

Rapid Socio-Economic Impact Assessment of the Covid-19 Pandemic on Vulnerable Groups and Value Chains in Mongolia

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Abstract

The aim of the study was to assess the socio-economic impact of implemented measures against the COVID-19 pandemic in Mongolia on vulnerable groups and value chains as well as provide a snapshot of the impact of COVID-19 and help define the current situation. Moreover, the findings from the assessment were intended to inform the government on possible targeted service measures to mitigate negative effects and increase community resilience.

Keywords:

Covid-19, vulnerable groups, value chains, Mongolia.

Ulaanbaatar, Mongolia

2020



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IMPACT ASSESSMENT OF
COVID-19
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VALUE CHAINS IN MONGOLIA

MAY 2020



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General disclaimers:

This rapid assessment was conducted by the Economic Research Institute of Mongolia under a contract with UNDP.

It provides a snapshot of the impacts of COVID-19 prevention measures on vulnerable groups, and selected value chains. The findings, analysis, and recommendations of this assessment do not represent the official position of UNDP, or of any of the UN agencies listed in this document.

WHAT:

UNDP Mongolia conducted a rapid socio-economic assessment on the impact of COVID-19 prevention measures on vulnerable groups and value chains, in Mongolia, between March 30th and April 10th, 2020.

The pandemic is affecting everyone and threatening progress made towards achieving the Sustainable Development Goals (SDGs). This assessment will contribute to defining development responses during the COVID-19 crisis, while also ensuring that no one is left behind and safeguarding progress on the SDGs.



The assessment is specifically focused on vulnerable groups including households with persons with disabilities; households that have migrated to and from Ulaanbaatar city in the past 2 years; single mother households; youth, the elderly and herders. Surveys were held with these groups in 6 aimags (provinces), Sukhbaatar, Darkhan-Uul, Umnugovi, Orkhon, Zavkhan and Govi Altai, and 6 districts of Ulaanbaatar city.

HOW:

The assessment at the household level was conducted via a quantitative evaluation survey of **397 households**. Assessments for local governments and businesses, engaged in disrupted value chains, were conducted via qualitative interviews.

UNDP Mongolia closely collaborated with Government partners such as the Ministry of Food, Agriculture and Light Industry, the Ministry of Labor and Social Protection, as well as UN Agencies, including UNFPA, UNICEF, FAO, ILO, and IOM, in consultation with the Resident Coordinator's Office.



What did we find out?



Health:

COVID-19 prevention measures have a noticeable impact on health care accessibility

17%

Of individuals who need regular medical check-ups were not able to do so due to COVID-19 prevention measures.

6.2%

Of individuals who experienced health problems during the assessment period could not get treatment due to travel bans.

The Government of Mongolia successfully prevented the spread of COVID-19, as of May 2020. It was proactive and took early measures, such as closing schools and banning public gatherings, since January 27th, to prevent the spread of COVID-19. The government also halted all international commercial flights. Due to these preventive actions, and the fear of getting infected, numerous people faced challenges, in accessing health services.



Interviews with local administrations indicated that a majority of staff now have increased awareness, knowledge, and experience managing communicable diseases. Yet, challenges remain, such as the lack of hospital equipment, protective items, quarantine housing, and communications infrastructure. The revenue of local hospitals has also fallen as the number of examinations and diagnoses have decreased, leading to reduced patient fees and reduced transfers from the Health Insurance Fund.



"We have faced difficulties as the supply of materials, from examination gloves and surgical threads to laboratory substances, have been cut, due to import disruptions. As people have been advised to stay at home and call for medical assistance, the number of out-clinic patients decreased by a significant amount."

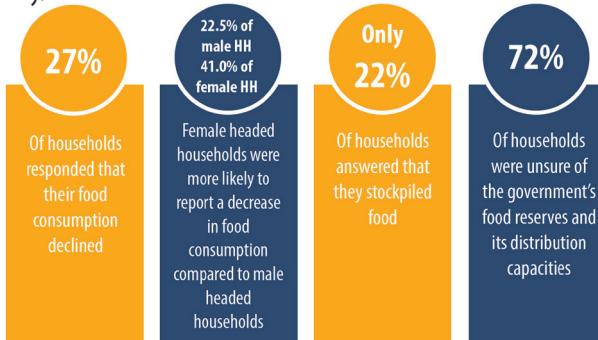
A department head of a district health center



