

Ex-Ante Evaluation (for Japanese ODA Loan)

East Asia Division,
East and Central Asia and the Caucasus Department,
JICA

1. Basic Information

Country: Mongolia

Program: COVID-19 Crisis Response Emergency Support Loan

Loan Agreement: November 5, 2020

2. Background and Necessity of the Program

(1) Current State and Issues with the Novel Coronavirus Response in Mongolia

Ever since witnessing the trend of rapidly rising case numbers of infected persons in neighboring China, with which it shares a border, in January 2020, the Government of Mongolia has announced a succession of strict measures in response to the global spread of the novel coronavirus (hereinafter referred to as “COVID-19”). Mongolia has taken measures such as setting forth a heightened state of readiness, suspending international flight service (excluding charter flights), imposing entry restrictions on overseas visitors, closing its borders along overland routes (aside from those for cargo shipments), and closing schools nationwide. In addition, other measures it has taken include mandating that arrangements be made for work-from-home structures for parents who have infants and young children. What is more, in March the Government of Mongolia released its COVID-19 Pandemic Response Plan, the goal of which is to ameliorate the domestic economic and social impacts of the pandemic crisis, and to prevent COVID-19 and offer medical care for it in a comprehensive manner. After beginning to strengthen its structures to prepare for the spread of the infection within the country, on April 29 the Government of Mongolia enacted the Act to Prevent the Spread of COVID-19 in its efforts to maintain public health.

Such measures have been bearing fruit, and Mongolia has kept its number of infections down to 349 people and the number of deaths down to zero, both of which are at low levels relative to those in other countries. In addition, all of the confirmed infected persons were either people returning home or travelers from overseas, with no cases of community spread having been reported. Given the low number of infected persons and the fact that isolation within designated facilities is functioning effectively, at this point in time there has been no collapse of the medical care system (as of November 2 for each of these indicators).

The strict policies related to preventing infection mentioned above are regarded as having contributed to curbing the spread of infections. At the same time, however, they have led to a rapid economic decline as a result of the country having adopted such a strict response from early on, and particularly due to it having promptly instituted a closure of its border with China, which accounted for approximately 80% of Mongolia’s volume of exports in 2019. A key factor among these has been the decline in the production output and volume of exports of mineral resources (coal, copper, gold, etc.), which constitute the country’s major exports. The economic growth rate of the mining sector in the first quarter of 2020 (January - March) had declined significantly by -29.5% relative to the previous fiscal year, while a similar decline was seen in the trade/service sector that is centered around the transport of mineral resources at -6.8% year-on-year. As such, the economic growth rate for the economy as a whole had fallen as much as -10.9% (National Statistics Office of

Mongolia). With respect to non-railway overland traffic back and forth between China, at the end of March 2020 Mongolia was only permitting drivers of international cargo trucks to enter and leave the country. The expectation is that Mongolia's economy will pick up in the future as China's economy recovers. However, in its most recent report (Global Economic Prospects, June 2020), the World Bank projects an economic growth rate of -0.5% for Mongolia in 2020 (a decline of 6.0% from its projections as of January 2020).

Based on the aforementioned circumstances, in March 2020 the Government of Mongolia provided cabinet approval for the Partial Countermeasures for Economic Promotion in the Wake of the Adoption of a Heightened State of Readiness: Totaling 5.1 Trillion MNT (Mongolian Tugrik; approximately 1.84 billion US dollars). This aims to restore the domestic economy, which suffered serious impacts as a result of the closure of the border, travel restrictions, and other factors, as well as to provide livelihood support for socially vulnerable members of society. In addition, by way of economic measures for the second quarter, in May the Government of Mongolia adopted the Partial Social Security Measures for Economic Revitalization and Public Livelihood Support during the COVID-19 Pandemic: Totaling 0.793 trillion MNT (approximately 280 million US dollars).

In addition, in August an extraordinary session of parliament was held where additional contributions were approved via a supplementary budget for measures like a partial extension of the time period for these economic measures. These economic measures consist of content offering wide-ranging support, including reductions/exemptions of import taxes and value-added taxes for the procurement of medical equipment and pharmaceuticals, increases in allowances for raising children, reductions/exemptions for part of the period over which social insurance premiums are paid as well as for income tax for corporations and individuals, and provision of subsidies and concessional financing to companies.

