credit Officer; Furu Hu, Team Member; Ting Wang, Project Counsel; Christopher Damandl, Alternate Counsel; Jurminla Jurminla, OSD - Procurement Specialist; Shodi Nazarov, OSD - Financial Management Specialist; Weini Li, OSD - Environment & Social Development Specialist; Guoping Zhang, Back-up PTL; Jiaming Yu, Project admin		
Completed Site Visits by AIIB:			
Planned Site Visits by AIIB:			
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2023/06		

2. Project Summary and Objectives

The Program's Objective was to increase the resilience of the population, specifically the poor and vulnerable groups, including women and girls, to the adverse impacts of the ongoing COVID-19 pandemic along with multiple macroeconomic pressures in Mongolia. This Program was processed under the COVID-19 Crisis Recovery Facility (CRF) of the Bank and co-financed with the Asian Development Bank (ADB).

In 2022, economic growth forecast for Mongolia was considerably downgraded by the IMF projections from 6% p.a. made in September 2021 to only 1% p.a. real GDP growth. COVID-19 caused substantial fiscal stress and had severe socioeconomic impacts in Mongolia, particularly for the 27.8% of households already below the poverty line, with a

further 14.9% of people at risk of falling into poverty.

The Program enabled the Government of Mongolia (GoM) to effectively manage the COVID-19 outbreak and mitigate the adverse social and economic impacts on the Mongolian people. The Program supported a Countercyclical Development Expenditure Program (CDEP) designed by the MoF to provide fiscal space to continue with critical economic structural reforms over the medium term.

In particular, the Program supports a Countercyclical Development Expenditure Program (CDEP) and will provide the following three outputs: (i) measures to provide temporary increase in cash transfers directly made to households; (ii) measures to cushion adverse socioeconomic impacts on vulnerable groups, including women, and (iii) measures to counteract inflationary pressures of imported essential goods and commodities.

3. Key Dates

Approval:	Sep. 29, 2022	Signing:	Dec. 05, 2022
Effective:	Jan. 19, 2023	Restructured (if any):	
Orig. Closing:	Jun. 30, 2023	Rev. Closing (if any):	

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	100.00	Latest disbursement (amount/date):	100.00/Apr. 21, 2023
Undisbursed:	0.00	Disbursement Ratio (%) ¹ :	100.00

5. Project Implementation Update

The three outcome indicators were: (1) 1,259,484 children currently benefiting from the Child Money Program (CMP) have benefits extended; (2) At least 423,000 vulnerable people (of whom 59% are women or girls) benefit from tailored social assistance provided under CDEP in response to adverse socioeconomic shocks; (3) At least providing up to MNT465 billion by 31 December 2022, in concessional loans to agriculture sector MSMEs to promote domestic production of essential goods and prevent price increases of commodities. As per the implementation of the three components: 1) The cash transfers to households through the extended Child Money Program (CMP) amounted to MNT 1,484.9 billion (exceeding the budget by MNT 22.9 billion) and benefiting 1,259,484 children (49% girls). 2) Targeted measures for vulnerable groups amounted to MNT 954.4 billion (exceeding the budget by MNT 38.4 billion). The measures included (i) social insurance reimbursements amounting to MNT 150.8 billion, (ii) 266,024 children (49% girls) benefiting from increased access to kindergartens, and (iii) low-wage public employees (75% women) receiving an average of 8.6% salary increase. 3) Measures to counteract inflationary pressures amounted to MNT 383 billion. These measures included (i) customs and excise duty exemptions on essential consumer goods, (ii) interest subsidy to the agriculture sector through concessional loans.

¹ Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

Components	Physical Progress	Environmental & Social Compliance	Procurement
<p>1. This component will provide social protection support by extending cash transfers to households under the Child Money Program of MNT 100,000 (USD31) per child per month.</p>	<p>According to the latest progress report, 1,259,484 children received MNT 100,000 per month per child by cash, of which 666,157 (52.3%) were girls. Thus, achieving the target and the gender target.</p>	<p>In compliance. The first annual E&S monitoring report have been submitted and reviewed by the Bank. No E&S red flags were identified. The Program was co-financed with the ADB as lead co-financier, and the Program's Environmental and Social (ES) risks and impacts were assessed in accordance with the ADB's Safeguards Policy Statement (SPS). AIIB's Environmental and Social Policy (ESP) was designed to apply to investment projects and has no provisions for its application to policy-based operations. Therefore, as permitted by the decision of the Board of Directors set forth in the Decisions to Support the AIIB COVID-19 Crisis Recovery Facility (Decisions), the provisions of ADB's SPS applicable to policy loans were applied to this operation in lieu of AIIB's ESP, which provided a harmonized approach to addressing the ES risks and impacts of the program.</p> <p>Under its SPS, ADB categorized the Program as C for environmental safeguards because the activities were confined to policy and institutional reforms only. The Program was assessed Category C for both involuntary resettlement and indigenous peoples safeguards as no social safeguard impacts were anticipated.</p>	<p>No procurement activities to be reported.</p>
<p>2. This Component will support the government to implement tailored social assistance to protect the most vulnerable. Furthermore, the government will increase the availability of</p>	<p>From May to November 2022, a refund of 72.6 billion MNT was granted to 650,593 insurers (56.2% female) who paid social insurance premiums with monthly wages or equivalent income less than MNT 1,000,000. Thus, the target has been</p>	<p>In compliance. The first annual E&S monitoring report have been submitted and reviewed by the Bank. No E&S red flags were identified. The Program was co-financed with the ADB as lead co-financier, and the Program's Environmental and Social (ES) risks and impacts were assessed in accordance with the ADB's Safeguards Policy Statement (SPS).</p>	<p>No procurement activities to be reported.</p>

