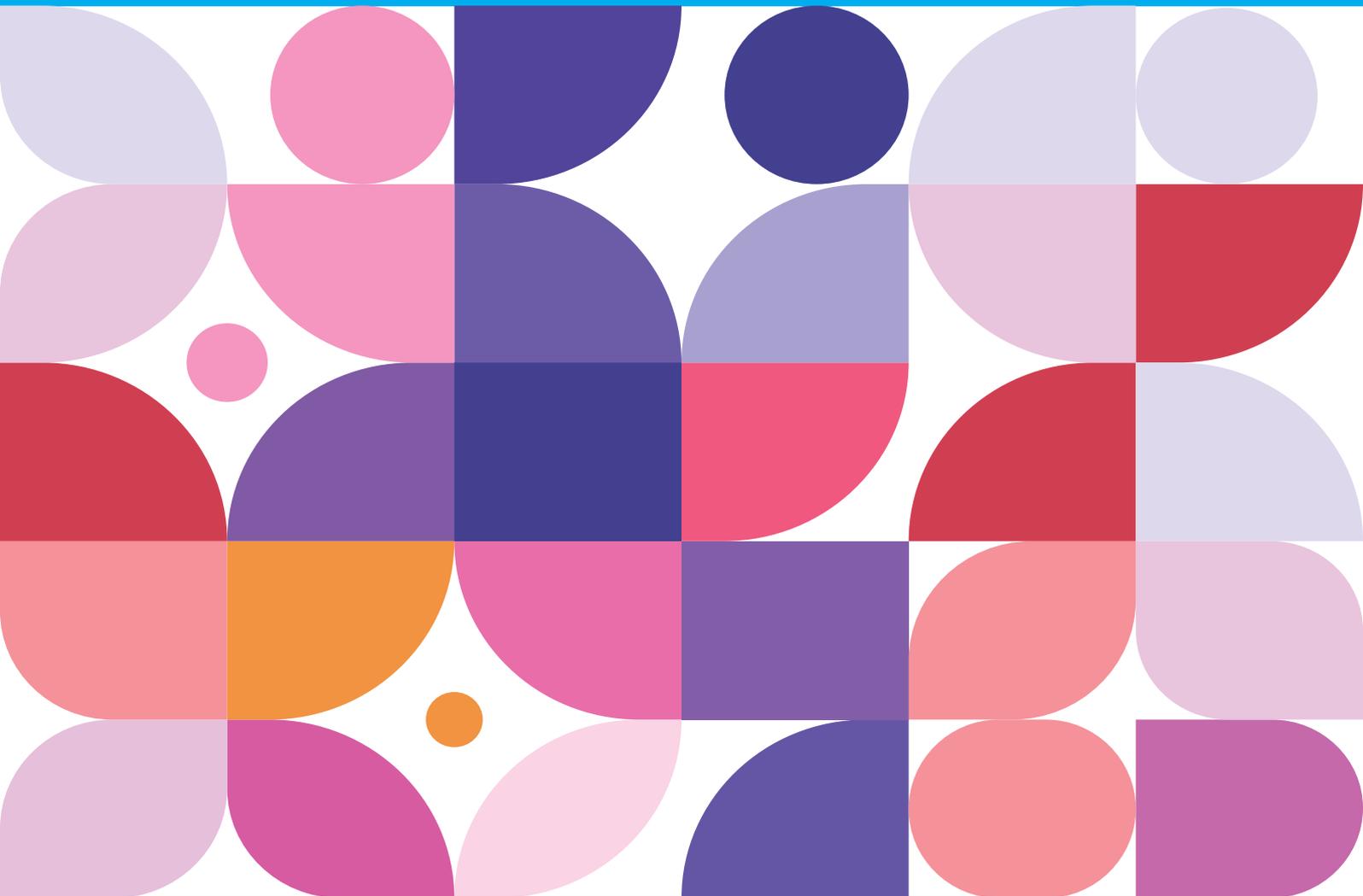




# ANALYSIS OF CHILD-FOCUSED BUDGETS AND EXPENDITURE IN THE SOCIAL SECTORS IN MONGOLIA







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We take full responsibility for the analysis, conclusions and recommendations set out in this paper. They should not be attributed to UNICEF Mongolia or any of its employees or representatives.

*Project team  
November 2021*



## About UNICEF

UNICEF works in over 190 countries and territories to save children's lives, to defend their rights, and to help them fulfil their potential, from early childhood through adolescence.

## About UN Joint Programme “Rolling Out an Integrated Approach to the SDG financing in Mongolia”

Funded by the Joint SDG Fund, the Joint Programme seeks to accelerate the progress towards realizing SDGs by establishing an integrated national financing framework in Mongolia that aims to mobilize all financial resources – private and public, international and domestic - under one framework. The Joint Programme is being implemented by UNDP Mongolia and UNICEF Mongolia under the leadership of the Ministry of Finance of Mongolia.

## Takeaways

Our review of Mongolia's planning and budget arrangements and processes highlighted that:

- The country has robust framework legislation for managing the planning and budgeting processes. This legislation sets out principles to guide planning and budgeting. It is notable that these principles do not include “the best interests of children” or anything similar.
- The framework legislation identifies the stakeholders government needs to involve in the processes for developing plans and budgets. Children are not identified as stakeholders, and so there are no special arrangements in place to ensure children can make inputs.
- The arrangements for the assignment and delegation of functions make the capital city and the aimags the key implementing agents of services to children. They receive the majority of funds for these functions as special purpose transfers from the state budget, which leaves them little discretion in managing the allocation of funds for implementation.
- In the structuring of budgets, the use of budget programmes, budget activities and economic classifications needs to be aligned with good practice principles to ensure information is better structured for management and analytical purposes. See Annexure A in this regard.

Our review of Mongolia's budgets and expenditures, as they related to children, found:

- Expenditures benefiting children amounted to MNT2 077 billion in 2019. This spending grew at an annual average rate of 18% between 2015 and 2019. It increased from 4.6% to 5.6% of GDP, and from 15% to 18% of consolidated government expenditures over the same timeframe. This bodes well for the realisation of many of the SDGs relating to children, though challenges remain in certain areas, such as nutrition.
- Local governments are primarily responsible for the delivery of social services to children. It is therefore encouraging that, over the period 2015 to 2020, special purpose transfers that fund these services grew at an average annual rate of 20.5%.
- The budget execution analysis indicates that if the government allocates funds to children's services in the state and local government budgets, there is a very high probability that all the allocated funds will be used for the intended purposes.
- The government responded to the COVID-19 crisis rapidly, increasing the value of the Child Money Program, Food Stamp Program and social welfare pensions, as well as increasing employment in the sectors that deliver services to children, namely education, health and social welfare. However, the deficits the government incurred in responding will put downward pressure on future budgets, which may involve budget cuts to programmes that service children, unless the government can be persuaded not to cut these programmes.

Taking into account all that the Government of Mongolia is doing well, there are a number of areas where further improvements can be made:

- Ensure “the best interests of children” guides planning and budgeting.
- Recognise children as “stakeholders” in planning and budget processes.
- Facilitate children's participation in planning and budget processes.
- Role-players should regularly reflect on their role regarding children.
- Review the structure of budget and expenditure information.

Further details on these recommendations are provided in the report, as well as details of advocacy opportunities for improving the delivery of child protection, social protection, education and health.

## Executive Summary

The main objectives of this assignment are to generate evidence-based information that will promote:

- greater visibility of children's issues in the Government of Mongolia's budget processes; and
- contribute to strengthening the effectiveness of public expenditure on children.

The aim was to assess the extent to which budgets and expenditures in the education, health, social protection and child protection sectors are aligned to child-focused policy commitments in these sectors. This will serve to demonstrate whether strategic planning is feeding through to effective expenditure.

### ASSESSING PLANNING AND BUDGETING THROUGH A CHILD LENS

When analysing government budgets and expenditures or advocating for the better use of resources or increased allocations for children's services, it is critical to have a thorough understanding of the country's policy, legal and institutional arrangements for planning and budgeting, as well as the country's governance and PFM arrangements more generally. In this regard, one needs to distinguish those elements that form the framework from the actual planning and budgeting processes themselves. Ideally, but only if necessary, priority should be given to advocating for strategic changes to the framework, as they have the potential to impact the outcomes of all successive planning and budget processes.

Our review of Mongolia's planning and budget arrangements and processes highlighted that:

- the country has robust framework legislation for managing planning and budgeting processes. This legislation sets out principles to guide the planning and budgeting processes. It is notable that these principles do not include "the best interests of children" or anything similar.
- the framework legislation identifies the stakeholders government needs to involve in the processes for developing plans and budgets. Children are not identified as stakeholders in these processes, and so there are no special arrangements in place to ensure children can make inputs. Nevertheless, the State Great Khural and the government are open to receiving inputs from children.
- the arrangements for the assignment and delegation of functions make the capital city and the aimags the key implementing agents of services to children. They receive the majority of the funds for these functions from the state budget by way of special purpose transfers, which leaves them little discretion in managing the allocation of funds for implementation.
- In the structuring of budgets, the use of budget programmes, budget activities and economic classifications needs to be aligned with good practice principles to ensure information is better structured for management and analytical purposes. See Annexure A in this regard.

### REVIEW OF MONGOLIA'S BUDGETS AND EXPENDITURES RELEVANT TO CHILDREN

On aggregate, it is estimated that total recurrent and capital expenditures benefiting children amounted to MNT2 077 billion in 2019. These expenditures grew at an annual average rate of 18% from 4.6% to 5.6% of GDP. Expenditure on services benefiting children as a share of consolidated government expenditure grew from 15% in 2015 to 18% in 2019 before falling back to 15% in 2020. These figures show that the government is prioritising expenditure that benefits children.

**ES Table 1** State and local government expenditures benefiting children, 2015 to 2020

amounts in millions of MNT	2015	2016	2017	2018	2019	2020	Average Annual Growth	
							2015 - 2019	2015 - 2020
<b>Total recurrent expenditures benefiting children</b>	<b>1 003 519</b>	<b>1 091 885</b>	<b>1 178 160</b>	<b>1 241 056</b>	<b>1 514 571</b>	<b>1 743 743</b>	<b>11%</b>	<b>12%</b>
Education	758 278	840 727	916 234	960 328	1 188 885	1 362 997	12%	12%
Health	108 277	111 904	117 305	120 607	147 644	159 721	8%	8%
Social Welfare	126 203	129 039	136 191	143 402	154 887	192 427	5%	9%
Child Protection	10 761	10 215	8 430	16 719	23 154	28 598	21%	22%
<b>Total capital expenditures benefiting children</b>	<b>63 635</b>	<b>135 281</b>	<b>80 311</b>	<b>233 797</b>	<b>562 615</b>	<b>331 017</b>	<b>72%</b>	<b>39%</b>
Education	63 635	86 793	44 539	190 302	463 793	265 465	64%	33%
Health		23 189	22 413	22 495	43 239	43 004		
Social Welfare		17 130	10 859	13 850	33 003	20 125		
Child Protection		8 170	2 500	7 150	22 581	2 423		
<b>Total recurrent and capital expenditures benefiting children</b>	<b>1 067 154</b>	<b>1 227 166</b>	<b>1 258 471</b>	<b>1 474 853</b>	<b>2 077 186</b>	<b>2 074 760</b>	<b>18%</b>	<b>14%</b>
as % of GDP	4,6%	5,1%	4,6%	4,6%	5,6%	5,6%		
as % of consolidated recurrent and capital expenditures	15%	14%	14%	16%	18%	15%		

Source: Own calculations on General Budget Performance Indicators, Budget Data provided Ministry of Finance 2021 and project lists provided by UNICEF 2021.

Our budget execution analysis indicates that if the government allocates funds to children's services in the state and local government budgets, there is a very high probability that all the allocated funds will be used for the intended purposes. This is a very significant achievement and indicates that the government is committed to both maintaining fiscal discipline and ensuring services to children get delivered.

## RESPONSE TO THE COVID-19 CRISIS

The government responded to the COVID-19 crisis very rapidly, increasing the value of the Child Money Program, Food Stamp Program and social welfare pensions, as well as increasing employment in the sectors that deliver services to children, namely education, health and social welfare. Over the longer term, the deficits the government incurred to respond to the crisis will put downward pressure on future budgets, which may involve budget cuts to programmes that service children, unless the government can be persuaded not to cut these programmes.

## KEY FINDINGS FROM THE ANALYSES OF THE SOCIAL SECTORS

### Child protection

Aimag governments are responsible for implementing child protection programmes and receive funding from the state budget to cover recurrent expenditures. These funds are transferred from the MLSP budget to aimags in the form of special purpose transfers. The table below summarises key expenditure indicators related to child protection services.

**ES Table 2** Summary of expenditure on child protection services

amounts in millions of MNT	2015	2016	2017	2018	2019	2020	Average Annual Growth	
							2015 - 2019	2015 - 2020
Ministry of Labour and Social Protection	-	-	-	7 138	7 101	9 051		
Local government	10 761	10 215	8 430	9 581	16 053	19 547	10,5%	12,7%
of which special purpose transfers	6 034	5 899	6 226	5 585	7 027	9 931	3,9%	10,5%
<b>Total recurrent expenditure on child protection</b>	<b>10 761</b>	<b>10 215</b>	<b>8 430</b>	<b>16 719</b>	<b>23 154</b>	<b>28 598</b>	<b>21,1%</b>	<b>21,6%</b>
as a % of GDP	0,046%	0,043%	0,031%	0,052%	0,063%	0,077%		
as % of consolidated recurrent and capital expenditures	0,151%	0,114%	0,097%	0,185%	0,206%	0,206%		

Source: General Budget Performance Indicators, Ministry of Finance 2021

Between 2015 and 2019, recurrent child protection expenditures grew at an annual average rate of 21.1%, which represents strong real growth, since average inflation during the same period was 5.3%.

Significant allocations were made to child protection in 2018 together with other social welfare programmes (such as social insurance). Child protection's share of consolidated government recurrent expenditures increased slightly from 0.188% to 0.264%, suggesting that priority was given to funding these programmes. Compared to GDP, expenditures have remained in a narrow range, between 0.04% and 0.07%.

The structure of the budget does not facilitate linking expenditures to the specific SDGs relevant to child protection. Our evaluation shows a concerning trend of regress in relation to some of the SDG targets for child protection. However, the data showing these trends predates the substantial increase in government spending on child protection from 2018 onwards. It is expected that this will begin to impact on the performance against these goals going forward.

Nevertheless, an evaluation of the implementation of the Child Protection Law of 2016 found that, despite the increase in budget, local-level child protection services remained underfunded, resulting in significant disruptions to the delivery of child protection services provided for in the law. Across the different regions included in the evaluation, respondents reported that a lack of resources for their daily activities, including basics such as transportation and meeting rooms, prevented them from responding to cases effectively or within the necessary time frame.<sup>1</sup>

Our analysis found that aimags that spend more on wages and salaries are able to serve more children (with a few exceptions). This raises serious questions regarding the ability of the external service providers to reach/serve vulnerable children in those aimags where there is a greater reliance on external service providers.

### Social protection

Overall, Mongolia's performance against the SDGs that relate to social protection is good. Most significantly, the proportion of the population living below the extreme poverty line has fallen drastically, to approximately 1% of the population. SWS have played a significant role in this reduction in extreme poverty. However, despite this progress, there is still a stubbornly high number of Mongolian children that live below the national poverty line and below 50% of the median income. These are areas for improvement, perhaps through better targeting of the child-focused SWS, thereby raising the per beneficiary allocations for vulnerable groups.

