

# **ТӨРИЙН УДИРДЛАГА, УЛС ТӨРИЙН ШИНЖЛЭХ УХААНЫ ОНОЛ-ОЛОН НИЙТИЙН ХАРИЛЦАА**

## **ELECTORAL CYCLES AND POLICY EFFECTIVENESS: EVIDENCE FROM SOCIAL ASSISTANCE PROGRAMS IN MONGOLIA**

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***Abstract:*** *This study examines how political incentives influence the effectiveness of social assistance programs (SAPs) in Mongolia, using the Newly-Married Couple Money Program as a case study. The impact of both starting and ending the program is examined by employing multiple interventions in the Interrupted Time Series Analysis on the data of marriages from 2000 to 2019.*

*From the obtained results, one can see that the introduction of the program leads to the sudden growth in the rate of marriages, while its termination shows the gradual decrease in the rate of marriage until the program ended. Thus, the program had proven its success at affecting people's choices positively, yet was not capable of providing sustainable behavior modification. As a result, this paper demonstrates the inefficiency of SAPs and provides insights into the influence of political incentives on policy execution.*

***Keywords:*** *Social Assistance Programs; Electoral Cycles; Policy Effectiveness; Interrupted Time-Series Analysis; Clientelism; Cash Transfers; Mongolia*

## **INRODUCTION**

The government programs of social assistance are critical in poverty reduction and protecting people at risk, especially in developing countries and post-socialist states. During the last two decades, such programs have become increasingly widespread due to their increasing recognition of social benefits in

improving the situation within society. Nevertheless, beyond their official mission, social assistance policy can be viewed through the prism of political motivations that could play a decisive role in shaping it. For example, in a democratic environment with competing political parties, the government might use the social assistance programs not only for social protection but also for securing an electoral advantage (Kitschelt & Wilkinson, 2007; Stokes et al, 2013; Lind, 2022).

In political economics, there is a vast amount of scholarly research that examines the impact of political incentives in democratic systems on the political party promises regarding government spending on social policies and social assistance programs (Brun & Diamond, 2014). In terms of efficiency of social policies, such incentives have negative implications for the efficiency of social policy measures. The reason for this is the fact that although they would provide access to additional financial means immediately, the aim of the policies will be distorted due to ineffective targeting of funds. This may lead to inefficiency in allocating finances to less important areas.

This is particularly relevant in the case of Mongolia, where there has been considerable growth in social assistance policies, at the same time that a competitive democracy has taken root. With its election processes and political dynamics, Mongolia creates a scenario whereby political actors are able to use their influence to manipulate public resource allocations towards achieving certain clientelist goals (Uganbayar, 2012). It becomes easier to manipulate social assistance policies and cash transfers because of the very clear effects they have on people, making them an even more crucial part of elections.

There are not many studies on how clientelist pledges affect the implementation of social assistance policies and whether these policies accomplish their intended purposes. Little information is available on what happens when politically motivated pledges are made and how this impacts the achievement of objectives set by social assistance policies.

The present study intends to bridge this knowledge gap through a critical examination of how clientelist electoral cycles affect the effectiveness of social assistance programs in Mongolia, specifically through analyzing observations derived from the Newly-Married Couple Money Program. In particular, this paper will explore the extent to which the Newly-Married Couple Money Program, which was proposed by the Mongolian People's Revolutionary Party in 2004, had any influence on the distribution of benefits and targeting accuracy of social assistance programs.

Utilizing both electoral data and longitudinal marriage statistics compiled from the Mongolian Statistical Information Service, this paper examines trends in the implementation of policies and their implications for social policy benefits before and after election cycles. Thus, in addition to contributing to the social policy

literature, this paper also contributes to the body of knowledge on politics and economics by analyzing the role that clientelism may play in the effectiveness and benefits of social assistance programs.

## **LITERATURE REVIEW**

Evaluating the effectiveness of social assistance programs should not rely solely on assessing their design and outcomes, but it is necessary to consider a wide range of political factors that can influence the process of program implementation and benefit distribution among different population groups. Electoral motives and clientelism could play an important role in the implementation of social assistance programs and the distribution of welfare benefits. Despite the numerous studies devoted to social protection systems and political economy, little attention has been paid to the interaction of electoral politics and policy effectiveness.

It is crucial to analyze the existing literature and understand the nature of the problem before starting the research. The present paper was written with the aim of providing a literature review about the connection between electoral politics and social assistance policy effectiveness. This research will investigate social assistance policy effectiveness, electoral cycles, and the political economy of social policy, as well as the nature of clientelism and its effect on welfare benefits distribution. Finally, the current research will explore the social protection system of Mongolia and existing research regarding social assistance programs in the country. It will help to reveal possible research gaps and find out what aspects should be.