Preceding this, at the end of April the legislature approved the Measures to Ensure Financial and Economic Stability, Preemptively Prevent Risks, and Digitize Relevant Sectors in Response to COVID-19 in order to mitigate restrictions on the financial sector and undertake institutional improvements conducive to countering COVID-19. Under these measures, consideration is being given to measures like cutting interest on bank loans, adopting preferential mortgage measures for doctors and civil servants, and digitizing administrative services.

The Government of Mongolia is working on a plan to cover the financing gap in its FY2020 budget (of approximately 1.7 billion US dollars) that will arise as a result of implementing these additional economic and social security policies. This will be achieved through efforts like external borrowing (from international financial institutions, bilateral aid agencies, etc.), reassessing its annual expenditure plan for its FY2020 budget, supplementing this with a Stabilization Fund funded by revenue earned from mineral resources in the past, and issuing government bonds denominated in the local currency within the country.

The COVID-19 Crisis Response Emergency Support Loan (hereinafter referred to as "the Program") is designed to support the Government of Mongolia, which adopts its aforementioned responses to COVID-19 through financial support in light of the need for financing described above.

(2) Japan's and JICA's Cooperation Policy and Operations regarding Responding to COVID-19

In its Country Development Cooperation Policy for Mongolia (December 2017), Japan set

forth the overall goal of “Creating sustainable economic growth and social development.” It states: “... our country will support efforts by the Government of Mongolia to secure consistency of the economic development, sufficient distribution of its benefits to people of all layers, and providing sustainable and well-balanced growth.” The JICA Country Analysis Paper for Mongolia likewise designated “Macroeconomic stability and development of industry” and “Creating a sound society” as priority targets. It also aims to simultaneously promote the achievement of economic growth via industrial diversification and expanding support for those remaining in poverty despite the economic growth.

The Program provides support to the Government of Mongolia in carrying out its measures for economic recovery and social security for the socially vulnerable in response to COVID-19, and thus is consistent with the aforementioned policies and analyses. In addition, the Program is also conducive to ensuring peace and stability in a “Free and Open Indo-Pacific” from the perspective of supporting responses to the impacts from COVID-19 globally. It can also be regarded as contributing to six of the SDGs: Goal 1 (No Poverty), Goal 2 (Zero Hunger), Goal 3 (Good Health and Well-being), Goal 5 (Gender Equality), Goal 8 (Decent Work and Economic Growth), and Goal 10 (Reduced Inequalities).

(3) Other Donors’ Activities

The World Bank approved the COVID-19 Emergency Response and Health System Preparedness Project (26.9 million US dollars) at its April 2 meeting of its Board of Directors. This provides emergency financial assistance aimed at efforts like enhancing medical care services and raising awareness of preventative measures that contribute to curbing the spread of infections from COVID-19.

As part of its Countercyclical Support Facility COVID-19 Pandemic Response Option (CPRO), which is an emergency support package implemented by various countries around the world, the ADB approved the implementation of the COVID-19 Rapid Response Program (100 million US dollars) in Mongolia at a meeting of its Board of Directors on May 12. In addition, it is providing additional loans (30 million US dollars) for financial support to the existing health sector, while also meeting emergency financing needs through efforts like providing supplies and equipment to medical facilities.

The IMF approved the Rapid Financing Instrument (approximately 99 million US dollars) for Mongolia at a meeting of its Executive Board on June 3, and has been contributing to closing the financing gap that arose due to Mongolia’s measures to combat COVID-19.

The AIIB approved the COVID-19 Rapid Response Program (100 million US dollars) at a meeting of its Board of Directors on June 19. This consists of emergency financial assistance in the form of co-financing together with CPRO by the ADB mentioned above.

The People’s Bank of China extended the deadline for a currency-swap agreement with an upper limit of 15 billion yuan (equivalent to approximately 2.2 billion US dollars) concluded with the Bank of Mongolia, which had originally been set for July 2017, by three years. Then in July 2020 it extended the deadline for this again by another three years (until July 2023).

3. Program Description

(1) Program Objective

Mongolia is facing concerns that its implementation of strict measures designed to curb the spread of infections of COVID-19 will restrict its economic activities and impoverish small and medium-sized enterprises (SMEs) and the socially vulnerable to a considerable

degree. Therefore, this Program will provide financial support to the Government of Mongolia, which is undertaking activities like public health measures, economic countermeasures, enhancing social security for the socially vulnerable, and more. Through this, it aims to control the spread of infections of COVID-19 within the country and also mitigate and contain the social and economic impact of policies to curb the spread of this disease, thereby contributing to promoting efforts to stabilize and develop Mongolia's society and economy.