Of the 68 total SWS / social grants, 19 are child specific. In addition, three child-specific programmes provide social grants. Total expenditure on SWS remained relatively stable, at 0.4% of GDP in 2015 to 0.6% of GDP in 2019. In 2020 it increased to 3.4% of GDP, providing the necessary social support to households negatively impacted by COVID-19.

**ES Table 3** Summary of expenditure on social protection services

amounts in millions of MNT	2015	2016	2017	2018	2019	2020	Average Annual Growth	
							2015 - 2019	2015 - 2020
<b>Total social protection sector</b>	<b>254 791</b>	<b>271 333</b>	<b>297 813</b>	<b>414 619</b>	<b>448 434</b>	<b>1 586 978</b>	<b>15,2%</b>	<b>44,2%</b>
Spending benefiting children	88 111	92 332	101 250	220 947	233 899	1 245 590	27,6%	69,9%
<b>Key ratios</b>								
% of social protection sector benefiting children	34,6%	34,0%	34,0%	53,3%	52,2%	78,5%		
social protection spending on children as % of GDP	0,4%	0,4%	0,4%	0,7%	0,6%	3,4%		
social protection spending on children as % of consolidated recurrent and capital expenditures	1,2%	1,0%	1,2%	2,4%	2,1%	9,0%		

Source: General Budget Performance Indicators, Ministry of Finance 2021

The structure of expenditure on SWS has moved steadily in favour of children – from 34% in 2016 to 52% in 2019. This is an important development, as it illustrates the growing emphasis on children. Moreover, children comprised a high proportion of the COVID-19 response measures, with child-focused grants commanding 78% of the total SWS budget in 2020.

Despite the overall increase in the expenditure on child-specific SWS, the beneficiary numbers have fallen since 2016. This is not necessarily a negative outcome, as some beneficiaries have fallen from the system because the household position has improved to the point where they are no longer eligible for the benefits. It also points to the fact that the values of the individual grants are growing. The most notable change in beneficiary numbers is the growth in recipients of Nutrition Support Service.

Many of the SWS support low numbers of beneficiaries, which points to (i) a need to ensure that all demand has been catered for, and (ii) that there may be potential efficiency gains (mostly administrative) from streamlining certain services.

### Education

The evaluation of Mongolia's performance against the education-related SDGs showed that targets related to access to education had been met, but that there are challenges around the quality of that access – namely, the quality of teaching and learning outcomes. Aimag are responsible for implementing education programmes and receive funding from the state budget to cover recurrent expenditures. These funds are transferred from the MOES budget to aimags in the form of special purpose transfers.

Between 2015 and 2020, recurrent education expenditures for children grew at an annual average rate of 12%, which represents strong real growth. Expenditures on children's education's share of consolidated recurrent expenditures ranges between 13.3% and 12.6%. However, this hides a sustained increase between 2015 and 2019. As a share of consolidated recurrent and capital expenditures, children's education ranges between 10% and 15%. Compared to GDP, expenditures remained in a narrow range, between 3.5% and 4.4%.

The table below provides a high-level analysis of education expenditures related to children.

**ES Table 4** Government education expenditures related to children

amounts in millions of MNT	2015	2016	2017	2018	2019	2020	Average Annual Growth	
							2015 - 2019	2015 - 2020
<b>Ministry of Education, Science and Training</b>	751 537	833 760	906 299	957 786	1 070 830	1 302 925	<b>9%</b>	<b>12%</b>
<i>of which special purpose transfers</i>	98%	98%	98%	97%	93%	94%		
<b>Local government recurrent expenditures on education for children</b>	<b>743 432</b>	<b>825 343</b>	<b>894 010</b>	<b>928 169</b>	<b>1 113 879</b>	<b>1 287 494</b>	<b>11%</b>	<b>12%</b>
General education	506 215	560 960	606 506	617 855	737 961	848 604	<b>10%</b>	<b>11%</b>
Pre-school education	237 217	264 349	287 329	310 133	375 624	438 519	<b>12%</b>	<b>13%</b>
Special education	-	35	174	181	294	371		
<b>Total recurrent expenditure on education for children</b>	<b>758 278</b>	<b>840 727</b>	<b>916 234</b>	<b>960 328</b>	<b>1 188 885</b>	<b>1 362 997</b>	<b>12%</b>	<b>12%</b>
<i>as % of consolidated recurrent expenditures</i>	13,3%	12,7%	13,0%	13,1%	14,4%	12,6%		
<i>% share of Ministry (excluding special purpose transfers)</i>	2%	2%	2%	3%	6%	6%		
<i>% share of local government</i>	98%	98%	98%	97%	94%	94%		
<b>Total investment expenditures on education for children</b>	<b>63 635</b>	<b>86 793</b>	<b>44 539</b>	<b>190 302</b>	<b>463 793</b>	<b>265 465</b>	<b>64%</b>	<b>33%</b>
<b>Total recurrent and capital expenditure on education for children</b>	<b>821 913</b>	<b>927 520</b>	<b>960 773</b>	<b>1 150 629</b>	<b>1 652 678</b>	<b>1 628 462</b>	<b>19%</b>	<b>15%</b>
<i>as % of GDP</i>	3,5%	3,9%	3,5%	3,6%	4,5%	4,4%		
<i>as % of consolidated recurrent and capital expenditures</i>	12%	10%	11%	13%	15%	12%		

Source: Own calculations, based on data received from Ministry of Finance, 2021

Over 94% of the above expenditures recorded on the MOES budget are transferred to local government. Expenditures on the special education budget programme are not visible on local government budgets

before 2016, and since then have not been reported on consistently, despite special purpose transfers appearing on the MOES budget in that year. Expenditures on pre-school education grew slightly faster than general education expenditures, even though enrolments in general education grew at an annual rate of 5% per year compared to 4% in pre-schools during the same period.

State and private educational institutions are funded based on fixed, normative costs approved in Resolution 242 of 2016. The funding formula balances various socioeconomic factors and separate normative costs per child at different levels of the education system, and urban versus rural settings are used to calculate allocations per school and for other education expenditures.

Data on enrolment by type of school and pre-school in 2019/20 was used to estimate the share of total special purpose transfers each aimag should receive, and then compared to the share of the total special purpose transfers they did receive. According to these calculations, Gobi-Altai receives 1.48 times the value of general education special purpose transfers than it should, and Ulaanbaatar receives 81% of what it should receive. In the equivalent analysis on pre-school special purpose transfers, the range is narrower. Dundgovi receives 1.22 times as much as it should, while Uvurkhangaï receives only 81% of its share. Even though there are margins of error in these calculations, these estimates suggest there are errors in how the allocations are calculated.

Performance in the national assessments were compared to several factors, but the only meaningful relationship identified is a moderate positive correlation between expenditures per child and performance in grade assessments. Simplistically, this implies that higher levels of expenditure are associated with better performance in annual assessments, which is a plausible conclusion.

Mongolia's budget architecture for education enables the allocation of budgets and reporting of expenditures in line with policy priorities. However, the usefulness of education expenditure data could be massively improved through enforcing the uniform use of the budget activities and establishing a common interpretation of what activities should be reported against which budget activities.

### Health

Generally, Mongolia has either made good progress on or achieved the health-related SDGs relevant to children, with the exception of the goals that relate to ending hunger and ensuring food security, where there are still challenges.

Mongolia's government health expenditure as a proportion of GDP has exhibited a largely downward trend over the past two decades, decreasing from 3.62% of GDP in 2000 to 2.22% of GDP in 2018. This general trend suggests that health is being deprioritised in government budgets. Consequently, the government is unlikely to meet the target set in the 2017 Health Policy of increasing the total health budget to 5.0% of GDP by 2026.

The health system services all members of a society. The proportion of benefit that accrues to children can be determined by the proportion of health services *utilised* by them.

**ES Table 5** Total and proportional child health system usage in Mongolia by service type, 2015 to 2020

	2015	2016	2017	2018	2019	2020
Inpatients Treated	784 881	849 051	853 838	902 439	927 293	836 277
o/w Children	177 851	211 355	197 785	213 731	211 991	160 959
% children	22,66%	24,89%	23,16%	23,68%	22,86%	19,25%
Inpatient Bed Days	5 735 344	6 135 519	6 109 901	6 405 724	6 479 486	5 800 186
o/w Children	1 318 787	1 534 996	1 415 797	1 512 140	1 483 582	1 134 922
% children	22,99%	25,02%	23,17%	23,61%	22,90%	19,57%
Outpatient Examinations	16 620 444	17 006 503	17 567 757	17 452 458	18 883 404	17 540 498
o/w Children	5 250 701	5 258 204	5 319 243	5 199 502	5 709 651	4 578 379
% children	31,59%	30,92%	30,28%	29,79%	30,24%	26,10%

Source: Own calculations, based on data received from Ministry of Health, 2021

The above numbers are used to identify health expenditures benefiting children. Total child health expenditures in Mongolia increased steadily between 2015 and 2019, from MNT108 billion in 2015 to MNT148 billion in 2019, at an annual growth rate of 8.06%, which indicates real growth.

The analysis of the health financing system indicates that it is regressive, with poorer households having reduced access to health care, and therefore bearing a larger proportional burden of healthcare financing and benefiting less from the healthcare system than wealthier households. Households from the poorest quintile spend nearly eight times more on health than the wealthiest households as a proportion of household income, are six times more likely to experience catastrophic health expenditures and are twice as likely to experience cost barriers to health insurance.

The effectiveness analysis compares the cost per child patient treated across all 21 aimags and in Ulaanbaatar. There is a large discrepancy in the cost per child patient treated across aimags, with Orkhon – the most cost-effective aimag – averaging MNT22 093 per child treated, while Bulgan – the least cost-effective aimag – averages MNT80 036 per child treated.

The efficiency, equity and effectiveness analyses presented in Annexure E suggest that the government still has some way to go in ensuring that its health expenditures result in improved health outcomes for all Mongolians, and particularly the most vulnerable.

## RECOMMENDATIONS

Taking into account all that the Government of Mongolia is doing well in relation to planning, budgeting and managing services for children, Section 7 identifies a number of areas where further improvements can be made, including:

- Ensure “the best interests of children” guides planning and budgeting.
- Recognise children as “stakeholders” in planning and budget processes.
- Facilitate children’s participation in planning and budget processes.
- Role-players should regularly reflect on their role regarding children.
- Review the structure of budget and expenditure information.

Further details on each of these recommendations are provided in the report. In addition, the report identifies a range of advocacy opportunities for child protection, social protection, education and health.

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## List of Abbreviations

<b>Abbreviation</b>	<b>Extended Form</b>
<b>ADB</b>	Asian Development Bank
<b>AIDS</b>	Acquired Immune Deficiency Syndrome
<b>CAGR</b>	compound annual growth rates
<b>COVID-19</b>	coronavirus disease of 2019
<b>CPI</b>	Consumer price index
<b>DEA</b>	Data envelopment analysis
<b>ECD</b>	early childhood development
<b>ESIS</b>	Education Sector Information Systems
<b>DALY</b>	disability-adjusted life years
<b>FIES</b>	Food Insecurity Experience Scale
<b>GDP</b>	gross domestic product
<b>HIV</b>	Human Immunodeficiency Virus
<b>HSES</b>	Household Socio-Economic Survey
<b>IMF</b>	International Monetary Fund
<b>KPI</b>	Key performance indicator
<b>L:T</b>	Learner to teacher (ratio)
<b>LMI</b>	Lower-middle income
<b>M&amp;E</b>	Monitoring and evaluation
<b>MDA</b>	Ministries, departments and agencies
<b>MICS</b>	Multiple Indicator Cluster Survey
<b>MLSP</b>	Ministry of Labour and Social Protection
<b>MOES</b>	Ministry of Education and Science
<b>MOF</b>	Ministry of Finance
<b>MOH</b>	Ministry of Health
<b>MTEF</b>	medium-term expenditure framework
<b>PFM</b>	Public finance management
<b>PMT</b>	proxy means test
<b>SDGs</b>	Sustainable Development Goals
<b>SSA</b>	Social Security Administration
<b>SWS</b>	Social Welfare Services
<b>UN</b>	United Nations
<b>UNICEF</b>	United Nations Children's Fund
<b>VAT</b>	Value-added Tax
<b>VNR</b>	Mongolia Voluntary National Review Report (2019)

# 1. Introduction

UNICEF Mongolia and other development partners have been working with the Ministry of Finance (MOF) to introduce programme-based budgeting and the Medium Term Expenditure Framework (MTEF). The aim of these initiatives is to strengthen budget processes to ensure better alignment between policies, plans and actual allocations. With the introduction of budgeting initiatives to align spending with the Sustainable Development Goals (SDGs), there has been further emphasis on:

- strengthening the internal budget formulation processes by engaging sector ministries to more closely participate in prioritisation, planning and budget formulation;
- introducing regulations, processes and templates to require SDG-based justification of budget additions using logical frameworks and a systemic approach to determining priorities; and
- enhancing medium-term budget decision-making processes by bringing forward some of the critical decisions regarding ministries' budgets in the budget calendar.

Are these efforts paying off? Have these initiatives made a difference to how funds are allocated within Mongolia's budget process? Are the funds allocated to child-related functions actually benefiting children?

## 1.1 OBJECTIVES

In line with the Terms of Reference, the main objective of this assignment is to generate evidence-based information that will:

- Promote greater visibility of children's issues in the Mongolian government's budget processes; and
- contribute to strengthening the effectiveness of public expenditure on children.

The intention is to assess the extent to which budgets and expenditures in the education, health, social protection and child protection sectors are aligned to child-focused policy commitments in these sectors. This will serve to demonstrate whether strategic planning is feeding through to effective expenditure.

## 1.2 KEY FOCUS AREAS FROM THE TERMS OF REFERENCE

The key tasks / focus areas set out in the Terms of Reference:

1. Review and analyse, at the macro level, the degree to which the current budgeting practices are instrumental in addressing children's issues.
2. Identify the gaps and constraints in the planning and budgeting processes that determine the allocation of resources for addressing the priorities of children.
3. Identify capacity gaps among national partners in addressing children's priorities in the planning and budgeting process, as well as in the expenditure monitoring system.
4. Establish the percentage of selected social sector expenditure that benefits children.
5. Assess to what extent the government is fulfilling its financial commitments by comparing the budget allocation intended for children in select social sectors to the actual expenditure in these sectors.
6. Analyse the public spending and public service delivery performance by assessing whether the allocated resources are adequately spent for the effective, efficient and equitable delivery of education, health and social protection services to children.
7. Assess the impact of COVID-19 on fiscal policy and government budget allocated to health,

education and social protection sectors with a focus on children.

8. Make recommendations on legal, institutional and behavioural changes to financing for the SDGs (related to children) and strengthening the links between social sector policy objectives and budgets, including the establishment of a public participation mechanism in planning/budgeting and a clear monitoring system.

These focus areas informed the types of analyses the team conducted, and the framing of the recommendations.

### 1.3 SCOPE OF THE ASSIGNMENT

The following two variables define the scope of the project:

- The sectors – the focus is on education, health, social protection and child protection.
- The time period covered by the different analyses:
  - Budget and expenditure review – 2015 to 2020
  - Performance expenditure review – 2015 and 2020
  - Review the impact of COVID-19 – compare 2020 budgets to 2020 expenditures.

Note that the Terms of Reference and the Technical Proposal indicated that the budget and expenditure review would cover the period 2010 to 2020. The period was subsequently shortened to 2015 to 2020 because Mongolia undertook significant budget reforms in 2015 that changed the structure of the budget. This meant there would be a structural break in the data, making it difficult to compare information prior to 2015 to information after 2015.