### *A. Social Assistance and Policy Effectiveness*

Social assistance programs represent one of the key elements of social protection systems, particularly in developing countries and post-socialist regimes. Such programs have public policy goals to reduce poverty, improve income security, and promote social inclusivity. According to the explanation of Armando Barrientos (2013), social assistance is an instrument to deal with structural poverty and promote social inclusion, especially in cases where labor markets do not guarantee a basic standard of living. The World Bank (2018) also highlights that properly functioning social safety nets can positively affect the well-being of vulnerable families and individuals and help them overcome economic shocks.

Coverage, targeting efficiency, adequacy of transfers, and contribution to poverty reduction usually serve as key criteria for assessing the effectiveness of social assistance policies (Barrientos, 2013; World Bank, 2018). The programs that effectively cover their target groups without making too many mistakes concerning the inclusion and exclusion of beneficiaries are considered to be successful. However, there is a growing body of literature showing that the implementation

process and governance structures are important for evaluating policy effectiveness (Mukherjee & Bali, 2019).

### *B. Social Assistance: Political Economy of Social Policy and Electoral Cycles*

There are several insights provided in the literature on political economy regarding the effects of electoral incentives on the development of public policy. One of these insights is known as the political business cycle theory, which implies that political administrations use certain tools to control the economic situation in order to win elections. In turn, the idea was developed by Alberto Alesina, Roubini, and Cohen (1997), who proved that fiscal policies, including spending and public expenditures, usually vary depending on the electoral cycle.

Thus, in terms of social assistance programs, electoral incentives can make the government implement a policy of increasing social support or reducing eligibility criteria before the election time (Alesina et al., 1997; Nordhaus, 1975). Although these approaches provide an advantage for the government in terms of winning elections, in the long run, they can result in poor policy implementation and inefficient spending.

### *C. Clientelism and Welfare Distribution*

Closely connected with electoral cycles is the idea of clientelism, which deals with how political incentives affect the distribution of public goods at the micro-level. Clientelism involves the exchange of material goods and services for political support, usually through patron-client ties. According to Susan C. Stokes (2005), such political mechanisms generate what she calls "perverse accountability," whereby political actors reward their supporters instead of fulfilling their obligations to the general population. In a similar vein, Herbert Kitschelt and Wilkinson (2007) explain that in numerous developing and transitional democracies, targeted transfer programs play a crucial role in mobilizing political support.

Clientelist mechanisms may severely undermine the distributional process of social assistance programs, with politically affiliated groups gaining more benefits than individuals who are actually eligible to receive them. Such a distribution may reduce the efficiency of target selection, increase the likelihood of inclusion and exclusion errors, and lower the extent of redistribution. Research indicates that cash transfer programs face high risks of being manipulated, mostly because of their transparency and immediate effects on the beneficiary population (Kitschelt & Wilkinson, 2007; Stokes, 2005).

### *D. Social Assistance and Political Dynamics in Mongolia*

Despite extensive global research on political economy and social policy, relatively limited attention has been paid to these dynamics in Mongolia. Since its transition to a market economy and democratic governance in the 1990s, Mongolia has developed a range of social assistance programs aimed at reducing poverty and

supporting vulnerable populations. Reports by the Asian Development Bank (2016) and the World Bank (2020) document significant progress in expanding social protection coverage, including the implementation of various cash transfer programs.

At the same time, Mongolia's political system is characterized by regular elections, competitive party politics, and shifting political alliances, which create incentives for the strategic use of public resources. Existing research has largely focused on program design, fiscal sustainability, and poverty outcomes. However, there is growing recognition that political factors may also shape policy implementation. For example, Uuganbayar (2012) suggests that political competition in Mongolia creates opportunities for clientelist practices in the allocation of public goods.

Nevertheless, empirical studies examining how electoral cycles influence the effectiveness of social assistance programs in Mongolia remain scarce. In particular, there is a lack of case-based research linking political incentives to measurable policy outcomes such as targeting accuracy, benefit distribution, and poverty impact. This gap restricts our knowledge of how democratic processes influence welfare policy in the Mongolian context.

Existing literature indicates that although social assistance programs play an integral part in the process of poverty reduction, the effectiveness of such programs is affected by both political and technical issues. Political business cycle theory and clientelism theories help us to understand possible political influences on policy execution. Yet, there is a lack of empirical evidence regarding how these theories work in the context of a certain country. Specifically, there is a lack of research concerning social assistance programs in Mongolia. The current study helps to address the gap in the literature.