(2) Program Site / Target Area

Nationwide

(3) Program Components

The Program will provide financial support to the Government of Mongolia, which is formulating and implementing the economic and social security policies in the table below in order to mitigate the impacts of COVID-19. Since the Program is designed to promote emergency policies, the loan will be disbursed immediately after the issuance of the L/A pursuant to a request from the partner country, with the funds to be incorporated into the general finances of the Government of Mongolia.

Of the various countermeasures implemented by the Government of Mongolia, items that JICA places particular emphasis on regarding their implementation from the standpoint of enhancing social security for the vulnerable and restoring the activities of companies (the underlined sections in the table below) were selected as priority monitoring items. Following the disbursement of the loan, monitoring will be carried out on the implementation status of these items (the monitoring methods will be described below). This is to be done with the objective to confirm whether this Program met the demand for financing for economic and social security policies for COVID-19 countermeasures.

Economic and social security policies to combat COVID-19 by the Government of Mongolia	Sector	Specific activities
Government Ordinance No. 114 (March 2020): Partial Countermeasures for Economic Promotion in the Wake of the Adoption of a Heightened State of Readiness (First stage economic countermeasures)	Enhancing economic assistance and social security for individuals, primarily the socially vulnerable	<u>Partial exemptions for payments of social insurance premiums, payments of short-term subsidies to workers of some companies,</u> partial exemptions of late payment charges for those late in paying their taxes, <u>exemptions of personal income tax on wages/remuneration, additional payments of child allowances,</u> exemptions of late payment charges for electricity fees, exemptions from measures to stop supplying electricity to those late in paying electricity fees
	Support for economic activities	<u>Reductions of corporation taxes on some companies, partial exemptions of payments of social insurance premiums,</u> exemptions of late payment charges for unpaid portions of social insurance premiums, deductions for corporate income tax on rental income under certain conditions, exemptions of import duties and value-added taxes on items like rice and wheat, lowering the fuel prices (for diesel oil, etc.)

	Enhancing public health measures	Procurement of medical devices, implements, pharmaceuticals, and so forth; exemptions of import duties and value-added taxes on supplies related to COVID-19 countermeasures, etc.
	Highly efficient financial controls suited to ensuring budget revenue	Reassessing the priority of public budget investment projects and securing budgets for projects carried forward from the previous fiscal year and investment projects/measures for the health sector in a prioritized manner
Government Ordinance No. 167 (May 2020): Partial Social Security Measures for Economic Revitalization and Public Livelihood Support during the COVID-19 Pandemic (Second stage economic countermeasures)	Enhancing economic assistance and social security for individuals, primarily the socially vulnerable	<u>Adding additional child allowances and extending the payment period, increasing the amount of food coupons for low-income earners, increasing the amount of annual social welfare allowances, subsidies to owners of goats used to produce cashmere</u>
	Revising budget plans for COVID-19 countermeasures	Increasing the amount of gold mined and the export volumes of coal and petroleum, enhancing the management of domestic cargo transport operations, bolstering the production output of agricultural produce, revitalizing the domestic tourism industry, developing regulations and an environment for having hotels and other service facilities resume business activities, implementing activities geared towards boosting the visibility of measures to prevent infection

With regards to monitoring methods, JICA would receive reports on the extent to which the government was discharging its COVID-19-related policies on a regular basis from the Ministry of Finance, with the timeframe for these lasting until June 2021. The Ministry of Finance of Mongolia will confirm the extent to which the quantitative effects (listed in 4. (1)) have been achieved when the Program concludes, based on which it will report this to JICA. The qualitative effects (listed in 4. (2)) will be confirmed via a survey report prepared by the National Statistics Office of Mongolia. In addition, information will be shared with the IMF, World Bank, and ADB, which are also deploying emergency financial assistance to Mongolia, similar to this Program, as well as the UNDP, which is playing a coordinating role for the COVID-19 countermeasures between the different donors in Mongolia. As such, efforts will be made to broadly determine the implementation status of the economic and social security policies designed to counter COVID-19 of the Government of Mongolia.

Through its technical cooperation projects and the like, JICA will collect information on the implementation status of economic and social security policies to combat COVID-19 by the Government of Mongolia and their impact. Based on this, it will derive lessons for coping with emergency situations similar in nature to the COVID-19 epidemic for the future, which it will report to the Government of Mongolia together with its opportunities for consultations over the aforementioned monitoring. In particular, information will be collected from the following perspectives for the following JICA technical cooperation projects that are currently being carried out in the areas of governance, healthcare, and social security.