### 1.4 ANALYSIS REQUIRES DATA

The available data determines the range of analyses that can be done. In this regard, our basic point of departure was that we only used data from officially recognised datasets. The rationale for this approach was to ensure that (i) government officials are able to replicate the analyses on their own in future, and (ii) there is no room to query the validity or veracity of the data that informs the analyses. This is key to ensuring that the results of the analyses are seen as credible, which lays a sound foundation for future advocacy initiatives.

The MOF shared budget and expenditure data for the years 2015 to 2020 for the Ministry of Education and Science (MOES), the Ministry of Health (MOH), the Ministry of Labour and Social Protection (MLSP) and each of the *aimags* (provinces). From this data, we developed a consolidated budget database for the ministries, and a separate one for local government budget and expenditures. Unless otherwise specified, all budget and expenditure data analysed for the respective sectors used this data.

The MOF also shared a workbook with general budget information titled “Mongolia’s General Budget Performance Indicators (2015-2019)” (referred to as “General Budget Performance Indicators”). This data presented consolidated government spending across state and local government budgets, and so was used to describe the overall analysis of spending on the child-related social sectors presented in Section 3.

The team also accessed data from a variety of different sources, including:

- National Statistical Office of Mongolia,
- World Health Organisation,
- UNESCO, and
- MIC Survey 2013 – Mongolia.

Our ability to carry out useful analyses was, in many instances, limited by the structure of the data, the extent of disaggregation across programmes/activities, economic classifications and institutions, and the lack of consistency across aims in capturing expenditures (for more details, see section 2.8 and Annexure A).

## 1.5 CROSS-CUTTING METHODOLOGICAL ISSUES

### 1.5.1 Looking at planning and budgeting through a “child lens”

A child lens refers to the extent to which children’s issues are represented during the planning and budget preparation processes. It’s a qualitative assessment. To understand whether a child lens was applied in preparing the budget, we looked at:

- what policies and laws inform planning and budget processes, and how these affect budget allocations;
- what data on children is used to prepare the budget – e.g. demographic data, survey data, administrative data and performance data; and
- how this data is used to inform budget allocations.

The aim was to develop a perspective on how information about children and issues impacting children are brought into budget planning discussions and affect budget allocations. While the team did meet remotely with ministry officials, our sense is that we were not able to discuss the above questions as deeply as we had hoped, nor with a sufficiently wide range of role-players. The difficulty was that officials participating in remote meetings are more likely to give the “correct” stock answers to these types of questions than reflect on actual practices and possible gaps because the rapport of an in-person meeting is missing.

### 1.5.2 Child markers in budgets

The term “markers” refers to features of a budget, or of expenditures, that have a “child mark”, such as:

- *Names of budget programmes or budget activities:* The markers in the Mongolian budget that are easiest to see are the names of budget programmes and budget activities – one can very often see from the name whether it is child-related or not, e.g. the “Child money” activity in the Social Welfare budget programme, or the “Pre-school” budget programme, are clearly child focused. These types of markers are less obvious in the health sector; for example, there is an activity in the MOH budget titled “Vaccinations” that we would assume to be mostly child-related.
- *Institutions and administrative systems:* Very often, the types of institutions being funded serve as clear child markers, e.g. pre-schools, schools and antenatal clinics. However, in other instances it is less clear, e.g. primary health centres that serve children and adults. In certain instances, the structure of, or descriptions in, administrative systems may contain useful child markers. For instance, the payroll system in the health sector might identify “paediatric doctors/nurses”. Generally, these kinds of markers were absent in the budget and expenditure data for Mongolia. Indeed, in the education sector the expenditure data does not distinguish between salaries paid to teachers and those paid to non-teaching staff.
- *Child-specific economic classifications:* Some countries use classifications of expenditures in the chart of accounts that mark expenditures as child related. For example, in the South African chart of accounts there are items for *baby formula, textbooks, teaching aids, school furniture* and the different paediatric vaccinations. We did not find anything equivalent in the Mongolian chart of accounts. There are many classifications in the Mongolian budget database that enrich expenditure analyses – e.g. classifications for meals, electricity, medicines and so on – that help

one understand the nature of expenditures within child-related budget programmes, but they do not help to mark the expenditure as child or non-child expenditure.

These child markers were used to identify budgets and expenditures on child-related services or inputs in each of the sectors that are the focus of the respective analyses presented in the annexures.

## 1.6 STRUCTURE OF THE REPORT

The remainder of the report is structured as follows:

- Section 2 provides a summary of the key findings of the analysis presented in Annexure A, which assesses the planning and budget processes through a child lens.
- Section 3 provides an overarching analysis of child-related budgets and expenditures as reflected in General Budget Performance Indicators.
- Section 4 sets out the key findings of the analyses presented in annexures B to E of the child-related expenditures in the child protection, social protection, education and health sectors.
- Section 5 presents a review of Mongolia's performance against the SDGs relevant to each of the sectors covered in the assignment.
- Section 6 presents a summary of areas where the Government of Mongolia is doing well when it comes to budgeting for, and delivering services to, children.
- Section 7 presents a set of recommendations arising from the analysis

## 2. Assessing Planning and Budgeting through a Child Lens

When analysing government budgets and expenditures or advocating for the better use of resources or increased allocations for children's services, it is critical to have a thorough understanding of the country's policy, legal and institutional arrangements for planning and budgeting. Generally, when analysing these arrangements, one needs to distinguish those elements that form the framework from the actual planning and budgeting processes themselves. For instance, the Budget Law of 2011 describes the process and timetable government is required to adhere to when compiling its budget. This is the framework. Then, each year, the government works within this framework to develop and approve the annual budget for the forthcoming year. This annual activity is the budget process.

This distinction between framework and process needs to inform one's advocacy efforts. Ideally, but only if necessary, priority should be given to advocating for strategic changes to the framework, as they have the potential to impact the outcomes of all successive planning and budget processes.

The sub-sections that follow provide a summary of Annexure A. This annexure applies a child lens to review Mongolia's governance, policy, legal and institutional arrangements for planning and budgeting.

### 2.1 STRUCTURE OF GOVERNMENT AND THE ASSIGNMENT OF REVENUES AND FISCAL TRANSFERS

The Government in Mongolia is organised into two tiers: national/state government, and local government. Article 23 of the Budget Law of 2011 assigns budget revenues to the respective levels of government. Budget revenues are divided into two categories, namely:

- tax revenues, comprised of taxes, fees and commissions covered by the General Tax Law<sup>2</sup>, and
- non-tax revenues, comprised of dividends from state-owned enterprises, sales revenue and charges for the use of government property, proceeds of privatisation, sale and renting of government property, fines, loans and grants from international development partners, and other revenues.<sup>3</sup>

Compared to previous revenue assignment arrangements, Article 23 centralises the most productive mineral tax revenues to the state government. This centralisation, while unpopular with those aimags where mining operations are located, has enabled the government to put in place more equitable revenue-sharing mechanisms, thus enabling local government services to be provided more equitably across the country.<sup>4</sup>

Article 56 of the Budget Law of 2011 provides for the following three types of transfers from upper-level budgets to lower-level budgets: (i) financial support or deficit-filling transfers, (ii) special purpose (earmarked) transfers to fund delegated functions, and (iii) revenue-sharing transfers. There is also a provision that allows surplus funds from lower-level budgets to be transferred to upper-level budgets.<sup>5</sup> In essence, these transfers are the logical counterpart of the deficit-filling transfers.

<sup>2</sup> See Article 23.2 of the Budget Law of 2011.

<sup>3</sup> See Article 23.2 of the Budget Law of 2011.

<sup>4</sup> See page 31 in Asian Development Bank, 2021. Decentralisation, local governance and local economic development. Philippines: Manila.

<sup>5</sup> See article 56.2 of the Budget Law of 2011.

## 2.2 ASSIGNMENT AND DELEGATION OF EXPENDITURE FUNCTIONS

Article 58 of the Budget Law of 2011 allocates a range of functions to the capital city, aimags, districts and *soums* that are funded from local budgets. This means that the level of funding allocated to social care and welfare services, an important range of services for children, depends on the strength and reliability of local revenues (see section 2.2), and the priority local governors give to funding these services versus the other local government functions.

In addition, Article 61 of the Budget Law of 2011 delegates implementation of the following national/state government functions to the capital city and aimag level, with the services directly relevant to children highlighted in blue:

- pre-school education services;
- general education services;
- primary health care services;
- land relations and cadastre services; and
- child development and protection services.

Since 2019, through an amendment to the Budget Law, cultural services and fitness activities have been transferred to the local government devolved functions, to be included in their base expenditures funded from own revenues.

Clearly, as a result of these delegations, the capital city and aimag governments are key implementing agents of services to children.

## 2.3 LEGISLATION GOVERNING PLANNING AND BUDGET PROCESSES

In the aftermath of the financial crisis in 2009, Mongolia embarked on a range of initiatives to strengthen fiscal discipline and improve public finance management. The following are the key public finance management laws that currently set the framework for planning and budget processes:

- the Fiscal Stability Law of 2010, as amended;
- the Budget Law of 2011;
- the Glass Account Law of 2014; and
- the Development Policy and Planning and Its Management Law of 2020.

Operating within the framework created by these laws, government role-players are required to engage in a range of planning and budgeting processes that result in the production of numerous planning and budget documents. Role-players are then also required to produce a range of monitoring and reporting documents that document their performance in implementing the plans and budgets. The Glass Account Law requires that all this information be published on a dedicated web-based portal established by national government.

With reference to the adage “children are the future”, a remarkable feature of the above laws is that, between the four of them, there are only two mentions of “children”. Both are in the Budget Law of 2011, with reference to the allocation of responsibility for children’s playgrounds to districts and *soums*.<sup>6</sup> Obviously, there are references to services that benefit children, such as education and health. However, the complete absence of any mention of the interests of children in the principles guiding planning and budgeting, or of children as stakeholders in these processes, is notable. It perpetuates the bad practice prevalent in planning and public finance management legislation, policy and processes of largely ignoring

6 See article 58 of the Budget Law of 2011 and Table 34 in Annexure A.

children. The framework legislation for planning, especially, but also budgeting should provide that these processes must promote the “best interests of children” as a core principle.

While the framework legislation does not explicitly promote the best interests of children, it is evident, however, that promoting the interests of children is an important policy focus area in the formulation of recent state plans and budgets.

## 2.4 PUBLIC PARTICIPATION IN PLANNING AND BUDGET PROCESSES

The Development Policy and Planning and Its Management Law of 2020 lists a set of principles that must guide development policy and planning. Among them is “ensure involvement of all stakeholders.”<sup>7</sup> However, the elaboration of how this principle should be understood in practice makes no mention of children as stakeholders in planning processes:

As regards public participation in the budget process, Article 6.5 of the Budget Law of 2011 states that the principle of fiscal transparency includes ensuring there is “community participation in budget planning, revenue collection, allocation and reporting processes.” In addition, Article 63 of the Budget Law of 2011 requires governors of *baghs* and *khoroos* to survey the views of residents regarding projects to be funded from the Local Development fund, and to ensure that the information from these surveys is discussed in the *bagh* and *khoroos* Citizens’ Khurals, where the projects should be prioritised and selected. These lists of priority projects should then feed into the budget processes of the districts and soums. Again, it is notable that the Budget Law of 2011 has no specific provisions regarding the participation of children in government budget processes.

Planning and budgeting processes are about envisaging a better future for everyone, but especially for children. Consequently, it is important to enquire whether, and to what extent, the responsible role-players consider the interests of children explicitly in these processes. To properly assess this issue requires intimate knowledge of the different planning and budget processes, as well as engagement with the relevant role-players. Ideally, the role-players themselves should reflect on these questions from time to time with a view to ensuring that they make progressive strides towards incorporating the best interests of children in their work, and the resultant plans and budgets.

## 2.5 BUDGET PROCESS TIMETABLE AND OPPORTUNITIES FOR PUBLIC PARTICIPATION

Generally, the government budget process consists of five steps: (i) Gathering data, expenditure analysis and costing, (ii) Preparation, (iii) Approval, (iv) Implementation, and (v) Accountability. The Budget Law of 2011 sets the framework and key dates for these processes for all levels of government.<sup>8</sup> In Mongolia, the fiscal year for all levels of government runs from January to December.<sup>9</sup>

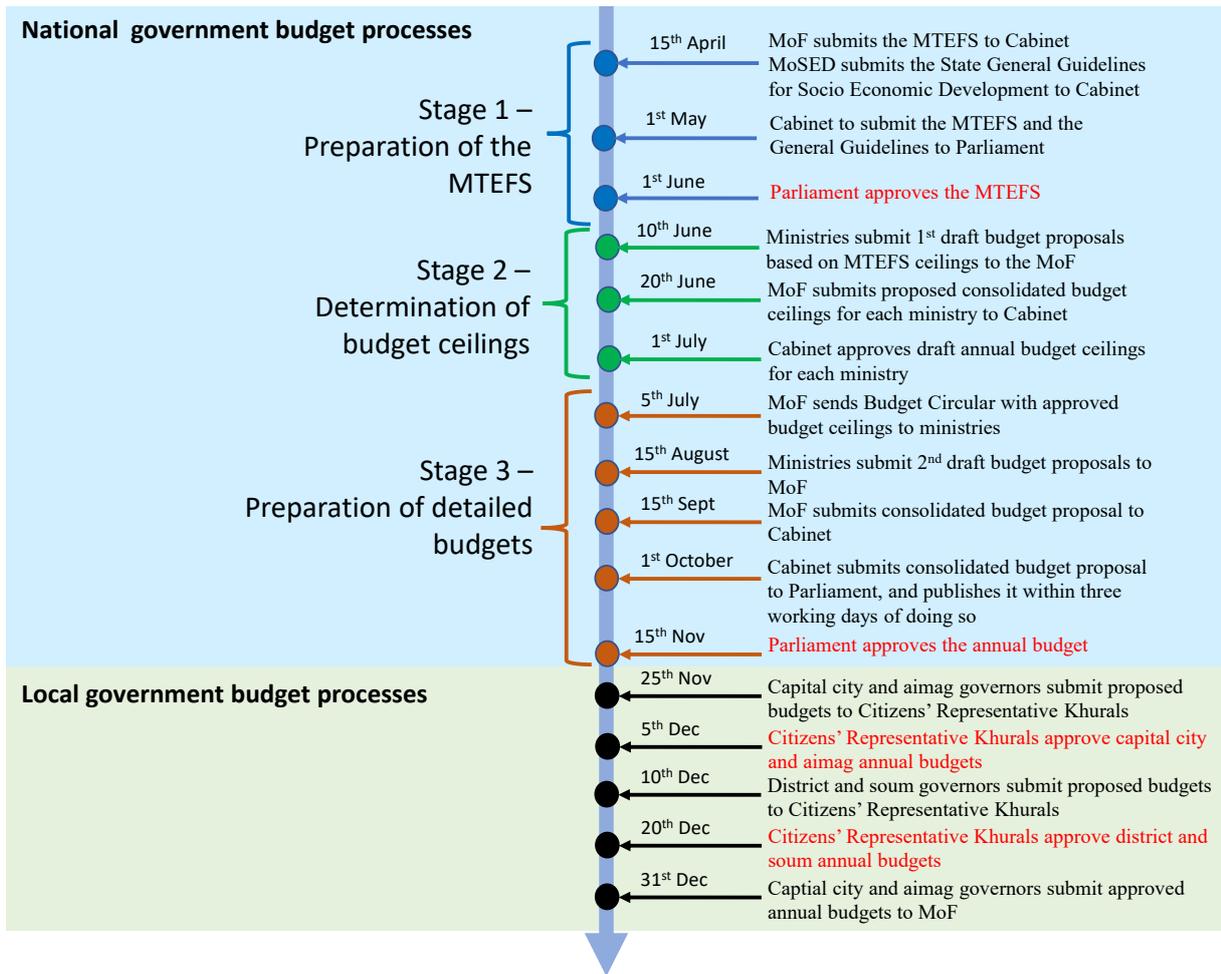
The following figure shows the budget preparation and approval processes for both the state and local budgets.