Nutrition

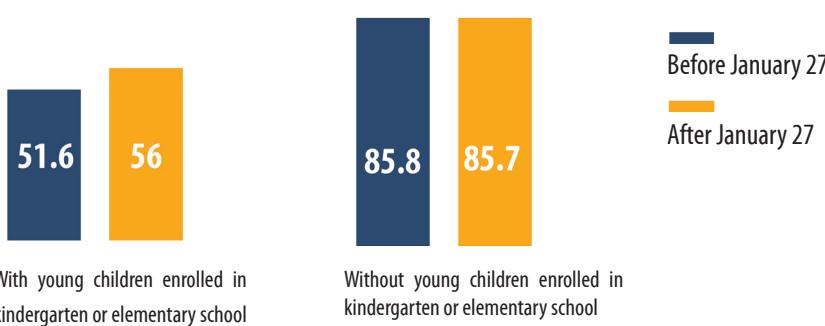
Food consumption of households has decreased

COVID-19 prevention measures by the Government and the economic slowdown negatively impacted household food consumption. The range of the impact varied among different types of households at the time of the survey.



27% of households responded that their food consumption decreased due to lower household income and the increase in food prices, including meat, flour, and dairy products. Only 22 percent of households said that they stocked food, in case of a potential communal outbreak. Of the households that stored food, the majority had less than 3 weeks of stocks.

Kindergartens and school closures resulted in food consumption increase at households with pre or school aged children by thousands of MNT



In contrast to average figures, the food consumption of households with pre-school or elementary school children increased by 8.6 percent or 5.4 thousand MNT, as children had their meals at home, and not kindergartens or elementary schools.



Childcare:

COVID-19 prevention measures have increased the child-care burden



41.6%

of households responded that they are looking after children at home, due to the closure of kindergartens and schools, as part of the national state of heightened alert and preparedness.



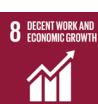
12.7%

of households with added child-care commitments, as a result of COVID-19 prevention measures, responded that their children were either left alone at home, or with underage siblings. This arrangement puts children at high risk for domestic accidents.



34%

of the households reported additional costs associated with child-care, as a result of kindergarten and school closures.



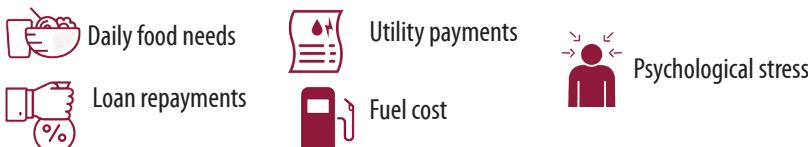
Income and employment:

Which vulnerable groups are most impacted by COVID-19?

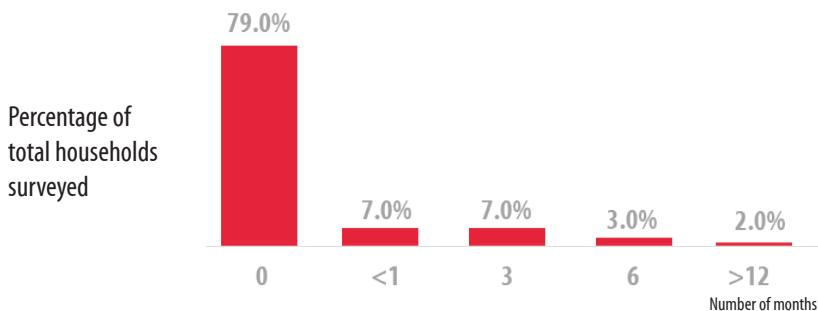
	Income	Consumption
Migrants	High decrease	High decrease
Young households	High decrease	Low decrease
Herders	Low decrease	Minimal decrease
Households on food stamps	Low decrease	Minimal decrease
Households with disabled person	Low decrease	Minimal increase
Single mothers with three or more children	Low decrease	Minimal increase

Young households; households that have migrated to and from Ulaanbaatar city in the last 2 years; herders; households on food stamps, and households with disabled persons were most vulnerable, of being in poverty, at the time of the survey. Households with disabled persons and single mothers experienced a slight increase in food consumption and their income declined, which will likely affect their livelihoods, if no further social protection is provided. Young households, in particular, were most at risk of falling into poverty, due to their lack of social insurance and savings.