- Project for the New Tax Law Enforcement by Strengthening Capacity of Implementation of Mongolian Tax Administration: The impact the various reduction/exemption measures used as COVID-19 countermeasures have had on tax revenue in FY2020,

and the appropriate scope of reduction/exemption measures during emergency situations.

- Project for Strengthening the Government Capacity of Public Investment Plan: Over the course of reassessing annual expenditure plans for COVID-19-related budgets, were reappraisals of the priority of public investment plans carried out appropriately based on the public investment plan formulation guidelines whose formulation was supported through this project?
- Project for Strengthening Post-graduate Training for Health Professionals in Primary and Secondary Level Health Facilities and Project for Strengthening Post-Graduate Training for Medical Doctors and Nurses: Usage and deployment status of infection prevention training packages whose formulation was supported via these projects, budget measures for times of normalcy and during emergencies for training healthcare professionals, and methods for properly handling implementation.
- The Project for Strengthening Teachers' Ability and Reasonable Treatments for Children with Disabilities (START) Phase 2 and Project for Establishing Structures to Support the Independence of Persons with Disabilities: The impact that restrictions on going out and school closures resulting from COVID-19 have had on the lives of children and individuals with disabilities themselves, as well as on the household budgets of their families, etc.

(4) Estimated Program Cost (Loan Amount): 25,000 million yen

(5) Schedule

Financial assistance from this Program was set to begin April 1, 2020, which is when the Partial Countermeasures for Economic Promotion in the Wake of the Adoption of a Heightened State of Readiness of economic countermeasures by the Government of Mongolia, began. The Program will conclude as of when the loan is disbursed (scheduled for December 2020).

(6) Program Implementation Structure

- 1) Borrower: The Government of Mongolia
- 2) Executing Agency: Ministry of Finance of Mongolia

(7) Cooperation and Sharing of Roles with Other Donors

- 1) Japan's Assistance Activities: None in particular.
- 2) Other Donors' Assistance Activities: None in particular.

(8) Environmental and Social Considerations / Cross-Cutting Issues / Gender Category

1) Environmental and Social Considerations

- ① Category: C
- ② Reason for Categorization: The Program was deemed to minimize undesirable impacts on the environment based on JICA Guidelines for Environmental and Social Considerations (JICA Guidelines) (promulgated in April 2010).

2) Cross-Cutting Issues

- ① Matters related to Combating Climate Change: None in particular.
- ② Poverty Countermeasure and Considerations: The social security policies of the Government of Mongolia contain numerous elements that directly benefit those in

poverty. These include increasing child allowances, increasing the amount of food coupons for low income-earners, and temporary exemptions from income taxes on earned income. As such, the Program contributes to curtailing the increase in households in poverty, which are highly likely to increase given the economic crisis.

- ③ Measures for Infectious Diseases Including HIV/AIDS: None in particular.
- ④ Participatory Development: None in particular.
- ⑤ Considerations for Persons with Disabilities, etc.: The social security policies of the Government of Mongolia included an increase in social welfare annuity allowances aimed at persons with disabilities and their families, and therefore contributed to mitigating the impact of COVID-19 on said persons with disabilities.

3) Category of Gender: ■GI (S) (Activities with gender perspectives integrated)

<Description of activities and reason for classification>

The expectation is that the programs of the Government of Mongolia will include a large number of women as beneficiaries, especially the economic measures and social security policies aimed at general households and SMEs and micro enterprises. Therefore, these have been categorized as activities with gender perspectives integrated.

(9) Other Important Issues

The Government of Japan is providing Grant Aid (Economic Social Development Program) by way of COVID-19 countermeasures in Mongolia, and has been supplying ambulances, high concentration oxygen generators, and other health and medical care-related supplies.

4. Targeted Outcomes

(1) Quantitative Effects

Outcomes (Operation and Effect Indicators)

Indicator**	Baseline (Actual Value in March 2020)	Target (March 2021)
Number of workers (who are socially vulnerable) exempted from payments of their social insurance premiums for a six-month period (Apr. 1 – Oct. 1, 2020) (corresponding to Government Ordinance No. 114 1.1 and 1.2)	0	Compelled enrollees: 401,800 Voluntary enrollees: 144,300
Number of companies exempted from payments of their social insurance premiums for a six-month period (Apr. 1 – Oct. 1, 2020) (corresponding to Government Ordinance No. 114 1.1 and 1.2)	0	38,400
Number of people who received temporary benefits* for workers employed at private companies that suspended business operations or that maintained employment despite seeing their revenue reduced by half in February and March 2020 due to the coronavirus pandemic (corresponding to Government Ordinance No. 114 1.3)	0	73,000 (6,900 companies)