7 See article 5.1.13 of the Development Policy and Planning and Its Management Law of 2020.

8 See Article 8 of the Budget Law of 2011.

9 See Article 7 of the Budget Law of 2011.

**Figure 1** National and local government budget preparation and approval processes



Source: Article 8 in the Budget Law of 2011 (own figure)

In a recent review of budgeting processes in Mongolia, the World Bank notes that “Overall, the budget process has been orderly, but trade-offs between expenditures have not been made as envisaged in the law, and no hard budget constraint was observed.”<sup>10</sup>

## 2.6 STRUCTURE OF BUDGET AND EXPENDITURE INFORMATION

Article 22 of the Budget Law of 2011 provides that state and local budgets must be arranged in the following categories: (i) level of government, (ii) budget governors, (iii) economic classification, (iv) programme, (v) activities, and (vi) financing sources. If used correctly, this classification scheme has the potential to deliver very useful information for expenditure analyses.

However, our analysis of the expenditure data across the education, health and child protection sectors revealed inconsistencies in the use of these budget categories that severely limit the usefulness of budget and expenditure data at both state and local levels. The main problems result from, firstly, not using the programme and activity categories to clearly reflect what is being done in each of the sectors, and, secondly, using the activity category to capture information that should be captured within the economic classification category.

To make best use of the budget classification scheme set out in the Budget Law of 2011, the budget

10 World Bank, 2020. Public Expenditure Review: Mongolia – Growing without undue borrowing. Ulaanbaatar, World Bank.

programmes and budget activities must be used along with economic classifications in a way that enables one to always answer: *what activity are those resources used for?* To answer this question, the respective budget categories should be used consistently as follows:

- **Budget programmes and budget activities** should describe and group expenditures from a policy mandate and implementation perspective – *what is done?*
- **Economic classifications** should be used to describe expenditures by the type of input – *what resources are used?*

It is important that this distinction is recognised and adhered to in the design of the budget structure and in the chart of accounts. Failure to do so severely limits the kinds of analyses that can be done with the resultant budget and expenditure data, which in this context means the data cannot support analyses that would facilitate a fuller understanding of the efficiency, equity and effectiveness of spending on children’s services.

Section 9 of Annexure A presents a detailed discussion of the good practice principles that should guide the use of the programme, activity and economic classification categories so as to develop a budget structure that delivers properly structured budget and expenditure information. It also shows how the current budget structure for the education sector fails to adhere to these principles, thus limiting the usefulness of the available budget and expenditure information.

## 2.7 SUMMARY OF KEY FINDINGS

- Mongolia has robust framework legislation for managing planning and budgeting processes. This legislation sets out principles to guide planning and budgeting processes. It is notable that these principles do not include “the best interests of children” or anything similar.
- The framework legislation identifies the stakeholders government needs to involve in the processes for developing plans and budgets. Children are not identified as stakeholders in these processes, so there are no special arrangements in place to ensure children can make inputs. Nevertheless, the State Great Khural and the government are open to receiving inputs from children.
- The arrangements for the assignment and delegation of functions make the capital city and aimag governments the key implementing agents of services to children. They receive the majority of the funds for these functions from the state budget by way of special purpose transfers, which leaves them with little discretion in managing the allocation of funds for implementation.
- In the structuring of budgets, the use of budget programmes, budget activities and economic classifications needs to be aligned with good practice principles to ensure information is better structured for management and analytical purposes. See Annexure A in this regard.

## 3. Review of Mongolia's Budgets and Expenditures

The fiscal data used in the analyses below was extracted from General Budget Performance Indicators. The data was shared by UNICEF Mongolia.

### 3.1 FISCAL SITUATION AND KEY FISCAL TRENDS

Table 1 below compares the gross domestic product (GDP) to the consolidated state budget.

**Table 1** Comparison of GDP and consolidated expenditures

amounts in millions of MNT	2015	2016	2017	2018	2019	2020	Average Annual Growth	
							2015 - 2019	2015 - 2020
<b>Gross Domestic Product</b>	<b>23 166 779</b>	<b>23 886 410</b>	<b>27 167 035</b>	<b>32 165 966</b>	<b>36 897 640</b>	<b>36 958 550</b>	<b>12,3%</b>	<b>9,8%</b>
<b>Consolidated current and capital expenditure</b>	<b>7 115 078</b>	<b>8 974 019</b>	<b>8 701 302</b>	<b>9 030 769</b>	<b>11 245 251</b>	<b>13 863 162</b>	<b>12,1%</b>	<b>14,3%</b>
Consolidated current expenditure	5 718 374	6 613 809	7 043 162	7 350 339	8 228 579	10 828 926	9,5%	13,6%
Consolidated capital expenditure and net lending	1 396 705	2 360 210	1 658 141	1 680 430	3 016 672	3 034 236	21,2%	16,8%
<b>As percent of GDP</b>								
Consolidated current and capital expenditure	30,7%	37,6%	32,0%	28,1%	30,5%	37,5%		
Consolidated current expenditure	24,7%	27,7%	25,9%	22,9%	22,3%	29,3%		
Consolidated capital expenditure and net lending	6,0%	9,9%	6,1%	5,2%	8,2%	8,2%		

Source: General Budget Performance Indicators

Table 2 below compares tax revenues to high-level expenditure indicators.

**Table 2** Comparison of consolidated tax revenues and expenditures

amounts in millions of MNT	2015	2016	2017	2018	2019	2020
Consolidated tax revenues	5 118 979	4 950 950	6 315 132	8 227 776	9 813 196	8 511 605
execution as % of planned	100%	109%	110%	129%	113%	96%
Consolidated tax revenues as percent of:						
Consolidated revenues and grants	86%	85%	79%	81%	82%	81%
Consolidate current and capital expenditures	72%	55%	73%	91%	87%	61%
Gross Domestic Product	22%	21%	23%	26%	27%	23%

Source: General Budget Performance Indicators

Tax revenues include income taxes (corporate and private), VAT, social security contributions and a small number of other taxes. These are domestic sources of revenue raised by the government. Annual average growth in these taxes is 17%.

Since 2016, actual revenue collections have exceeded planned collections, which suggests government has underestimated the strength of the economy or deliberately adopted a conservative approach to projecting future revenues. From a fiscal management perspective, it is preferable to slightly underestimate revenues than to over-estimate them. These sources of revenues account for 82% of consolidated revenues and grants, and 87% of consolidated current and capital expenditures, which suggests a relatively low level of reliance on foreign loans and donor support to implement its agenda.

The annual average inflation in Mongolia from 2015 to 2020 is shown in Table 3 below.

**Table 3** Average annual inflation, 2015 to 2020

	2015	2016	2017	2018	2019	2020	Average Annual Inflation 2015 to 2020
Annual Inflation	6,60%	0,70%	4,30%	6,80%	7,30%	3,70%	4.53%

Source: National Statistics Office of Mongolia

Inflation both increased and decreased during the period under review. The average annual inflation rate for 2015 to 2019 is 4.74%, and 4.53% between 2015 and 2020.

### 3.2 REVIEW OF OVERALL BUDGET AND EXPENDITURE TRENDS

Table 4 below sets out the total state and local government expenditures. Note that much of the Subsidies and transfers category is made up of the special purpose transfers the government gives to local government to implement key social services.

**Table 4** Total state and local government current expenditures, 2015 to 2020

amounts in millions of MNT	2015	2016	2017	2018	2019	2020	Average Annual Growth	
							2015 - 2019	2015 - 2020
<b>State Government</b>								
Wages and salaries	948 067	968 555	1 004 717	1 034 179	1 206 362	1 400 137	6,2%	8,1%
Social insurance contributions	74 660	74 635	76 684	84 175	103 462	122 749	8,5%	10,5%
Goods and services	616 853	907 872	820 392	875 321	1 049 637	1 399 003	14,2%	17,8%
Interest payment	663 721	926 332	1 156 465	1 046 420	860 981	932 820	6,7%	7,0%
Subsidies and transfers	1 722 076	2 115 656	2 465 978	2 673 434	3 133 034	4 370 114	16,1%	20,5%
Net lending	20 797	507 849	292 961	261 948	393 452	23 327	108,6%	2,3%
Capital expenditure	950 712	1 893 337	1 322 441	1 206 425	2 548 154	2 487 462	28,0%	21,2%
<b>Total State Government</b>	<b>4 996 886</b>	<b>7 394 235</b>	<b>7 139 638</b>	<b>7 181 903</b>	<b>9 295 080</b>	<b>10 735 611</b>	<b>16,8%</b>	<b>16,5%</b>
<b>Local government</b>								
Wages and salaries	745 061	762 740	780 665	829 833	1 032 098	1 227 527	8,5%	10,5%
Social insurance contributions	81 483	84 175	85 803	99 596	129 021	156 586	12,2%	14,0%
Goods and services	815 407	1 002 542	1 212 402	1 509 978	1 544 655	1 495 406	17,3%	12,9%
<b>Total Local Government</b>	<b>1 641 951</b>	<b>1 849 457</b>	<b>2 078 870</b>	<b>2 439 407</b>	<b>2 705 774</b>	<b>2 879 563</b>	<b>13,3%</b>	<b>11,9%</b>

Source: General Budget Performance Indicators

The data on state expenditures is taken from General Budget Performance Indicators, while the local government data is from the detailed budget and expenditure data provided by the MOF. There are major variances between these datasets, especially with regards to expenditures on Goods and services. The amounts recorded for Goods and services in General Budget Performance Indicators are much lower than those shown above, but expenditures for wages and salaries are the same across the two datasets.

Local government expenditures grow by 11.9% per year compared to 16.5% yearly growth for the state budgets. The Subsidies and transfers grow strongly at 20.5% on average. This is a positive trend from the perspective of services for children, since these transfers are key to funding these services.

**Table 5** Comparison of capital expenditure and net lending, 2015 to 2020

amounts in millions of MNT	2015	2016	2017	2018	2019	2020	Average Annual Growth	
							2015 - 2019	2015 - 2020
<b>Consolidated capital expenditure and net lending</b>	<b>1 396 705</b>	<b>2 360 210</b>	<b>1 658 141</b>	<b>1 680 430</b>	<b>3 016 672</b>	<b>3 034 236</b>	<b>21%</b>	<b>17%</b>
State Government	950 712	1 893 337	1 322 441	1 206 425	2 548 154	2 487 462	28%	21%
Local Government	429 804	463 960	335 700	474 005	468 519	546 774	2%	5%
as % of GDP	6%	10%	6%	5%	8%	8%		
<b>Capital Repairs as a proportion of capital expenditure and net lending</b>								
State Government	2%	2%	4%	6%	5%	5%		
Local Government	21%	18%	2%	3%	6%	5%		

Source: General Budget Performance Indicators

Table 5 above compares investment expenditures related to children to capital expenditure and net lending as reported in General Budget Performance Indicators. Notable are the variances across years. Consolidated capital spending ranges from 5% of GDP in 2018 to 10% of GDP in 2016.

The capital repairs expenditures referred to at the bottom of the table include all capital repairs expenditures. The very low level of investment in capital repairs should concern policy makers, especially as total capital investments is between 6% and 10% of GDP. To preserve the existing infrastructure, spending on repairs and maintenance should be about 10% of the value of the existing stock of buildings, roads, etc. This would imply that a far higher percentage of annual capital spending should be allocated to repairs and maintenance.

### 3.3 PERCENTAGE OF EXPENDITURES THAT BENEFIT CHILDREN

The approach to estimating sectoral expenditures that benefit children differs by sector. In education and child protection it is relatively straightforward, as the budget programmes at the ministry and local government levels indicate which expenditures are related to children. Social welfare expenditures were estimated by identifying the welfare programmes that benefit children. Due to the budget and organisational arrangements in the health sector, more complicated approaches to estimating child-related expenditures were used, which are discussed in Annexure E.

Table 6 below shows the total recurrent expenditures per sector that benefit children.

**Table 6** Recurrent expenditures of selected social sectors that benefit children

amounts in millions of MNT	2015	2016	2017	2018	2019	2020	Average Annual Growth	
							2015 - 2019	2015 - 2020
<b>Recurrent spending on social sectors that benefits children</b>								
<b>Total for social sectors</b>	<b>950 581</b>	<b>1 040 964</b>	<b>1 122 197</b>	<b>1 318 601</b>	<b>1 593 583</b>	<b>2 796 906</b>	<b>13,8%</b>	<b>24,1%</b>
<i>Total state (excluding SPTs)</i>	162 883	170 848	183 980	346 451	418 417	1 443 643	26,6%	54,7%
<i>Total local government</i>	787 698	870 116	938 217	972 150	1 175 166	1 353 263	10,5%	11,4%
<b>Child protection sector</b>	<b>10 761</b>	<b>10 215</b>	<b>8 430</b>	<b>16 719</b>	<b>23 154</b>	<b>28 598</b>	<b>21,1%</b>	<b>21,6%</b>
<i>State (excluding SPTs)</i>	-	-	-	7 138	7 101	9 051		
<i>Local government</i>	10 761	10 215	8 430	9 581	16 053	19 547	10,5%	12,7%
<b>Social protection sector</b>	<b>88 111</b>	<b>92 332</b>	<b>101 250</b>	<b>220 947</b>	<b>233 899</b>	<b>1 245 590</b>	<b>27,6%</b>	<b>69,9%</b>
<i>State (excluding SPTs)</i>	88 111	92 332	101 250	220 947	233 899	1 245 590	27,6%	69,9%
<i>Local government</i>								
<b>Education sector</b>	<b>743 432</b>	<b>826 513</b>	<b>895 212</b>	<b>960 328</b>	<b>1 188 885</b>	<b>1 362 997</b>	<b>12%</b>	<b>13%</b>
<i>State (excluding SPTs)</i>	-	1 170	1 202	32 159	75 006	75 503		
<i>Local government</i>	743 432	825 343	894 010	928 169	1 113 879	1 287 494	11%	12%
<b>Health sector</b>	<b>108 277</b>	<b>111 904</b>	<b>117 305</b>	<b>120 607</b>	<b>147 644</b>	<b>159 721</b>	<b>8,1%</b>	<b>8,1%</b>
<i>State (excluding SPTs)</i>	74 772	77 345	81 528	86 207	102 410	113 499	8,2%	8,7%
<i>Local government</i>	33 504	34 559	35 778	34 400	45 234	46 222	7,8%	6,6%
<b>% of social sectors benefitting children</b>								
<i>Child protection</i>	100%	100%	100%	100%	100%	100%		
<i>Social Protection</i>	34,6%	34,0%	34,0%	53,3%	52,2%	78,5%		
<i>Education</i>	98,5%	98,7%	98,8%	87,6%	90,8%	95,1%		
<i>Health</i>	32,1%	31,2%	30,9%	30,5%	31,1%	26,6%		
<b>Spending on children as a % of:</b>								
<i>GDP</i>	4,1%	4,4%	4,1%	4,1%	4,3%	7,6%		
<i>Consolidated recurrent government expenditure</i>	16,6%	15,7%	15,9%	17,9%	19,4%	25,8%		

Source: Various official budget documents.

The growth in expenditures in each sector outpaces inflation during the period, except for social welfare, which matches inflation.

On aggregate, it is estimated that expenditures benefiting children amounted to MNT1 532 billion in 2019. These expenditures grew at an annual average rate of 16.5%. As a share of GDP, these expenditures fell from 4.3% to 4.1%, while as a share of consolidated expenditures, these grew from 17.4% to 18.5%.