Top 5 challenges faced by households due to a decrease in income:



Sufficiency of cash reserves to sustain consumption



79% of households surveyed reported having no cash reserves. For those households with cash buffers, most had saved only enough to sustain consumption for less than 3 months.

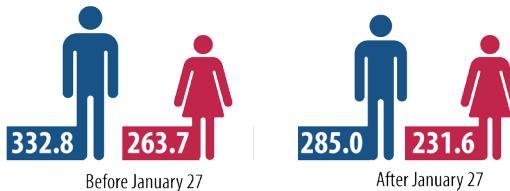


Gender Equality:

Female headed households are struggling

The average monthly income per person for households with a female head was lower than households headed by a male. Since the declaration by the Government of a state of heightened alert and preparedness, the average monthly income per person of female headed households declined significantly. Women are more exposed to a loss of employment and a decrease in wages. Though most employers are giving women flexible work options, 25.6% of paid employed women responded that they are working shorter hours, from home, or on paid leave.

Average monthly income per person, by household head gender, thousand MNT



42.1% of ♂ had a change in paid employment with 27.1% having a decrease in wages

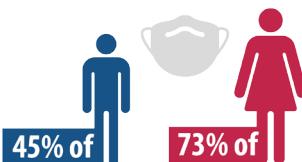
48.2% of ♀ had a change in paid employment with 29% having a decrease in wages

In terms of changes in household nutrition, since the declaration of a state of heightened alert and preparedness, female headed households reported more adverse changes. Since female headed families tend to have a lower income, the income decline coupled with rising food prices is likely to result in reduced food consumption.

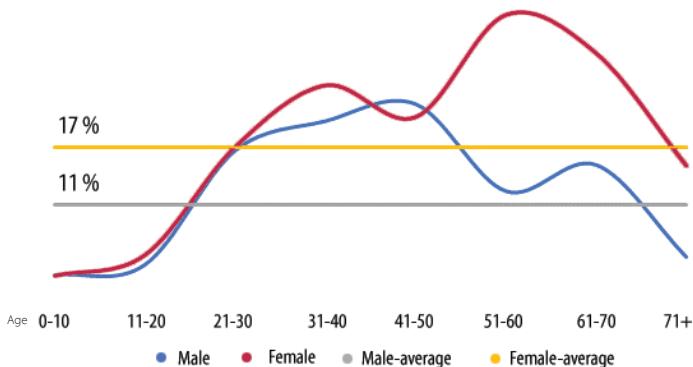
Changes in household nutrition by gender of household head, percentage share

	Male headed	Female headed
No change	74.7	52.0
Less food consumed	22.5	41.0
Increased	2.7	7.0

Unable to buy weekly supply of masks



Psychological stress rate due to COVID-19 by gender and age group



Due to the additional burden on taking care of children, income loss, and worry about the risk of an outbreak, women are more likely to experience psychological stress related to COVID-19 compared to men. For both sexes, the share of stress experienced due to COVID-19 increases with age until age 50. While the rate tends to decline among men aged 50 and above, the rate continues to increase until age 60 among women.

What did people say?

11 SUSTAINABLE CITIES AND COMMUNITIES



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



Local administrations:

The majority of local administrations implemented COVID-19 prevention measures funded by Local Reserve Funds. As the budget for the Local Reserve Funds was decided at the beginning of the year, it was sufficiently well funded when COVID-19 prevention measures were put in place. Some soums overcame budgeting challenges and funded measures from other budget items or other funds, such as the Disaster Risk Fund and Local Development Fund, and by borrowing supplies and materials from other organizations.

However, moving forward, it is likely that local budgets will face financial difficulties. Most local administrations said that budget revenue was disrupted, and they overspent the budget and depleted the Local Reserve Fund on COVID-19 prevention measures. Moreover, the incomes of local hospitals have also lessened, as the number of examinations and diagnoses decreased, leading to reduced income from patient fees and reduced transfers from the Health Insurance Fund.

1 NO POVERTY



8 DECENT WORK AND ECONOMIC GROWTH



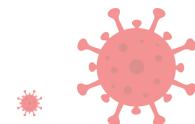
SME, income, and employment:



The outbreak of COVID-19, as well as the declaration of a state of heightened alert and preparedness by the Government of Mongolia, has had an overall negative impact on businesses. This is evident from key macroeconomic indicators and is supported by the qualitative studies conducted primarily with small and medium enterprises, for this rapid socio-economic impact assessment.



