

**Project Completion Note for co-financed Policy-Based Financings under the COVID-19 Crisis
Recovery Facility (CRF)
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:	Loan	E&S category:	C
Co-financier(s):	Asian Development Bank		
Borrower:	Ministry of Finance, Mongolia		
Guarantor:	Mongolia		
Implementing Agency:	Ministry of Finance, Mongolia		
Other entities involved:	Asian Development Bank		
Project Team Leader(s):	Manuel Certero Bárcena,PTL		
Project Team Members:	Guoping Zhang,Back-up PTL Jiaming Yu,Project admin 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		
Site Visits by AIIB:			

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. Additionally, the objective was providing fiscal space to continue with critical economic structural reforms over the medium term, as part of the Countercyclical Development Expenditure Program (CDEP) designed by the Ministry of Finance (MOF).

The program consisted of three broad areas of support: (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:	September 29,2022	Signing:	December 05,2022
Effective:	January 19,2023	Restructured (if any):	
Orig. Closing:	June 30,2023	Rev. Closing (if any):	
Final Maturity Date	June 15,2029		

4. Disbursement Summary (US Dollar million)

a) Committed:	100.00	b) Cancelled (if any):	0.00
c) Disbursed:	100.00	d) Last disbursement: (amount /date)	100.00 / April 21,2023
e) Undisbursed (if any):	0.00	f) Disbursement Ratio (%) ¹ :	100.00

5. Estimated and Actual Costs

AIIB approved USD100 million under its CRF Facility, accounting for about 12% of the government's total response package of MNT 2,685.0 billion (USD 0.78 billion) announced in FY2022. 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. Given the serious socioeconomic consequences of the Pandemic, the Government 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. Project Implementation, including major changes to the original Objective, Project Design, and Indicators

The development objective of the Program has been assessed as satisfactorily achieved. The three

¹ Disbursement Ratio is defined as the volume (i.e. the dollar amount) of total disbursed amount as a percentage of the net committed volume, i.e., $f = c / (a - b)$

outcome indicators were: (1) 1.2 million 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) Up to MNT 930 billion in concessional loans to 1,500 agriculture sector Micro, Small and Medium-sized Enterprises (MSMEs) in response to adverse socioeconomic shocks.

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) low-wage public employees (75% women) receiving an average of 8.6% salary increase, and (iii) 266,024 children (49% girls) benefiting from increased access to kindergartens. 3) Measures to counteract inflationary pressures amounted to MNT 327.3 billion, exceeding the budget by MNT 20.3 billion. These measures included (i) customs and excise duty exemptions on essential consumer goods amounting to MNT 200.7 billion and exceeding the budget by MNT 63.7 billion, (ii) interest subsidy to the agriculture sector amounting to MNT 87.1 billion, (iii) interest subsidy through concessional loans amounting to MNT 294.9 billion and benefiting 1,510 agricultural sector MSMEs and private enterprises, and (iv) support to the supply of essential consumer goods benefiting 17 MSMEs and private enterprises through concessional loans amounting to MNT 88.5 billion.

7. Results Achieved (Against the original indicators and/or revised indicators. RMF table will be exported on the last page of this PCN.)

All three outcome indicators had been achieved as of June 2023.

Outcome Indicator 1—1,259,484 children currently benefiting from CMP have benefits extended (2021 baseline: 480,000)—was achieved. The monthly benefit was further extended after December 2022. As of June 2023, 68.4% of Mongolian households (32.4% with three or more children, and 36% with two children), comprise the majority of the CMP beneficiaries. Thus, the CMP continues to have significant contributions to alleviating the plight of the most vulnerable Mongolian households.

Outcome Indicator 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 (2021 baseline: No tailored social assistance) – has been achieved. As of December 2023, (i) 650,593 insurers (56% women) with monthly wages or equivalent income of less than MNT 1,000,000 have received insurance premium refunds, (ii) 107,000 public service employees (75% women) have received an average of 8.6% salary increases, and (iii) increase in kindergarten enrolment reached 87.1%, with 28,793 children (49% girls) enrolled in kindergartens. Thus, the total coverage of these measures reached 786,086 vulnerable individuals, almost doubling the target of 423,000.