These large real growth rates in expenditure, as well as the increase in shares of consolidated expenditures, show that government is prioritising expenditures that benefit children.

Table 7 below shows the capital expenditure from 2015 to 2020 that benefited children.

**Table 7** Child-related capital expenditure, 2015 to 2020

amounts in millions of MNT	2015	2016	2017	2018	2019	2020	Average Annual Growth	
							2015 - 2019	2015 - 2020
<b>Consolidated capital expenditure and net lending</b>	<b>1 396 705</b>	<b>2 360 210</b>	<b>1 658 141</b>	<b>1 680 430</b>	<b>3 016 672</b>	<b>3 034 236</b>	<b>21%</b>	<b>17%</b>
State Government	950 712	1 893 337	1 322 441	1 206 425	2 548 154	2 487 462	28%	21%
Local Government	429 804	463 960	335 700	474 005	468 519	546 774	2%	5%
consolidated capital spending as % of GDP	6%	10%	6%	5%	8%	8%		
<b>Capital expenditure on projects benefiting children</b>	<b>63 635</b>	<b>135 281</b>	<b>80 311</b>	<b>233 797</b>	<b>562 615</b>	<b>331 017</b>	<b>72%</b>	<b>39%</b>
Education	63 635	86 793	44 539	190 302	463 793	265 465	64%	33%
Health		23 189	22 413	22 495	43 239	43 004		
Social welfare		17 130	10 859	13 850	33 003	20 125		
Child protection		8 170	2 500	7 150	22 581	2 423		
capital expenditure benefiting children as % of GDP	0,3%	0,6%	0,3%	0,7%	1,5%	0,9%		
capital expenditure benefiting children as % of consolidated capital expenditure	4,6%	3,7%	2,7%	11,3%	15,4%	8,7%		

Source: General Budget Performance Indicators, and investment project list.

The capital expenditures that relate to children are drawn from lists of capital projects in education, health, social welfare and child protection. In 2015, projects were only listed for education. The above table shows that capital expenditure on projects benefiting children grew at a very rapid average annual rate of 39% compared to just 17% average annual growth in total capital expenditure. This suggests a strong move towards prioritising capital projects benefiting children. However, this is growth from a low base, since in 2015 capital projects benefiting children represented only 4.6% of overall capital expenditure. This increased to 15.4% in 2019, before falling back to 8.7% in 2020.

### 3.4 EXTENT TO WHICH GOVERNMENT IS FULFILLING ITS BUDGET COMMITMENTS TO CHILDREN

In many lower-middle income (LMI) countries, governments allocate generous budgets for social services but the funds do not get released for spending, either because there is an under-collection of revenues or they are diverted to other priorities. As a result, actual spending on social services is often substantially lower than the allocated budgets. This gap between budget commitments and actual spending reflects poorly on these governments' capabilities to compile credible plans and budgets, as well as on their ability to implement their plans and budgets, effectively undermining the delivery of services to children.

How does the Government of Mongolia perform in this regard? Table 8 below compares budget allocations to expenditures at both the state and aimag levels. Expenditure is expressed as a share of the original budget allocation.

**Table 8** Expenditure as a share of budget allocations, 2015 to 2019

	2015	2016	2017	2018	2019
<b>Education sector</b>					
State budget	102%	101%	100%	100%	100%
Aimag budgets	98%	99%	100%	100%	100%
<b>Health sector</b>					
State budget	97%	99%	103%	99%	99%
Aimag budgets	98%	98%	99%	100%	97%
<b>Child protection sector</b>					
State budget	93%	96%	100%	100%	99%
Aimag budgets	94%	95%	98%	93%	98%
<b>Social protection sector</b>					
Child Money Program			97%	100%	100%
Food Stamp Program					100%

source: Own calculations, based on data received from Ministry of Finance, 2021

Note that these figures only cover recurrent expenditures. Data on budgets for capital expenditures was not available. Usually, the variance between capital budgets and capital spending is higher than for recurrent expenditure.

Generally, a good practice benchmark for budget execution of recurrent expenditure is 5% below or above the original budget (i.e. within a 5% absolute deviation from the original budget). Using this benchmark, the above table demonstrates that both national and local governments have excellent budget execution records. This excellent level of budget execution performance is maintained even at more disaggregated levels across programmes, activities and economic classifications, which indicates very high levels of discipline in budget execution (see detailed analyses in Annexures B, C, D and E). This performance can be ascribed to four factors:

- The MOF tends not to overestimate revenues when establishing budget ceilings in the MTEFs. This lays a sound foundation for developing sectoral budget ceilings and producing realistic budgets.
- The MOF exercises oversight and control over all ministry and local government budget proposals, and ensures they align with budget funding norms and the set budget ceilings.
- At the start of each fiscal year, ministries and local governments prepare allotment schedules that they submit to the MOF, and which guide the in-year allocation of funds for spending. This brings certainty to the allocation of funds, which facilitates the planning of implementation and effective budget execution.
- Generally, ministries and local governments are disciplined in implementing their budgets.

This analysis indicates that if the government allocates funds to children's services in the state and local government budgets, there is a very high probability that all the allocated funds will be used for the intended purposes. This is a very significant achievement and indicates that the government is committed to both maintaining fiscal discipline and ensuring services to children get delivered.

### 3.5 MONGOLIA'S SPENDING ON KEY SOCIAL SECTORS COMPARED TO OTHER LMI COUNTRIES

Table 9 below shows Mongolia's spending on the key social sectors compared to the average for all LMI countries, as well as where Mongolia ranks among the 54 LMI countries for each of the indicators.

**Table 9** Comparison of Mongolia's spending on key social sectors with the LMI average

Indicator	Mongolia (2020)	LMI Average	Rank (/54)
<b>Health</b>			
Government expenditure (% of GDP)	2.22	2.28	21
Government expenditure (% of total expenditure)	7.73	7.62	22
<b>Education</b>			
Government expenditure (% of GDP)	4.09	4.67	29
Government expenditure (% of total expenditure)	12.65	15.72	39
<b>Social Protection</b>			
CPIA Social Protection Rating	3.5	3.05	4
Adequacy of social insurance programmes (% of total beneficiary households)	40.16	31.53	11
<b>Child Protection</b>			
Government expenditure (% of GDP)	0.077	no data	no data
Government expenditure (% of total expenditure)	0.264	no data	no data

Source: Own calculations, based on data received from Ministry of Finance, 2021 and the World Bank

Table 9 shows that Mongolia spends slightly less on health and education as a percent of GDP compared to the LMI average. It also shows that Mongolia spends more on health as a percent of government expenditure than the LMI average, and less on education. International comparative information on spending on social protection and child protection was not available.

While these international comparisons may be interesting to some people (usually academics), they are not useful from a policy perspective. Firstly, there are numerous problems related to the comparability of the data used – it is not complete, is not for the same years, is not compiled on a consistent basis, it may not cover the levels of government responsible for delivering the different services, and it may not cover the same sets of programmes. Secondly, countries differ with regards to the size, structure and role played by government in the economy. A government with a lower level of taxation might spend a greater portion of its budget on health or education than a country with a higher level of taxation; which one is performing better? Thirdly, prices differ across countries, particularly the price of labour. So, in one country teachers may be paid less than in another country, resulting in the latter spending more as a share of total government expenditure on education. Does this represent better performance?

Policy makers in Mongolia would be very ill-advised to consider increasing or decreasing spending on any of the social services simply to align with the spending patterns of either of its neighbours, China and Russia, or any other country. Policy makers in each country need to make spending decisions based on the needs of children in their own country, the kinds and costs of the programmes they are implementing, and the availability of resources.

### 3.6 IMPACT OF COVID-19 ON EXPENDITURES FOR CHILDREN

The COVID-19 pandemic and the associated mitigation measures adopted by the Government of Mongolia, whilst largely successful in curbing the spread of the virus in the country, have had significant impacts on economic conditions, with significant deterioration observed across several economic indicators. This economic downturn is largely the result of four key mechanisms, namely: the adverse impact of containment measures on household income and production; the impact of reduced commodity prices and border closures on the mining sector; the impact of containment measures on the services sector; and the burgeoning budget deficit as a result of government revenue shortfalls associated with reduced economic activity, as well as increased expenditures associated with health and social protection mitigation measures implemented by government. As illustrated in Table 10 below, real GDP at constant factor prices contracted by 5.34% in 2020, with significant negative growth rates observed in the mining and quarrying, wholesale and retail trade, transportation and storage, accommodation and food service, and administrative and support service sectors.

**Table 10** Trends in real GDP growth rates in Mongolia, by sector

	2017	2018	2019	2020
<b>Total</b>	<b>5.34%</b>	<b>7.25%</b>	<b>5.16%</b>	<b>-5.34%</b>
Agriculture, forestry and fishing	1.81%	4.47%	8.43%	6.17%
Mining and quarrying	-5.51%	6.07%	-0.41%	-9.39%
Manufacturing	19.87%	15.66%	10.89%	1.29%
Electricity, gas, steam, air conditioning supply	5.48%	8.23%	5.88%	2.42%
Water supply; sewerage, waste management and remediation activities	1.35%	8.18%	0.34%	-2.26%
Construction	11.42%	4.75%	7.95%	-7.38%
Wholesale and retail trade; repair of motor vehicles and motorcycles	6.80%	2.19%	7.90%	-11.12%
Transportation and storage	14.20%	7.60%	2.03%	-20.10%
Accommodation and food service activities	9.70%	11.57%	4.48%	-29.66%
Information and communication	13.28%	7.77%	7.47%	0.37%
Financial and insurance activities	9.06%	5.47%	10.30%	0.92%
Real estate activities	6.72%	6.93%	2.60%	-1.85%
Professional, scientific and technical activities	-5.94%	7.22%	9.23%	-0.17%
Administrative and support service activities	9.51%	3.99%	3.54%	-10.63%
Public administration and defence; compulsory social insurance	1.20%	0.57%	4.84%	0.67%
Education services	2.96%	2.57%	3.20%	2.28%
Human health and social work activities	2.00%	2.61%	4.09%	1.44%
Arts, entertainment and recreation	1.13%	0.65%	4.86%	-1.09%
Other service activities	4.11%	2.40%	-3.63%	-3.83%
Taxes less subsidies on products	18.51%	20.12%	5.39%	-9.81%

Source: Own calculations using data from the Statistical Information Service of Mongolia, 2021

Whilst negative economic growth was observed across most sectors of the economy, the data suggests that such an even distribution in economic downturn was not observed across Mongolia's geographic sub-divisions. As Table 11 below illustrates, economic deterioration was largely concentrated in the Khangai and Eastern regions of the country, as well as in Ulaanbaatar. Conversely, the Western and Central regions, and their component aimags, all exhibited positive real economic growth in 2020 despite the broader economic downturn in the country.

**Table 11** Trends in real GDP growth rates in Mongolia, by region and aimag

Aimag	2018	2019	2020
<b>Total</b>	<b>7.25%</b>	<b>5.16%</b>	<b>-5.34%</b>
<b>Western region</b>	<b>7.82%</b>	<b>1.48%</b>	<b>9.18%</b>
Bayan-Ulgii	4.95%	0.85%	5.56%
Govi-Altai	10.49%	-6.21%	17.77%
Zavkhan	2.81%	6.99%	9.90%
Uvs	13.06%	-1.35%	12.51%
Khovd	8.61%	5.31%	3.66%
<b>Khangai region</b>	<b>0.76%</b>	<b>8.63%</b>	<b>-5.28%</b>
Arkhangai	-2.42%	24.37%	2.01%
Bayankhongor	-5.60%	10.69%	20.62%
Bulgan	2.26%	10.16%	3.29%
Uvurkhangai	-0.17%	15.03%	-3.03%
Khuvsgul	11.75%	12.33%	-7.05%
Orkhon	-0.11%	1.42%	-14.58%
<b>Central region</b>	<b>0.53%</b>	<b>6.58%</b>	<b>11.13%</b>
Dornogovi	13.45%	-1.20%	6.50%
Dundgovi	9.40%	6.59%	-10.53%
Umnugovi	-12.99%	11.95%	19.79%
Selenge	7.90%	2.53%	12.13%
Tuv	6.40%	6.55%	7.57%
Darkhan-Uul	-6.46%	12.77%	20.68%
Govisumber	-9.02%	3.34%	5.78%
<b>Eastern region</b>	<b>3.57%</b>	<b>1.58%</b>	<b>-14.43%</b>
Dornod	-3.45%	2.33%	-21.12%
Sukhbaatar	9.41%	-4.27%	-12.38%
Khentii	13.51%	7.10%	-3.27%
<b>Ulaanbaatar</b>	<b>9.88%</b>	<b>4.91%</b>	<b>-8.26%</b>
Ulaanbaatar	9.88%	4.91%	-8.26%

Source: Own calculations using data from the Statistical Information Service of Mongolia, 2021

Table 12 below shows that government revenues decreased sharply in real terms in 2020, with a 17.37% real decrease in revenues after three consecutive years of strong revenue growth rates. The impact of the decline in economic activity on revenues can be clearly observed in the reductions in both tax (-17.14%) and non-tax (-19.46%) revenues, and across the various sub-categories.

**Table 12** Trends in real revenue growth rates in Mongolia, by revenue classification

Classification of revenue	2017	2018	2019	2020
<b>Total revenue and grants</b>	<b>22.74%</b>	<b>16.47%</b>	<b>8.44%</b>	<b>-17.37%</b>
Stabilization fund	-	-41.40%	-58.62%	-33.03%
<b>Total equilibrated revenue and grants</b>	<b>12.20%</b>	<b>16.93%</b>	<b>7.03%</b>	<b>-17.37%</b>
<b>Tax revenue</b>	<b>14.79%</b>	<b>19.82%</b>	<b>8.27%</b>	<b>-17.14%</b>
Income tax	39.15%	19.24%	10.94%	-16.92%
Social security contributions	7.16%	13.09%	13.44%	-25.20%
Property taxes	12.76%	-0.62%	-1.11%	-4.27%
Value added tax	27.69%	25.12%	2.50%	-15.17%
Excise taxes	-25.77%	33.84%	3.63%	-13.94%
Taxes on foreign trade	40.37%	22.81%	4.84%	-10.34%
Other taxes	-9.48%	11.94%	16.46%	-16.58%
<b>Non-tax revenue</b>	<b>-2.30%</b>	<b>-2.12%</b>	<b>-2.92%</b>	<b>-19.46%</b>
Capital revenue	-28.12%	-48.92%	13.28%	28.99%
Grants and transfers	-27.90%	-43.67%	111.81%	50.41%

Source: Own calculations using data from the Statistical Information Service of Mongolia, 2021

Juxtaposed to the severe downturn in revenues, the containment and mitigation measures put in place by the government resulted in higher spending in 2020. Table 13 below shows that government expenditure grew by 14.50% in real terms in 2020, driven largely by high growth rates in *Current Expenditure* (26.36%) and, specifically, *Subsidies and transfers* (43.06%), which surged in the wake of the various mitigation programmes and transfers the government implemented in order to reduce the economic impact of the pandemic.