#### *E. Theoretical Framework*

The current research is based on the political economy of public policies approach, which stresses the importance of political incentives in the decision-making process. More specifically, the research applies the concepts of electoral cycles and clientelism in order to analyze the impact that politics may have on the provision of social assistance programs and their effectiveness in Mongolia.

This model starts with the political business cycles theory. The theory states that governments change their policies and expenditures depending on the electoral incentive. This was discussed by William D. Nordhaus (1975), who suggested that incumbent governments use manipulation of the policy instruments to increase the probability of being re-elected. According to Alberto Alesina et al., fiscal policies, such as expenditures, change from one election cycle to another (Alesina et al., 1997). In terms of social welfare programs, this means that there is an opportunity

for the government to manipulate expenditures related to the social welfare programs to win political support.

However, while the electoral cycle theory provides a theoretical explanation as to why policy changes take place, it fails to account for the dynamics involved in this process. To overcome this limitation, the research proposes to use clientelism as an intermediate explanatory variable in this framework. Clientelism is understood as the mutual exchange of material favors for political gains and can be conducted using the patronage system. According to Susan C. Stokes (2005) and Herbert Kitschelt & Wilkinson (2007), this mechanism makes it possible for politicians to direct available resources to their advantage, including both loyal voters and swing voters. As far as the provision of social assistance benefits is concerned, clientelism affects its allocation based on political considerations rather than needs. This approach makes it impossible to ensure fair benefit distribution and leads to violations of eligibility criteria. Thus, the implementation of these programs is made less effective. The proposed definition of policy effectiveness in the context of this research paper assumes that the program achieves accurate targeting and adequate coverage and fulfills the poverty reduction task.

In combining all of these factors, the theoretical model identifies electoral cycles as an important source of political behavior that impacts social assistance by means of clientelism. In periods preceding elections, there are reasons for politicians to extend or distribute the benefits provided to increase their chances of winning. This may negatively impact the allocation of benefits, causing the targeting process to be less efficient and decreasing its effectiveness. Electoral cycles are therefore anticipated to exert an influence on social assistance programs' effectiveness.

When applied to the case of Mongolia, the model emphasizes the possibility that competitive elections and a changing political environment may lead to the creation of incentives to politicize social assistance. By analyzing the impact of electoral cycles on policy outcomes, this study attempts to evaluate whether such political incentives play a role in shaping social assistance program effectiveness.

#### *F. Quantitative Methodology*

For this research, a quantitative research design is employed to analyze how electoral incentives affect social assistance policy effectiveness by means of clientelism in Mongolia. The quantitative approach that is used to measure the influence of the Newly-Married Couple Money Program on the rate of marriage is known as interrupted time-series analysis (ITSA). ITSA is ideal for determining the causal effect of a policy intervention based on longitudinal data because it can assess the short- and long-term changes in the dependent variable after the intervention. Since there are two different policy changes under consideration, the multiple-intervention ITSA model is adopted for this research. The first policy change is

related to the launch of the Newly-Married Couple Money Program, which occurred when the Mongolian People’s Revolutionary Party (current Mongolian People’s Party today) announced the implementation of this social assistance program and competed with the Child Money Program suggested by the Democratic Party during the 2004 parliamentary election. The second policy change relates to the ending of the Newly-Married Couple Money Program due to inefficiencies within the social welfare program and financial difficulties.

### *G. Secondary Data Source*

This study uses data on the total number of marriages registered in Mongolia from 2000 to 2019. This data set was collected from the National Statistics Office of Mongolia. The time span provides sufficient time range for evaluation of the changes in trends before, during, and after the implementation of the policy.

### *H. Variables and Measurement*

The dependent variable is the aggregate annual number of marriages observed. In order to incorporate the impact of the policy intervention, the independent variables are constructed accordingly. One of the independent variables is the measurement of continuous time to control for trends in marriages. Another two independent variables are measured as the start and end of the Newly-Married Couple Money Program. The first intervention starts with a value of one after 2006, and the value is zero for years before 2006. Similarly, the second intervention starts with a value of one after 2010, while it is zero otherwise.

Moreover, two trend variables after the intervention are measured as well to incorporate the trend change due to the intervention.