Outcome Indicator 3 — This outcome comprises two performance indicators: 3.i) The government's commitment to providing up to MNT 930 billion in concessional loans to agriculture sector MSMEs, and 3.ii) By 31 December 2022, custom's duty exemption on 150,000 tons of essential food products with a

value of MNT 300 billion. In the first one, the GOM has significantly exceeded the original target, providing cumulatively, from 2022 until Jun 2023, MNT 1,592 billion with a total of 1527 MSMEs benefiting from concessional loans. For the 3.ii) the target tonnage was achieved in volume with 150,000 Tons and surpassed in value by almost 40%.

Remarks:

N/A

8. Alignment to the objectives and principles of the principles of the COVID-19 Crisis Recovery Facility

The Program complied with AIIB's commitment to support members in responding to the COVID-19 crisis through the Facility. The Program included measures that assisted Mongolia in dealing with the COVID-19 crisis by addressing urgent economic, financial and public health pressures. In preparing the Facility, AIIB anticipated coordination with International Financing Institutions, including ADB. The Program has reinforced AIIB's mandate to promote economic and social development by providing fiscal space to continue with critical economic structural reforms in Mongolia over the medium term with a particular focus on sectors that were hit hard by the pandemic.

9. Implementation of project-specific Environmental and Social instruments

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.

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.

ADB categorized the program as "effective gender mainstreaming," as it was expected to expand social assistance programs for the poor and vulnerable with clear linkages to women's welfare. After achieving all gender-related targets, the Program has been rated successful for gender results, having benefitted a total of 456,293 vulnerable people from tailored social assistance, of which 60.1% (274,456) were women and girls, implying that including gender targets helps ensure that the government delivers on its commitment to women's empowerment and welfare during a period when women are disproportionately impacted by the crisis.

10. Lessons Learned

Lesson Tag	Lesson Description
Operational	Operational coordination was facilitated through: (i) regular project monitoring review; (ii) shared documentation and reporting systems; and (iii)

	policy dialogue with the Government. These arrangements, while common standards in co-financed operations, should be replicated in future policy-based operations to facilitate smooth collaboration and implementation with co-financiers.
Other	AIIB learned important lessons from the Program including (i) quick and flexible nature of countercyclical support to counteract the impacts of the exogenous crises; (ii) tailoring policy actions to the local context ensuring its alignment with the country's development goals and strategies; and (iii) prioritizing social protection initiatives with clear indicators and targets, as well as mechanisms for data collection and reporting.

11. Borrower's Feedback

The borrower has been appreciative of AIIB and the Project Team's professionalism during preparation and implementation and acknowledged responsiveness of the team, in close coordination with the lead co-financier. The borrower also expressed its appreciation of both MDBs, on its adaptability to address challenges that arose during Program implementation.

12. Any Pending issues and Follow-up actions, if applicable

None. The Borrower complied with all the legal requirements including submission of the required information, implementation monitoring and maintaining continuous dialogue with financiers.

13. Achievement of Project Result

Program Results have been satisfactorily achieved. The Program was supposed to deliver three outcomes and results exceeded the target.

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	1,259,484	Quarterly	MOF	Achieved. As of June 2023, 1,259,484 children (52.3% were girls) received MNT 100,000 per month per child through the extended CMP.
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	650,593	Quarterly	MOF	Achieved. As of June 2023, (i) 650,593 insurers (56% women) with monthly wages or equivalent income of less than MNT 1,000,000 have received insurance premium refunds.
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	107,000	Quarterly	MOF	Achieved. As of June 2023, (ii) 107,000 public service employees (75% women) have received an average of 8.6% salary increases.
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	28,793	Quarterly	MOF	Achieved. As of June 2023, (iii) increase in kindergarten enrolment reached 87.1%, with 28,793 children (49% girls) enrolled in kindergartens.
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	Project	MNT bn	2022	0	465	465	465	1,592	2022	465	1,592	Quarterly	MOF	Achieved. As of June 2023, the amount available for the agricultural sector MSMEs is MNT 1.6 trillion with a total of 1527 MSMEs benefiting from concessional loans.