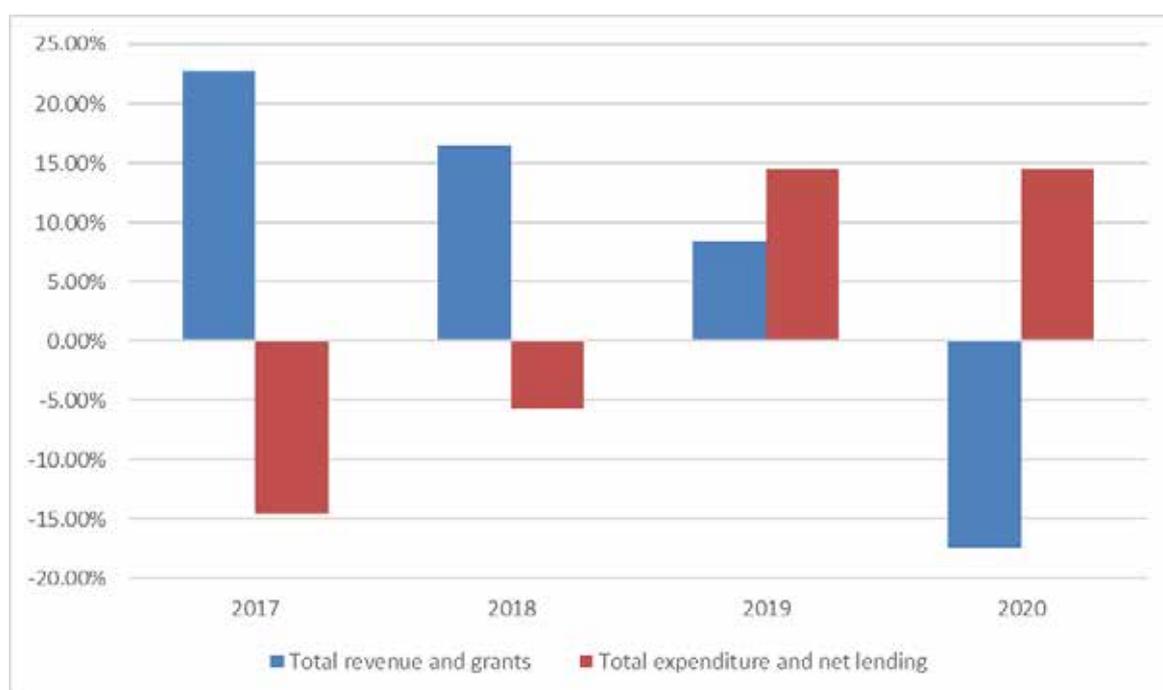
**Table 13** Trends in real government expenditure growth rates in Mongolia, by expenditure classification

Classification of expenditure	2017	2018	2019	2020
<b>Total expenditure and net lending</b>	<b>-14.53%</b>	<b>-5.70%</b>	<b>14.49%</b>	<b>14.50%</b>
Current Expenditure	-6.43%	-3.81%	1.40%	26.36%
Goods and services	-14.17%	-2.67%	9.23%	16.56%
Wages and salaries	-7.24%	-3.80%	8.78%	12.21%
Other income	-12.96%	-1.15%	9.81%	22.18%
Interest payments	5.54%	-16.54%	-25.53%	6.57%
Subsidies and transfers	-0.95%	0.24%	2.15%	43.06%
Capital expenditure	-36.77%	-10.60%	69.90%	-3.25%

Source: Own calculations using data from the Statistical Information Service of Mongolia, 2021

All told, the above decline in economic growth and government revenue, and the simultaneous increase in government expenditure, resulted in a sharp widening in the budget deficit. Figure 2 below shows that growth in expenditures outstripped growth in revenues, resulting in a significant widening of the budget deficit to 9.5% of GDP – its highest level since 2016. This increase in the deficit has eroded the strong fiscal consolidation the government embarked on in 2016 (as evidenced by the shrinking of the fiscal deficit since 2017, shown in Figure 2).

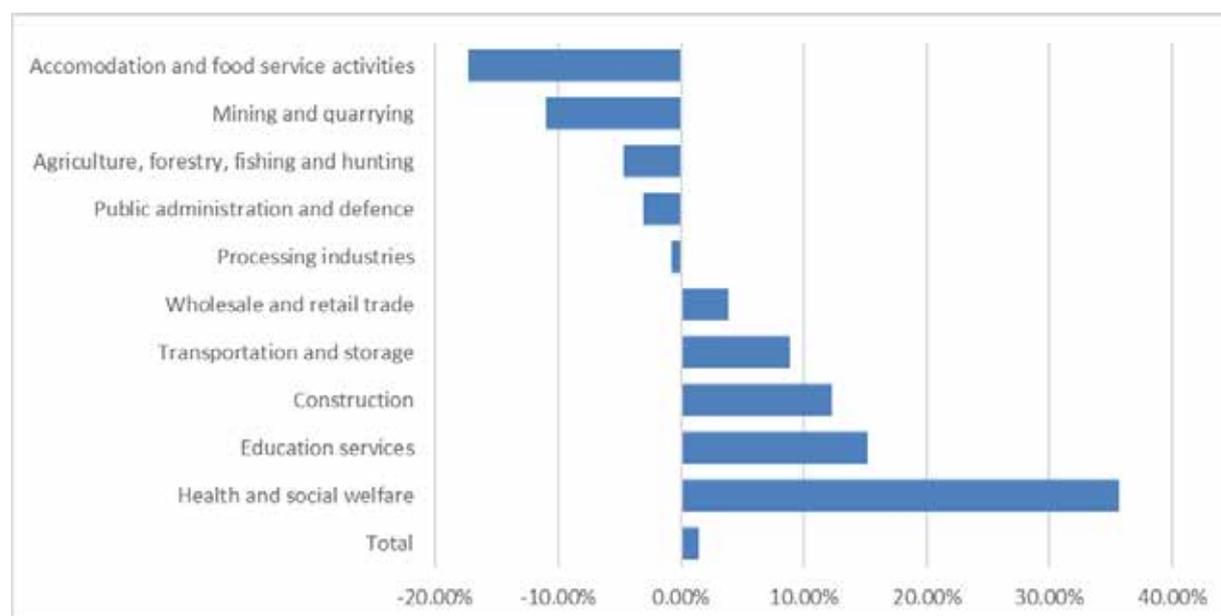
**Figure 2** Government revenue and expenditure growth rates, 2017 to 2020



Source: Own calculations using data from the Statistical Information Service of Mongolia, 2021

Unfortunately, there is insufficient data to analyse the impact of this burgeoning budget deficit at the sectoral level, nor is there adequate data to identify how the increases in government expenditures observed in the data have manifested as prioritisation or deprioritisation of expenditures targeting children. What is possible, however, is to use sectoral changes in employment as a proxy for sectoral prioritisation, and to assess the likely impact on children of such prioritisation. Figure 3 below presents the proportional change in employment that occurred in Mongolia in 2020, both overall and in the ten sectors with the highest total employment in the country. Figure 3 shows that there was very low growth in total employment in the country – at only 1.46% – largely attributable to the sharp economic downturn. However, there was a significant increase in total employment in the three sectors most relevant to children –the very sectors that form the basis of this analysis of child expenditures, namely health, social welfare and education. Employment in the former two sectors increased by 35.63%, while employment in the latter increased by 15.22% – the two largest sectoral increases in 2020. This is indicative of a clear prioritisation of these sectors in the immediate aftermath of COVID-19, which would imply increased expenditures on these sectors, and thus suggest that expenditures on children specifically would have improved during this period.

**Figure 3** Proportional change in employment by sector in 2020



Source: Own calculations using data from the Statistical Information Service of Mongolia, 2021

The medium-term impact on children's expenditures, however, may be more negative. Logically, a burgeoning budget deficit is going to result in policies aimed at fiscal consolidation, which are likely to involve budget cuts that will very likely affect expenditures on children unless the government can be persuaded not to cut these programmes. However, what must be acknowledged is the clear prioritisation of children evident in the response implemented by the government in response to the pandemic.

### Using social protection grants to respond to Covid-19

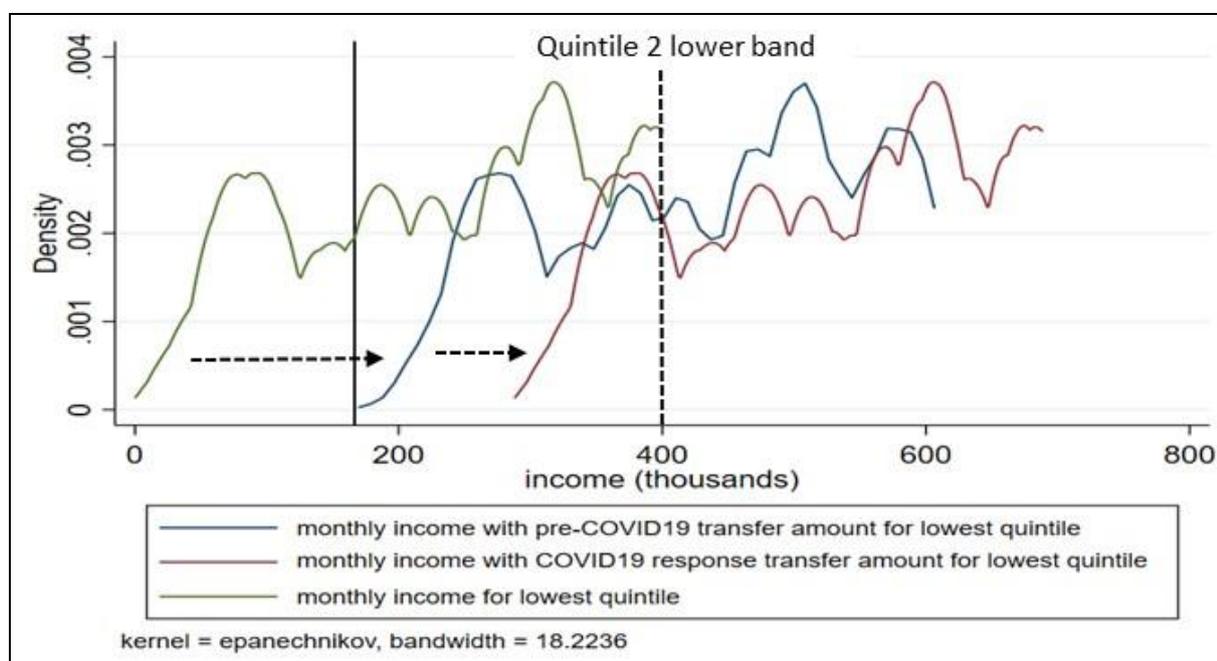
In 2019, UNICEF conducted a timely analysis of shock-responsive social protection measures for children in Mongolia, with a pilot application that involved responding to a climate disaster called *dzud* (harsh winters) in 2019-2020. Because 96.6% of children are registered in the system with operational bank accounts, the study concluded that the existing mechanism for child benefits is the most suitable system to reach children (and approximately two-thirds of households) during shocks.

Following the start of the COVID-19 pandemic, the government reacted quickly and, in April 2020, instituted the following threefold set of shock-response measures to help households with children avoid negative coping strategies (such as reduced spending on food and other essentials that negatively affect children’s health, development and well-being) caused by the pandemic:

1. The value of the Child Money Program transfer increased five times from the pre-COVID-19 level of MNT20 000 to MNT100 000 per month, supporting 1.2 million children from over 500 000 households. Initially, it was planned that the Child Money Program would remain at the higher level until the end of July 2021, but this has been extended to the end of 2021.
2. Food stamps were doubled for five months from 1 May to 1 October 2020 for all household members. Thereafter, only eligible adults received the doubled benefit until the end of 2020.
3. Beneficiaries of social welfare pensions (persons with disabilities without social insurance, orphaned or half-orphaned children, and single parents) received an additional MNT100 000 from May 2020 to July 2021, lifting their monthly allowance to MNT288 000.

For intervention 3, Figure 4 below shows the distribution of monthly income for the lowest income quintile and how that distribution is affected by the pre-COVID-19 (MNT188 000) and post-COVID-19 (MNT288 000) SWS transfers. The black line refers to the Mongolian poverty line, which was MNT166 580 in 2020. Both transfer amounts are sufficient to ensure all those in this income quintile live above the poverty line. However, the pre-COVID-19 transfer shifts 52% of those whose income falls into the lowest quintile into the next income quintile, while the post-COVID-19 transfer shifts 80% of this group into the next income quintile.

**Figure 4** Impact of pre- and post-COVID-19 transfers on income distribution in lowest income quintile



Source: Mongolia Labour Force Survey, 2020; own calculations.

Note: weights have been applied and were provided by the Mongolian Statistical Service.

### 3.7 SUMMARY OF KEY FINDINGS

- On aggregate, it is estimated that total recurrent and capital expenditures benefiting children amounted to MNT2 077 billion in 2019. These expenditures grew at an annual average rate of 18%, and from 4.6% to 5.6% of GDP. Expenditure on services benefiting children as a share of consolidated government expenditures grew from 15% in 2015 to 18% in 2019, before falling back to 15% in 2020. These figures show that the government is prioritising expenditures that benefit children.
- Local government expenditures grew 11.9% per year compared to 16.5% per year for the state budgets. The *Subsidies and transfers* grew strongly at 20.5% on average. This is a positive trend from the perspective of services for children, since these transfers are key to funding these services.
- The budget execution analysis indicates that if the government allocates funds to children's services in the state and local government budgets, there is a very high probability that all the allocated funds will be used for the intended purposes. This is a very significant achievement, and indicates that the government is committed to both maintaining fiscal discipline and ensuring that services to children get delivered.
- The government responded to the COVID-19 crisis very rapidly, increasing the values of the Child Money Program, the Food Stamp Program and social welfare pensions, as well as increasing employment in the sectors that deliver services to children, namely education, health and social welfare. Over the longer term, the deficits the government incurred in order to respond to the crisis will put downward pressure on future budgets, which may involve budget cuts to programmes that service children unless the government can be persuaded not to cut these programmes.

## 4. Key Findings from the Analyses of the Social Sectors

This section summarises the key findings of the detailed expenditure analyses for each of the social sectors presented in annexures B through to E.

### 4.1 CHILD PROTECTION – SUMMARY OF KEY FINDINGS

Annexure B reviews government spending on child protection programmes. Aimags are responsible for implementing these programmes and receive funding from the state government to cover recurrent expenditures. These funds are transferred from the MLSP budget to aimags in the form of special purpose transfers.

Child protection budget and expenditure data is presented in the *Development and Protection of Children* budget programme in both aimag and state budgets. These budget programmes report on recurrent expenditures and are analysed in this report.

#### 4.1.1 Trends in expenditure

Table 14 below summarises key expenditure indicators related to child protection services provided to children in Mongolia.

**Table 14** Summary of expenditure on child protection services

amounts in millions of MNT	2015	2016	2017	2018	2019	2020	Average Annual Growth	
							2015 - 2019	2015 - 2020
Ministry of Labour and Social Protection	-	-	-	7 138	7 101	9 051		
Local government	10 761	10 215	8 430	9 581	16 053	19 547	10,5%	12,7%
of which special purpose transfers	6 034	5 899	6 226	5 585	7 027	9 931	3,9%	10,5%
<b>Total recurrent expenditure on child protection</b>	<b>10 761</b>	<b>10 215</b>	<b>8 430</b>	<b>16 719</b>	<b>23 154</b>	<b>28 598</b>	<b>21,1%</b>	<b>21,6%</b>
<i>Change in expenditure</i>		-546	-1785,36	8289,25	6435,19	5443,81		
<i>Annual growth in expenditure</i>		-5%	-17%	98%	38%	24%		
<i>spending on child protection as a % of GDP</i>	0,046%	0,043%	0,031%	0,052%	0,063%	0,077%		
<i>spending on child protection as % of consolidated recurrent and capital expenditures</i>	0,151%	0,114%	0,097%	0,185%	0,206%	0,206%		

Source: Own calculations, based on data received from Ministry of Finance, 2021

Between 2015 and 2020, recurrent child protection expenditures grew at an annual average rate of 21.1%, which represents strong real growth, as average inflation during the same period was 5.3%. Significant allocations were made to child protection in 2018, together with other social welfare programmes such as social insurance. Child protection's share of consolidated recurrent expenditures increased slightly from 0.188% to 0.264%, suggesting that priority was given to funding these programmes during this period. Compared to GDP, expenditures have remained in a narrow range between 0.046% and 0.077%.