### *I. Empirical Approach*

For measuring the effect of the policy, we use the following multiple-intervention interrupted time series approach:

$$Y_t = \beta_0 + \beta_1 \text{Time}_t + \beta_2 \text{Intervention}_{2006,t} + \beta_3 \text{TimeAfter2006}_t + \beta_4 \text{Intervention}_{2010,t} + \beta_5 \text{TimeAfter2010}_t + \epsilon_t$$

where  $Y_t$  denotes the number of marriages in year  $t$ , and the intervention variables capture the structural breaks associated with the policy introduction and termination. The coefficient  $\beta_2$  estimates the immediate change in the level of marriages following the introduction of the program, while  $\beta_3$  captures the change in trend during the program period. Similarly,  $\beta_4$  and  $\beta_5$  estimate the immediate and trend changes following the termination of the program. This specification allows for a detailed assessment of both short-term and longer-term policy effects.

### **Estimation and Robustness**

Considering that the dataset used has time series properties, robust standard errors have been considered to mitigate the impact of autocorrelation on the estimation results. Furthermore, the model captures any existing trends within the

time periods to avoid misattributing the observed variation in marital trends to the policy change.

Despite having a relatively small dataset, the application of a multiple-intervention ITSA framework offers a robust technique in determining structural breaks induced by the policy change.

### *J. Empirical Results*

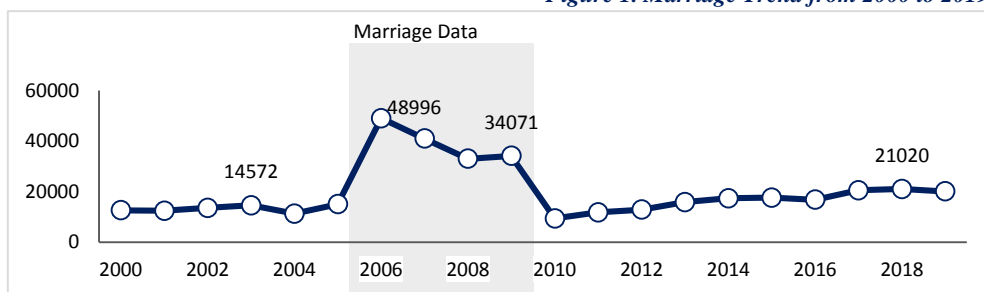
#### *a) Descriptive Patterns*

In Figure 1 below, we depict the number of married couples over the years 2000 to 2019. Before the implementation of the policy measure, marriage rates were fairly steady, with fluctuations of about 12,000 to 15,000 per year. The pre-policy phase depicts a mild increasing trend, which is an indication that the marriage rates during this period were influenced mainly by demographic and socio-economic characteristics.

There was a notable change in structure starting in 2006 with the implementation of the Newly-Married Couple Money Program. As shown in the graph, marriage rates jumped sharply to over 49,000 couples in the same year, which is more than triple that of those recorded in the pre-policy period. Even though marriage rates declined in the following years, they remained significantly above the pre-policy level up to 2009.

However, after the discontinuation of the program around 2010, marriage rates fell suddenly to below pre-policy levels, falling as low as 9,000 couples. Over the next few years, marriage rates increased steadily to reach a range between 15,000 to 21,000 by the end of our analysis period.

*Figure 1. Marriage Trend from 2000 to 2019*



#### *b) Interrupted Time-Series Results*

The analysis using a multiple-intervention approach highlights clear and meaningful effects of Mongolia's Newly-Married Couple Money Program on marriage patterns.

To start, the baseline time trend is positive but not statistically significant ( $\beta = 237.16$ ;  $p = 0.223$ ), suggesting that marriage rates were fairly stable before the policy

was introduced. In other words, there wasn't a clear upward or downward trend beforehand, which makes it less likely that other factors were influencing the results. When the program was introduced in 2006, there was a large and statistically significant increase in marriage rates ( $\beta = 39,930.05$ ;  $p < 0.001$ ). This sharp rise suggests that the financial incentive had an immediate and strong impact on people's decisions to marry. However, this effect didn't last. During the program period, the trend becomes negative and remains statistically significant ( $\beta = -6,275.09$ ;  $p < 0.001$ ), showing that the initial increase gradually faded over time.

In 2010, when the program ended, marriage rates dropped sharply ( $\beta = -19,513.32$ ;  $p < 0.001$ ). This sudden decline reinforces the idea that the earlier increase was largely driven by the financial incentive rather than longer-term social or demographic changes. After the program ended, the trend turns positive again ( $\beta = 7,215.99$ ;  $p < 0.001$ ), indicating a slow recovery in marriage rates.