Impacted areas



Sales

Overall, businesses expect economic conditions and their sales to continue to decline. Of the 40 businesses interviewed, 37 businesses expected their sales to decrease further, one business expected future sales to increase while the remaining two expected no significant fluctuation in sales. For instance, a food factory that experienced increased sales during the social distancing period, said they expect future sales to decline. The same outlook persisted for a factory making construction materials and a pharmacy whose sales were not affected at the time of the survey, highlighting the pessimistic view of most businesses.



Supply chain

Supply chain disruptions were mainly noticed in the procurement of inputs and raw materials, due to border closures. The shortest supply chain disruption lasted 7 days, while many businesses continued to face supply chain disruptions that were intermittent.

Inter-city travel bans, and the closure of some rural roads, in place during the survey period, also affected businesses. One rural transportation company mentioned that a large order to transport construction materials was cancelled, due to the closure of inter-city roads. For rural restaurants and hotels, the supply of several vegetables and ingredients bought from Ulaanbaatar were delayed, due to the closure of inter-city roads.



Value chains

The research team interviewed 70 herder households which were engaged in the meat and cashmere sectors. Furthermore, in-depth interviews with 12 businesses captured the impact of COVID-19 prevention measures, on supply chains in the cashmere and meat sectors.

Cashmere:

1. Herder households



As a result of COVID-19, global demand for cashmere fell drastically, leading to a decline in raw cashmere prices. While herders were concerned about the decrease in raw cashmere prices, the Government made an announcement to maintain the price of raw cashmere at prices observed last year.

A cashmere wholesaler from Munkhkhaaan soum in Sukhbaatar province expressed that: "Cashmere buyers from China have not been able to enter Mongolia. Mongolian factories want to buy cashmere at extremely low prices."

2. Cashmere factories



Cashmere processing factories have also been negatively affected by COVID-19 related measures. **25 PERCENT OF** cashmere in Mongolia is processed into final products, while **75 PERCENT** is exported semi-processed (MOFALI, 2018). In this sector, women are predominant employees, as **85 PERCENT** of all factory workers in

Mongolia are female (Mongolian Wool and Cashmere Association, 2018). The sales of final products have decreased due to lowered demand for cashmere goods in Europe, as the main buyer, since the global COVID-19 outbreak. Domestic sales have also declined due to disruptions in the tourism sector, caused by border closures. The export of semi-processed cashmere has deteriorated as well, due to border closures with China.

Meat:

As consumption in the meat sector is domestic, the meat sector has been less negatively affected by COVID-19. Domestic demand for meat has not fluctuated significantly.

Nonetheless, meat processing factories and meat exporters still face challenges.

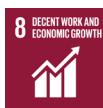


A meat processing factory that makes most of its annual profit from selling ham and buuz in addition to offering services to prepare and cook larger cuts of meat for the Lunar New Year, reported **a revenue reduction of 80%**, in February 2020, due to the restriction of large-scale celebrations.



Overall, the export of produced goods was disrupted by border closures. This has resulted in additional costs, due to the need to store goods for the long-term.

Items such as packaging, equipment, and the supply of spare parts, are all difficult to find domestically. This was observed even for businesses such as meat processing factories, which do not rely heavily on imported equipment and materials.



Response measures to the impact of COVID-19

Immediate actions taken by businesses

- Requested banks, tax offices and partners to postpone payments
- Obtained loans from individuals and non-bank financial institutions
- Provided paid leave, reduced salary, or dismissed some employees
- Expended savings



Support requested by businesses from the government

- Extend/postpone loan repayments
- Subsidize wages
- Exempt utility payments
- Offer loans to businesses affected by COVID-19 prevention measures
- Corporate income tax exemptions/extensions
- Compensate revenue losses
- Support the import of necessary materials
- Exempt social welfare payments

What can be done?

PROTECT PEOPLE

Protect the livelihoods and wellbeing of those that are most marginalized.

Although pensions and welfare benefits for vulnerable groups such as children, the elderly, and people with disabilities continue to be provided regularly, these fixed incomes are low and many continue to face difficulties. As a result of COVID-19, rising food prices, particularly of meat; loss of income; and providing additional care to children, are additional burdens, especially to households that are already below the poverty line.