##### 4.1.1.1 State expenditure trends

There were significant shifts in the categories in which spending occurred. In 2015, 100% of the child protection budget at state level was spent on *government transfers*. By 2019, *government transfers* accounted for 50% of the expenditure, whilst *work, service payment, fee performed by others'* share increased to 39% of the expenditure.

Whilst the share of *government transfers* reduced significantly, the absolute amounts did not change much

over the period. This means that most of the additional funds allocated to the sector in 2018 were used to pay external service providers. A small portion went toward increasing the capacity within the MLSP.

#### 4.1.1.2 Local government expenditure trends

Most aimags spend nearly all the transfers received from the state in the form of special purpose transfers, with most supplementing state funding with their own revenue in 2020. This is encouraging and shows the prioritisation of child protection in these aimags.

The majority of spending on child protection in the aimags is on *wages and salaries*, with a few exceptions such as Bayankhongor and Darkhan-Uul. There is an inverse relationship between *wages* and *work service fee performed by others*. In other words, those aimags that perform the service with their own staff rely less on outsourcing services to external contractors, such as NGOs.

#### 4.1.2 Using expenditure data to assess effectiveness and equity

An evaluation of the implementation of the Child Protection Law of 2016 in Mongolia found that, despite the increase in the budget, local-level child protection services remained underfunded, resulting in significant disruptions to the delivery of child protection services provided for in the law. Across the different regions included in the evaluation, respondents reported that a lack of resources for their daily activities, including basics such as transportation and meeting rooms, prevented them from responding to cases effectively or within the necessary time frame.<sup>11</sup>

Our analysis found that aimags that spend more on wages and salaries are able to serve more children (with a few exceptions). This raises serious questions about the ability of the external service providers to reach/serve vulnerable children in those aimags where there is a greater reliance on external service providers, raising further questions about efficiency of spending in those particular aimags. It should be noted that the data on the number of children receiving child protection services could simply be for services provided by government and not external service providers.

Two aimags with the highest poverty headcount are spending the most per capita. Those aimags with the lowest poverty spend lower per capita. For other aimags, there is no meaningful trend in expenditure per child compared to poverty headcount.

## 4.2 SOCIAL PROTECTION – SUMMARY OF KEY FINDINGS

Annexure C reviews government spending on social protection, or what are referred to as SWS in Mongolia. Of the 68 total SWS, the following were identified as child focused. Under the Law on Social Welfare, there are seven child-specific articles that cover the social welfare pension (12.1.4; 12.1.5), care allowance (13.2.1; 13.2.2; 13.2.4), and emergency and livelihood benefits (13.5.6; 13.5.9). There are six child-specific articles under the Law on Social Security for Disabled People. There are also a further six child-specific articles under the Law on Allowances for Single Mothers and Fathers with Many Children. These combine to form 19 child-specific articles. In addition, there are three child-specific programmes.

11 2021 Technical report: Evaluation of the implementation of the Law on Child Protection in Mongolia.

**Table 15** Description of child-focused SWS

Law	Provision	Article	Type/Description
Law on Social Welfare	Social welfare pension	12.1.4	The breadwinner is a child under the age of 18 from the deceased family.
		12.1.5	A 45-year-old single mother with 4 or more children under the age of 18 and a 50-year-old father.
	Care allowance	13.2.1	A citizen who has legally adopted or legally cared for and supported an orphan.
		13.2.2	A citizen who takes care of a child specified in Article 25.5 of the Family Law or who needs emotional and physical protection due to violence in accordance with Article 74 of the Family Law.
		13.2.4	A citizen who takes care of a child with a disability who is under medical supervision and needs constant care.
	Emergency and livelihood benefits	13.5.6	Allowance for a child under 16 years of age in need of permanent care.
		13.5.9	Annual cash benefits for honoured mothers.
Law on Social Security for Disabled People	N/A	5.1.1	Provide financial assistance once a year to pay for housing for a completely deaf and hard of hearing child, and to purchase fuel if you live in an unheated apartment or ger.
		5.1.2	Reimburse 100% of the cost of prosthetics for children with disabilities under the age of 18 once every two years.
		5.1.4	Reimburse 100% of the cost of special equipment such as orthopaedics and wheelchairs made and purchased domestically for children with disabilities under the age of 18, as well as for persons with disabilities who are not entitled to benefits from the Industrial Accident and Occupational Disease Insurance Fund.
		5.1.5	Discounts on transportation to and from kindergarten for children with disabilities and their guardians once a year, or bus service.
		5.1.7	Discount on kindergarten meals for children with disabilities and disabled people.
		5.1.12	If a child with a disability stays at a children's camp, 50% of the voucher price will be paid once a year.
Law on Allowances for Single Mothers and Fathers with Many Children	N/A	13.7	Benefits for pregnant and lactating mothers.
		N/A	Nutrition support services.
		N/A	Childcare allowance for children aged 0-3.
		13.5.5	A family or individual who is raising two or more twins alive.
		13.5.5	A family or individual raising three or more twins.
Programmes	N/A	N/A	Food voucher.
			Child money.
			Mother with salary.

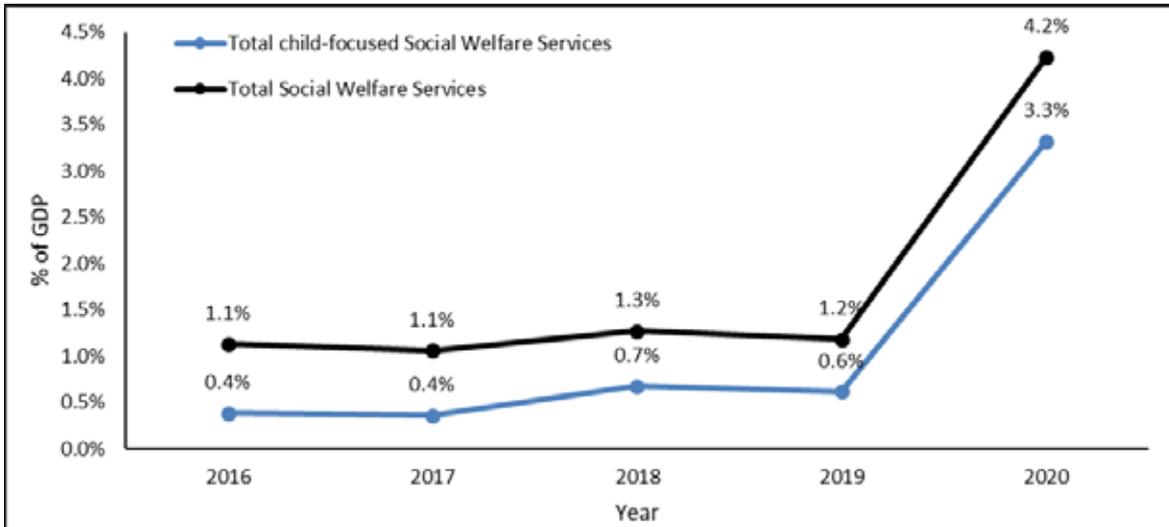
Source: MLSP, 2021

#### 4.2.1 Overall budget trends

Based on the disaggregation of child-specific SWS in Table 15, Figure 5 below shows the total and child-specific SWS expenditure as a percentage of GDP from 2016 to 2020. The total SWS expenditure remained relatively stable, at 1.1% of GDP from 2016 to 2017, before growing to 1.3% of GDP in 2018 and then falling to 1.2% of GDP in 2019. Importantly, the figure clearly presents the important role of SWS in 2020 as a response mechanism to the shocks induced by COVID-19. SWS expenditure increased dramatically to 4.2% of GDP in 2020 in order to provide the necessary social support to households negatively impacted by COVID-19.

Figure 5 reveals that child-specific SWS expenditure grew from 0.4% of GDP in 2016 and 2017 to 0.7% of GDP, before falling slightly to 0.6% of GDP in 2019. The significant expenditure growth is an indication of the growing importance of child-specific SWS as a budget item. Moreover, the child-specific SWS were also used as a shock-response mechanism to COVID-19, increasing to 3.3% of GDP in 2020.

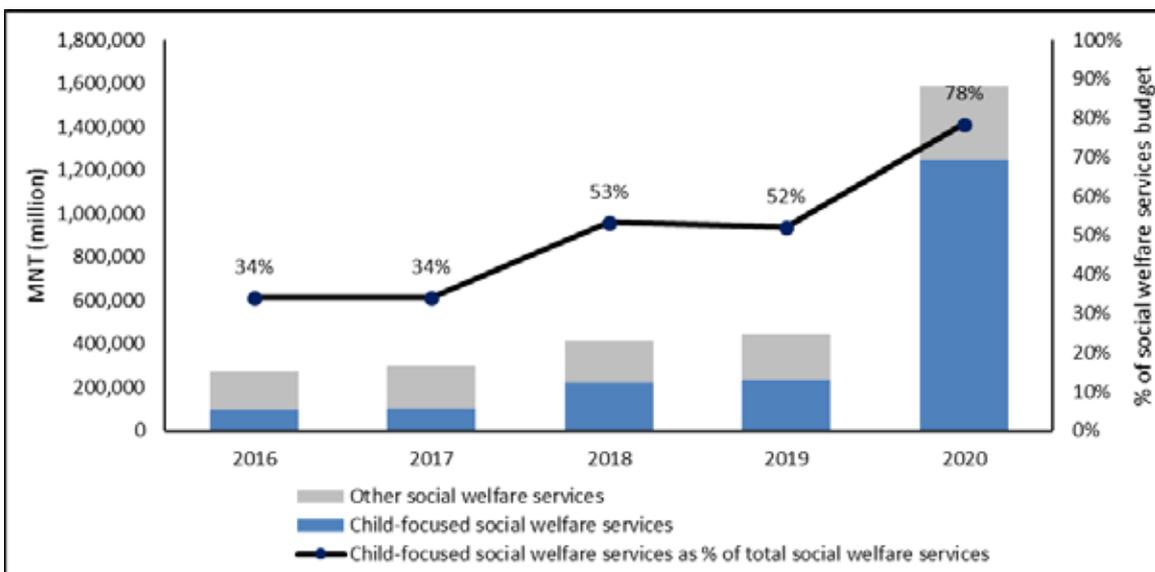
**Figure 5** Total and child-focused SWS as a % of GDP



Source: MLSP, 2021

Figure 6 presents the value of the annual SWS expenditure, disaggregated by child-specific SWS and the other SWS. The child-specific SWS grew steadily from 2016 to 2019, before the significant jump in 2020 due to the additional COVID-19-related support measures. These increases in the child-specific SWS expenditures represent an increase in the proportion of the total SWS budget that is dedicated to children from 34% in 2016 to 52% in 2019. This is an important development, as it illustrates the growing emphasis on children within SWS. Moreover, children comprised a high proportion of the COVID-19 response measures, with child-focused SWS growing to 78% of the total SWS budget by 2020.

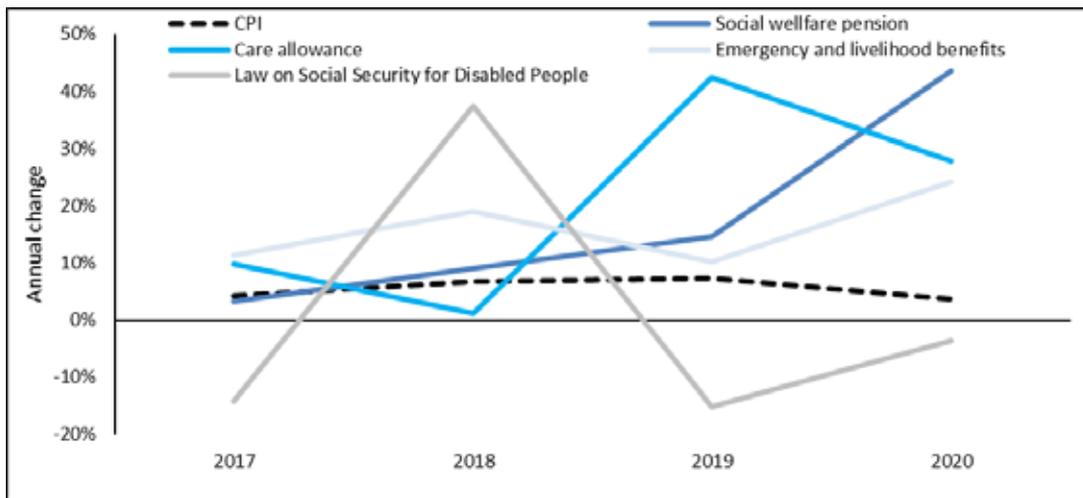
**Figure 6** Child-focused SWS compared to total SWS



Source: MLSP, 2021

Figure 7 compares the annual growth in the child-focused SWS with the CPI. Although there has been volatile growth in the child-focused SWS expenditure, there have generally been very high levels of real growth in expenditures. For the entire period, there were consistent real increases in *Social welfare pension* and *Emergency and livelihood benefits* expenditure. Except for 2018, the *Care allowance* expenditures also grew for the entire period. Of particular interest are the very high real increases in *Care allowance* and *Social welfare pension* expenditures in 2019. The large increases in 2020 are due to the COVID-19 response measures. The expenditures on the *Law on Social Security for Disabled People* have been extremely volatile, with negative real growth in expenditures in 2017, 2019 and 2020.

**Figure 7** Growth in child-focused SWS compared to CPI

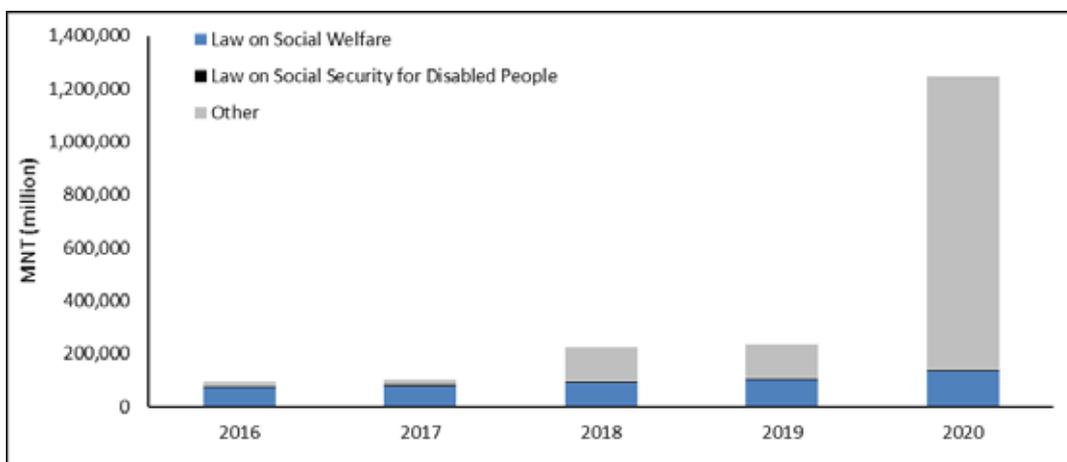


Source: MLSP, 2021

#### 4.2.2 Assessing the alignment between policy priorities and funding

Figure 8 below disaggregates these total child-focused SWS expenditures between the different laws and programmes. In 2016 and 2017, the largest component of the expenditure was the *Law on Social Welfare*, with the *Other* programmes and the *Law on Social Security for Disabled People* comprising relatively small amounts. However, this trend changes in 2018 and 2019, when *Other* began to feature more prominently. This was further pronounced in 2020, with the COVID-19 response measures being included under *Other*. The *Law on Social Security for Disabled People* is a relatively small expenditure item across the period.