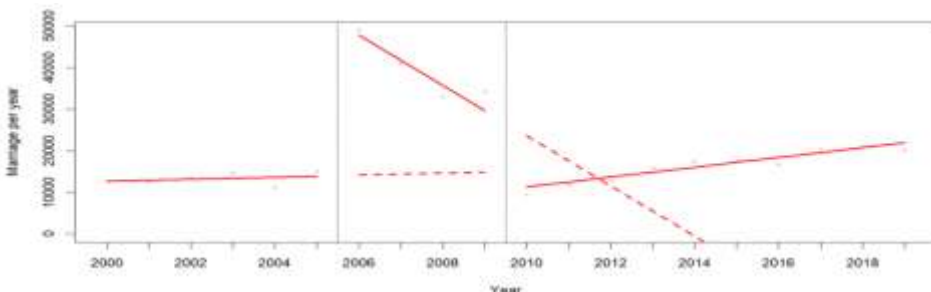
*Table 1. Interrupted Time-Series Analysis of the Newly-Married Couple Money Program on Marriage Rates in Mongolia*

Variable	Coefficient ( $\beta$ )	Std. Error	t-value	p-value
Intercept	12,445.40***	695.50	17.89	<0.001
Time	237.16	185.98	1.28	0.223
SAP	39,930.05***	1,400.59	28.51	<0.001
SAP Trend	-6,275.09***	357.04	-17.58	<0.001
POST-SAP	-19,513.32***	830.73	-23.49	<0.001
POST-SAP Trend	7,215.99***	389.71	18.52	<0.001

**Notes:**

- \*\*\*  $p < 0.001$
- SAP = Social Assistance Program period (2006–2009) | Newly-Married Couple Money Program
- POST-SAP = Post-program period (2010 onward) | Newly-Married Couple Money Program
- Dependent variable: Number of marriages per year
- Model: Multiple-intervention interrupted time-series regression
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*Figure 2. Interrupted Time Series Analysis Result*



Overall, the findings suggest that the policy had a strong but temporary effect. It led to a noticeable spike in marriages at first, followed by a gradual decline and then a sharp drop once the program ended. This pattern points to a short-term behavioral response rather than a lasting change in marriage trends.

*c) Interpretation of Findings*

The findings taken as a whole strongly indicate that the Newly Married Couples' Financial Programme has exerted a substantial yet transient effect on marriages. The pronounced positive level shift in 2006, combined with the negative trend during the program and sharp drop following its cancellation, implies that the intervention affected marriage timing rather than increasing the total volume of marriages.

Such dynamics reflect the idea of intertemporal substitution, according to which people reallocate resources across different time periods due to temporary changes in costs. It seems likely that couples rushed to marry so as to be eligible for monetary compensation, which temporarily increased and then reduced marriages.

*d) Implications for Policy Effectiveness*

These results lead to some serious considerations regarding the efficacy of the program as an instrument of social policy. In spite of the fact that the program proved successful in achieving a visible increase in marriages in the short term, no long-lasting consequences resulted from the implementation of the program.

Thus, when analyzing the problem from a policy-making perspective, the following question arises whether it was worth expending so many efforts to shift the timing of marriages but not to increase their numbers in general.

*e) Political Economy Connection*

This phenomenon is also compatible with the predictions made by the political economy model. The instantaneous effect on marriages immediately after the launch of the project implies that it might have been crafted in such a manner to create a politically expedient outcome. This feature is characteristic of policies adopted under election incentives, where policymakers tend to favor actions that yield instant results. In addition, the lack of any persistent effects coupled with the drastic change immediately after the end of the program indicates that the policy was not concerned about long-term social goals. Rather, it could be viewed as a political move.

## **CONCLUSION**

This paper analyzes how political incentives affect the success of SAPs through investigating the causal relationship between implementation of the Newly-Married Couple Money Program and marriage rate in Mongolia. Using multiple-intervention interrupted time-series regression analysis, the study finds strong

evidence of the existence of structural breaks due to the program's implementation and withdrawal phases.

Results indicate a significant jump in the number of marriages immediately following the policy introduction and followed by gradual decreases during the period of implementation and a sharp upward spike post-withdrawal of the policy. Thus, the policy leads to a behavioral response of married couples in terms of their decision on whether to marry or not; however, instead of promoting marriage, it appears to induce an intertemporal shift in behavior and decision-making regarding the timing of the event.

Such evidence speaks volumes about the role of political factors in policy-making and implementation in social policy research. It seems evident that in conditions characterized by political competitiveness, cash transfers aimed at boosting marriage rates can serve as tools for achieving desired outcomes. On the other hand, the short-term effects associated with such policies suggest that their success could be temporary and, thus, politically motivated.

Overall, the study shows how policy implementation and withdrawal influence social variables. By incorporating implementation and withdrawal effects into the analysis, the work sheds light on an often overlooked area, which can help in better understanding of the effects that political economy factors exert on social policy design and implementation.

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