*200,000MNT***		
Number of SMEs and micro enterprises exempted from corporate income tax for a nine-month period (Apr. 1 – Dec. 31, 2020) (corresponding to Government Ordinance No. 114 1.4)	0	100,300
Number of workers exempted from income taxes on account of their wages / remuneration for a six-month period (Apr. 1 – Oct. 1, 2020) (corresponding to Government Ordinance No. 114 1.9)	0	700,000
Number of people who received an increased amount of child allowance payments* over a nine-month period (Apr. 1 – Dec. 31, 2020) (corresponding to Government Ordinance No. 114 2 and Government Ordinance No. 167 5.1) *20,000 MNT/month→100,000 MNT/month	0	1,250,000
Number of people who received an increased amount of food coupons provided to low income earners over a six-month period (Apr. 1 – Oct. 1, 2020: aimed at children) or a nine-month period (Apr. 1 – Dec. 31, 2020: aimed at adults) (corresponding to Government Ordinance No. 167 5.2) *Adults: 16,000 MNT/month→32,000 MNT/month Children: 8,000 MNT/month→16,000 MNT/month	0	Adults (Apr. 1 – Oct. 1): 22,000 (Oct. 1 – Dec. 31): 24,000 Children: 117,000
Number of people who received an increased amount of social welfare annuities and allowance payments for persons with disabilities and their families over a nine-month period (Apr. 1 – Dec. 31, 2020) (corresponding to Government Ordinance No. 167 5.3) * 188,000 MNT/month→288,000 MNT/month	0	73,300

** The definitions of terms and scope of eligibility for each indicator correspond to those in the economic and social security policies for COVID-19 countermeasures by the Government of Mongolia (Government Ordinance Nos. 114 and 167).

*** 1MNT=Approximately 0.041 yen

(2) Qualitative Effects

Stabilizing Mongolia's economy and society by stabilizing the lives of the vulnerable (curtailing the growth in the poverty rate, curtailing the growth in the unemployment rate, etc.).

(3) Internal Rate of Return

Since the Program is a program loan, the internal rate of return will not be calculated.

5. External Factors and Risk Control

(1) Preconditions: Not in particular

(2) External Factors:

These include countermeasures to combat infection by COVID-19 being maintained around the world and avoiding a rapid worsening of economic conditions worldwide.

6. Lessons Learned from Past Programs

From the results of the ex-post evaluation on the ODA loans for emergency financial assistance to three countries in Southeast Asia (2009) implemented at the time of the financial crisis of 2007-2008, one lesson learned pointed to how extremely important the timing of providing assistance is when one of the objectives of the emergency financial assistance is to promptly provide financing in order to encourage rapid responses to a crisis. Other lessons learned point to the advisability of working to simplify procedures up through the provision of assistance to the extent possible, as well as ensuring a dynamic and flexible structure ahead of time. Specifically, in light of the objective of the emergency financial assistance, the lesson was learned that confirming the two points of the financial plans (demand for financing) and economic stimulus measures suited to the crisis would presumably provide leeway for the schemes in the sense of making provisions possible.

Based on the above, the Program emphasized speed in terms of providing emergency financial assistance. As such, the aim is to expedite the program formation and provision of funds in Mongolia by means of measures like setting monitoring indicators based on the COVID-19 countermeasures in Mongolia and simplifying procedures. For example, in Mongolia the issuance of an L/A would, as a general rule, require ratification by a cabinet meeting and a committee within the legislative assembly, but for this Program it was affirmed that this could be handled solely via approval by the committee.

7. Evaluation Results

The Program provides assistance for the economic restoration and measures for the socially vulnerable being addressed by the Government of Mongolia by way of countermeasures for the COVID-19. As such, it is consistent with the development challenges and development policies of Mongolia, as well as the cooperation policies and analyses of Japan and JICA. In addition, the thinking is that the Program will contribute to SDG Goal 1 (No Poverty), Goal 3 (Good Health and Well-being), and Goal 8 (Decent Work and Economic Growth). Thus, there is a strong need to implement the Program.

8. Plan for Future Evaluation

(1) Indicators to be Used

As indicated in Section 4.

(2) Timing

Ex-post evaluation: Two years after program completion

End