While a majority of herders livelihoods were not yet affected in the first quarter of 2020, this is expected to change, as the pandemic continues and the price of agricultural goods fall. For instance, due to COVID-19, the global price of cashmere fell, which is the main source of income for many herders. With declining exports, domestic cashmere processing factories are less inclined to buy raw cashmere, negatively affecting domestic demand. Moreover, it is unclear when the price of cashmere will stabilize again. To address these challenges, efforts are needed to ensure stimulus packages are orientated towards the poor and the most marginalized.

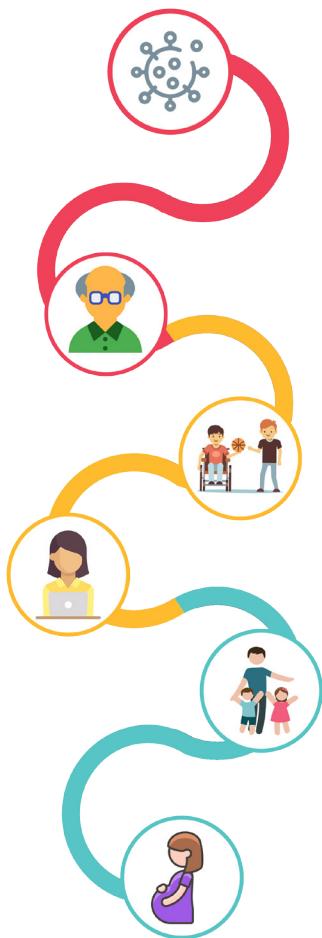
Address the disproportionate burden of care and socio-economic impact on women.

With the closure of schools and kindergartens, many households now have to take care of children at home. The burden of childcare disproportionately falls on women, whose household workload has also increased, as they must cook more often and ensure children are attending online classes.

As children stay at home for prolonged periods, their daily schedules are disrupted and they are likely to experience psychological stress, loneliness, fall behind in schoolwork, and lack exercise.

Another major issue, since the declaration of the state of heightened alert and preparedness is the increase in domestic violence against women and children. This is likely due to quarantine measures, reduced working hours and employment, the closure of bars and other places of entertainment, and the subsequent increase in alcohol consumption at home. It is critical therefore that any preparedness and response plans incorporate gender assessments, and address the different socio-economic impacts women face.

Additionally, it is worth noting that the sectors most negatively affected by the pandemic such as trade, services, and textile sectors, predominately employ women.



PROTECT BUSINESSES



Protect businesses, especially small and medium enterprises, that have been severely hit

Households that rely heavily on wages and personal businesses for income, are at a higher risk of losing their main source of income. This risk is especially stark for those that work in the private manufacturing and services sectors, as well as those who rely on exports and imports. These include the wholesale, retail and trade sector, textiles, mining, hotels and accommodation, food services and the tourism sector. Efforts are needed to ensure safety nets and favorable loans are provided as an essential strategy for recovery. Also, further actions should ensure business continuity, in case of lockdown measures.

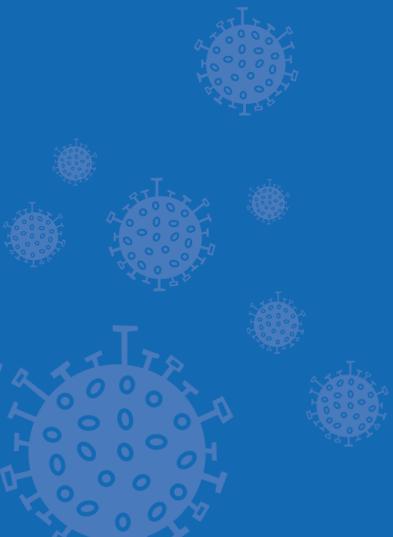
BUILD BACK BETTER



Build near and long-term resilience and focus on sustainability of the environment, addressing inequalities and reaching the SDGs.

Efforts to manage and control the COVID-19 pandemic have caused diversion of resources and political focus needed for efforts to address other critical priorities, such as climate change, the fight against poverty, displacement and disaster risk. These efforts could further aggravate or threaten to set back gains made towards meeting the SDGs. It is also possible that any potential risk could magnify and aggravate other risks, for example, the occurrence of dzud and drought, in regions where livelihoods are already stressed by COVID-19. So, it is vital to ensure that value chains are climate-resilient and sustainable. Efforts to recover must therefore attend to environmental and social aspects that are essential to attain the SDGs.





**#LeaveNoOneBehind
#BuildBackBetter**