<p>kindergarten spaces for young children in poor areas.</p>	<p>achieved earlier than expected. As per the latest report, 28,793 additional children have enrolled in kindergarten. Thus, access to kindergarten reached 87% or 266,024 children, of which 49% were girls. Therefore, the both the target and gender target were achieved.</p>	<p>AIIB’s Environmental and Social Policy (ESP) was designed to apply to investment projects and has no provisions for its application to policy-based operations. Therefore, as permitted by the decision of the Board of Directors set forth in the Decisions to Support the AIIB COVID-19 Crisis Recovery Facility (Decisions), the provisions of ADB’s SPS applicable to policy loans were applied to this operation in lieu of AIIB’s ESP, which provided a harmonized approach to addressing the ES risks and impacts of the program.</p> <p>Under its SPS, ADB categorized the Program as C for environmental safeguards because the activities were confined to policy and institutional reforms only. The Program was assessed Category C for both involuntary resettlement and indigenous peoples safeguards as no social safeguard impacts were anticipated.</p>	
<p>3. This Component will support measures to mitigate the impact of higher inflation in food prices. Measures include interest rate subsidies to micro-, small- and medium-sized enterprises (MSMEs) in the agricultural sector.</p>	<p>1527 MSMEs and private enterprises have benefited from concessional loans amounting to MNT 383.4 billion, thereby essentially achieving the target. The targeted disbursement of MNT 465 billion has not been fully reached.</p>	<p>In compliance. The first annual E&S monitoring report have been submitted and reviewed by the Bank. No E&S red flags were identified. The Program was co-financed with the ADB as lead co-financier, and the Program’s Environmental and Social (ES) risks and impacts were assessed in accordance with the ADB’s Safeguards Policy Statement (SPS). AIIB’s Environmental and Social Policy (ESP) was designed to apply to investment projects and has no provisions for its application to policy-based operations. Therefore, as permitted by the decision of the Board of Directors set forth in the Decisions to Support the AIIB COVID-19 Crisis Recovery Facility (Decisions), the provisions of ADB’s SPS applicable to policy loans were applied to this operation in lieu of AIIB’s ESP, which provided a harmonized approach to addressing the ES risks and impacts of the</p>	<p>No procurement activities to be reported.</p>

		<p>program.</p> <p>Under its SPS, ADB categorized the Program as C for environmental safeguards because the activities were confined to policy and institutional reforms only. The Program was assessed Category C for both involuntary resettlement and indigenous peoples safeguards as no social safeguard impacts were anticipated.</p>	
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Financial Management:

The Program maintains adequate financial management arrangements. Based on the loan reporting and the virtual mission conducted in H1 2023, there is evidence of proper review, authorization, and segregation of duties over the projects' transactions. No significant internal control deficiencies were identified. All financial reports submitted to date are deemed to be acceptable by the Bank. The Borrower is in compliance with the key project covenants related to Financial Management. Given the serious socioeconomic consequences of the Pandemic, the budget was amended in two occasions to strengthen the critical measures to address the impacts. The loan, equally co-financed by the ADB (USD 100 million), was immediately disbursed and consumed to support government emergency expenditures.

6. Status of the Grievance Redress Mechanism (GRM)

ADB's Safeguard Policy Statement (SPS) applies to this Program, instead of AIIB's ESP. Pursuant to AIIB's agreement with ADB, AIIB relies on ADB's Independent Accountability Mechanism, the Accountability Mechanism, to handle complaints relating to ES matters that may arise under the Program. No grievances have been received to date.

7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)

Remarks:

Project Objective Indicators	Indicator level	Unit of Measure	Cumulative Target Values									Frequency	Responsibility	Comments
			Baseline		2022		2023		End Target					
			Year	Value	Target	Actual	Target	Actual	Year	Target	Actual			
1a. By 31 December 2022, government will have provided MNT100,000 per month and per child for at least 1.2 million children (of whom 49% are girls) under the government extended CMP (sex-disaggregated)	Project	Number of children	2022		1,200,000	1,259,484	1,200,000	1,259,484	2022	1,200,000		Quarterly	MOF	
2a. By 31 December 2022, the government will have provided at least 300,000 employees (56% women) who have monthly salaries of less than MNT1 million, with a reimbursement of 50% of their social insurance premium contribution.	Project	Number of insurers	2022		300,000	650,593	300,000	650,593	2022	300,000		Quarterly	MOF	
2b. By 31 December 2022, government will have provided an average 8.5% salary increase to 107,000 public service employees, of whom at least 75% are women	Project	Public service employees	2022	0	107,000	107,000	107,000	107,000	2022	107,000		Quarterly	MOF	
2c. By 31 December 2022, through subsidies, the enrolment rate in early childhood education increased to 85%, or 16,000 additional children, of whom 49% are girls.	Project	Number of children	2022	0	16,000	28,793	16,000	28,793	2022	16,000		Quarterly	MOF	
3a. Government's commitment to providing up to MNT930 billion in concessional loans to agriculture sector MSMEs to promote domestic production of essential goods and prevent price increases of key commodities achieved, of which 50% (or MNT465 billion) will be disbursed by 31 December 2022.	Project	MNT bn	2022	0	465	383.4	465	383.4	2022	465		Quarterly	MOF	
3b. By 31 December 2022, custom's duty exemption on 150,000 tons of essential food products with a value of MNT300 billion in place	Project	Tons	2022	0	150,000	148,000	150,000	150,000	2022	150,000		Quarterly	MOF	

Project Intermediate Indicators	Indicator level	Unit Measure of	Cumulative Target Values														Frequency	Responsibility	Comments	
			Baseline		2022		2023		2024		2025		2026		End Target					
			Year	Value	Target	Actual	Year	Target				Actual								