**Figure 8** Composition of child-focused SWS expenditures



Source: MLSP, 2021

The nominal expenditure and annual change in expenditure for each child-focused SWS are shown in Table 16 below. This information helps to determine which SWS contributed the most to the expenditure envelope for this sector, and which SWS have been undergoing change over the period. Importantly, the eight largest child-focused SWS grew consistently over the period, with the exception of 2019 for Nutrition Support Services and 2017 for articles 13.5.8 and 13.5.5. Within the annual growth of certain SWS are very large increases, which represent a structural scaling up of the benefits. This suggests that many of the stated policy priorities in terms of child support are translated into funding. On the other hand, certain of the SWS have been scaled down. Overall, the growth in these SWS was consistent over the period 2016 to 2019, before the dramatic increase in 2020 due to the COVID-19 response measures.

**Table 16** Annual expenditure on child-focused SWS

Article	Indicator	2016	2017	2018	2019	2020
NSS	Exp MNT 1000s)	16,685,781	19,943,572	36,228,692	35,810,091	55,451,589
	Annual change		19.5%	81.7%	-1.2%	54.8%
12.1.4	Exp (MNT 1000s)	24,128,535	25,131,497	27,409,277	31,422,821	45,085,463
	Annual change		4.2%	9.1%	14.6%	43.5%
13.5.9	Exp (MNT 1000s)	28,526,433	28,746,464	28,909,409	29,291,210	29,775,240
	Annual change		0.8%	0.6%	1.3%	1.7%
13.5.6	Exp (MNT 1000s)	9,497,566	13,828,149	16,951,032	19,113,154	29,563,784
	Annual change		45.6%	22.6%	12.8%	54.7%
13.2.4	Exp (MNT 1000s)	6,176,730	6,896,790	6,902,528	10,538,832	13,942,495
	Annual change		11.7%	0.1%	52.7%	32.3%
13.5.8	Exp (MNT 1000s)	219,747	215,640	5,228,040	7,905,900	11,007,584
	Annual change		-1.9%	2324.4%	51.2%	39.2%
13.2.1	Exp (MNT 1000s)	1,624,035	1,855,029	1,932,519	2,076,888	2,232,262
	Annual change		14.2%	4.2%	7.5%	7.5%
13.5.5	Exp (MNT 1000s)	1,482,000	1,434,000	1,746,000	1,920,000	1,956,000
	Annual change		-3.2%	21.8%	10.0%	1.9%
5.1.4	Exp (MNT 1000s)	2,234,685	1,668,480	1,816,174	1,647,755	1,609,213
	Annual change		-25.3%	8.9%	-9.3%	-2.3%
5.1.5	Exp (MNT 1000s)	460,813	565,703	685,042	795,086	718,760
	Annual change		22.8%	21.1%	16.1%	-9.6%
5.1.1	Exp (MNT 1000s)	449,820	418,600	692,285	647,785	533,560
	Annual change		-6.9%	65.4%	-6.4%	-17.6%
13.2.2	Exp (MNT 1000s)	331,370	179,464	206,432	263,803	290,661
	Annual change		-45.8%	15.0%	27.8%	10.2%
5.1.2	Exp (MNT 1000s)	27,869	48,365	454,028	56,541	204,000
	Annual change		73.5%	838.8%	-87.5%	260.8%
12.1.5	Exp (MNT 1000s)	253,327	48,742	31,421	33,302	40,330
	Annual change		-80.8%	-35.5%	6.0%	21.1%
5.1.12	Exp (MNT 1000s)	8,372	3,938	31,929	40,649	15,820
	Annual change		-53.0%	710.7%	27.3%	-61.1%
13.7	Exp (MNT 1000s)	36,918,047	35,171,636	14,090,363	13,315,586	-
	Annual change		-4.7%	-59.9%	-5.5%	-
5.1.7	Exp (MNT 1000s)	13,891	34,492	87,264	8,034	-
	Annual change		148.3%	153.0%	-90.8%	-
Total	Exp (MNT 1000s)	129,039,023	136,190,561	143,402,435	154,887,435	192,426,763
	Annual change		5.5%	5.3%	8.0%	24.2%

Source: MLSP, 2021

### 4.2.3 Using expenditure data to assess effectiveness and equity

The number and annual change in the number of beneficiaries of the child-focused SWS are shown in Table 17 below. Despite the overall increase in the expenditure envelopes for these SWS, the beneficiary numbers have fallen since 2016. However, that is not necessarily a negative outcome, as some beneficiaries have fallen from the system due to their household position improving to the point where they are no longer eligible for the benefits. The most notable change in beneficiary numbers is the growth in recipients of Nutrition Support Services. Many of the SWS support low numbers of beneficiaries, which points to (i) a need to ensure that all demand has been catered for, and (ii) potential efficiency gains (mostly administrative) from streamlining certain services.

**Table 17** Annual change in beneficiary numbers for child-focused SWS

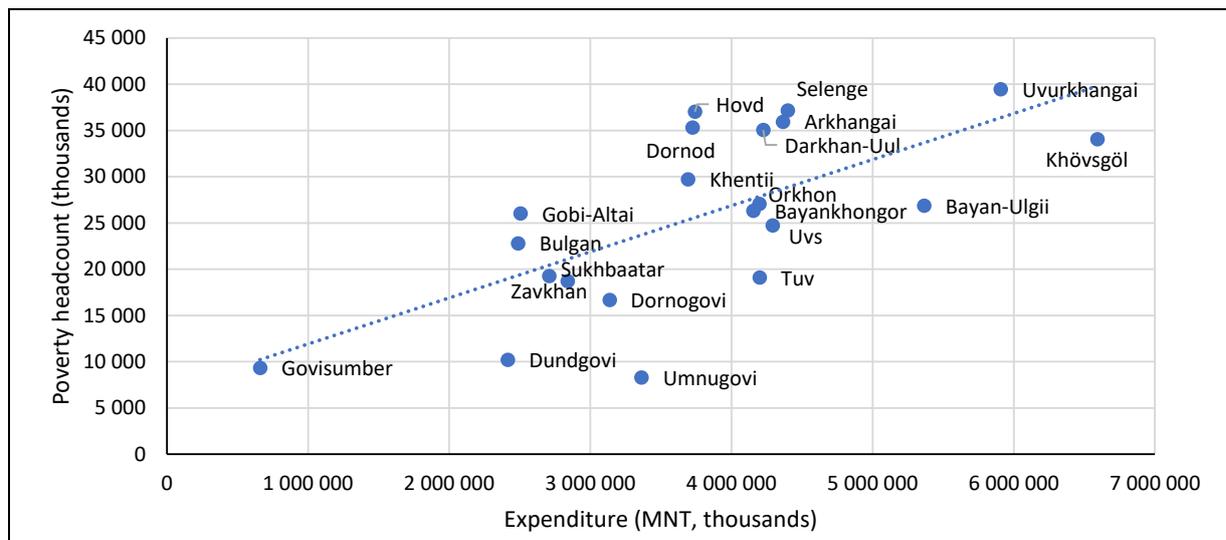
Article	Indicator	2016	2017	2018	2019	2020
Nutrition Support Services	Recipients	169,971	314,931	263,354	265,511	241,988
	Annual change		85.3%	-16.4%	0.8%	-8.9%
13.5.9	Recipients	213,505	214,019	218,677	223,250	231,452
	Annual change		0.2%	2.2%	2.1%	3.7%
12.1.4	Recipients	18,502	15,981	15,732	16,442	15,690
	Annual change		-13.6%	-1.6%	4.5%	-4.6%
13.5.6	Recipients	7,303	10,305	10,922	12,599	12,279
	Annual change		41.1%	6.0%	15.4%	-2.5%
13.5.8	Recipients	1,730	1,596	8,098	6,998	11,803
	Annual change		-7.7%	407.4%	-13.6%	68.7%
13.2.4	Recipients	9,635	10,733	10,457	12,581	11,394
	Annual change		11.4%	-2.6%	20.3%	-9.4%
5.1.4	Recipients	12,624	10,266	9,220	10,806	9,702
	Annual change		-18.7%	-10.2%	17.2%	-10.2%
5.1.1	Recipients	3,169	2,909	3,873	4,471	3,629
	Annual change		-8.2%	33.1%	15.4%	-18.8%
5.1.5	Recipients	2,228	2,453	3,546	3,762	3,510
	Annual change		10.1%	44.6%	6.1%	-6.7%
13.2.1	Recipients	2,462	2,367	2,278	2,308	2,229
	Annual change		-3.9%	-3.8%	1.3%	-3.4%
5.1.2	Recipients	101	238	573	227	1,502
	Annual change		135.6%	140.8%	-60.4%	561.7%
13.5.5	Recipients	751	733	893	963	898
	Annual change		-2.4%	21.8%	7.8%	-6.7%
13.2.2	Recipients	452	229	234	302	275
	Annual change		-49.3%	2.2%	29.1%	-8.9%
5.1.12	Recipients	124	31	155	175	99
	Annual change		-75.0%	400.0%	12.9%	-43.4%
12.1.5	Recipients	127	39	27	19	32
	Annual change		-69.3%	-30.8%	-29.6%	68.4%
13.7	Recipients	197,532	128,008	83,386	81,625	0
	Annual change		-35.2%	-34.9%	-2.1%	-100.0%
5.1.7	Recipients	62	143	235	30	0
	Annual change		130.6%	64.3%	-87.2%	-100.0%
Total	Recipients	640,278	714,981	631,660	642,069	546,482
	Annual change		11.7%	-11.7%	1.6%	-14.9%

Source: MLSP, 2021

While the allocation of the child-focused SWS is dependent on the number of people in each aimag who qualify for the benefit, it is helpful to review the relationship between expenditure on these SWS and

the poverty headcount in the aimags. While this analysis does not explain the relative performance of aimags, it does indicate whether the overall trends demonstrate a positive relationship between the SWS expenditure and poverty. While benefit numbers will differ across aimags for several reasons, in general it is expected that the incidence/demand for SWS will be higher in areas with greater levels of poverty. Hence, SWS expenditure should ideally be relatively higher in areas with more poverty. Indeed, that is the relationship shown in Figure 9 below, which presents the relationship between total child-focused SWS expenditure and poverty across the aimags. In general, aimags with higher poverty headcount spend more on these SWS than aimags with lower poverty headcounts. This measure suggests that the SWS expenditure, at least at a high level, are equitable.

**Figure 9** Relationship between total child-focused SWS expenditure and poverty across aimags



Source: MLSP, 2021.

### 4.3 EDUCATION – SUMMARY OF KEY FINDINGS

Annexure D reviews government spending on education programmes provided to children. This includes pre-school education, primary and secondary education, and special education. Aimag governments are responsible for implementing these programmes, and receive funding from the state budget to cover recurrent expenditures. These funds are transferred from the MOES budget to aimags in the form of special purpose transfers.

Education budget and expenditure data in Mongolia is presented in three separate budget programmes: pre-school education, general education (grades 1 to 12) and special education. These budget programmes report on recurrent expenditures. Capital expenditures are not recorded in either the local government or the MOES budgets. However, a list of education investment projects was used to estimate capital spending.

Table 18 below summarises key expenditure indicators related to education services provided to children in Mongolia.

**Table 18** Summary of education expenditures

amounts in millions of MNT	2015	2016	2017	2018	2019	2020	Average Annual Growth	
							2015 - 2019	2015 - 2020
<b>Ministry of Education, Science and Training</b>	751 537	833 760	906 299	957 786	1 070 830	1 302 925	9%	12%
of which special purpose transfers	98%	98%	98%	97%	93%	94%		
<b>Local government recurrent expenditures on education for children</b>	<b>743 432</b>	<b>825 343</b>	<b>894 010</b>	<b>928 169</b>	<b>1 113 879</b>	<b>1 287 494</b>	<b>11%</b>	<b>12%</b>
General education	506 215	560 960	606 506	617 855	737 961	848 604	10%	11%
Pre-school education	237 217	264 349	287 329	310 133	375 624	438 519	12%	13%
Special education	-	35	174	181	294	371		
<b>Total recurrent expenditure on education for children</b>	<b>758 278</b>	<b>840 727</b>	<b>916 234</b>	<b>960 328</b>	<b>1 188 885</b>	<b>1 362 997</b>	<b>12%</b>	<b>12%</b>
as % of consolidated recurrent expenditures	13,3%	12,7%	13,0%	13,1%	14,4%	12,6%		
% share of Ministry (excluding special purpose transfers)	2%	2%	2%	3%	6%	6%		
% share of local government	98%	98%	98%	97%	94%	94%		
<b>Total investment expenditures on education for children</b>	<b>63 635</b>	<b>86 793</b>	<b>44 539</b>	<b>190 302</b>	<b>463 793</b>	<b>265 465</b>	<b>64%</b>	<b>33%</b>
<b>Total recurrent and capital expenditure on education for children</b>	<b>821 913</b>	<b>927 520</b>	<b>960 773</b>	<b>1 150 629</b>	<b>1 652 678</b>	<b>1 628 462</b>	<b>19%</b>	<b>15%</b>
as % of GDP	3,5%	3,9%	3,5%	3,6%	4,5%	4,4%		
as % of consolidated recurrent and capital expenditures	12%	10%	11%	13%	15%	12%		

Source: Own calculations, based on data received from Ministry of Finance, 2021

Between 2015 and 2019, recurrent education expenditures for children grew at an annual average rate of 12%, which represents strong real growth as average inflation during the same period was 5.3%. Education services for children's share of consolidated recurrent expenditures increased slightly from 13% to 14.5%, suggesting that priority was given to funding these programmes during this period. Compared to GDP, expenditures have remained in a narrow range, between 3.0% and 3.5%.

If the estimates of capital expenditure are included in the above analysis, education's share of consolidated expenditures increases slightly, suggesting that capital investments on education are also a priority area of expenditure for the Mongolia government.

#### 4.3.1 Trends in expenditure in local government

Table 19 below provides a high-level analysis of education programmes for children in the local government budgets.

**Table 19** Education expenditures related to children

amounts in millions of MNT	2015	2016	2017	2018	2019	2020	Average Annual Growth	
							2015 - 2019	2015 - 2020
General education	506 215	560 960	606 506	617 855	737 961	848 604	10%	11%
Pre-school education	237 217	264 349	287 329	310 133	375 624	438 519	12%	13%
Special education	-	35	174	181	294	371		
<b>Education services for children</b>	<b>743 432</b>	<b>825 372</b>	<b>893 881</b>	<b>928 590</b>	<b>1 114 217</b>	<b>1 287 494</b>	<b>11%</b>	<b>12%</b>

Source: Own calculations, based on data received from Ministry of Finance, 2021

Expenditures on the special education budget programme are not visible before 2016 and since then have not been reported consistently. Expenditures on pre-school education grew slightly faster than general education expenditures, even though enrolments in general education grew at an annual rate of 5% per year compared to 4% in pre-schools during the same period.

Besides the growth in *subsidies to the private sector* and a spike in *other current transfers*, the composition of expenditures in both programmes remains stable between 2015 and 2019. The spike in other current transfers is a result of the payment of hardship allowances for teachers working in rural areas and once-off allowances offered to staff nearing retirement. These account for nearly 10% of these budget programmes at their peak.

In both programmes, *Compensation of Employees* (salaries, wages and social contributions) account for the largest share of expenditure at about 77% in general education and 66% in pre-school education. The difference in these proportions between the two programmes is a difference in the shares of budget allocated to the item *Standard Cost*, which accounts for 14% of the pre-school programme compared to 2% in the general education programme. Most of this item is allocated to the sub-item “meals”. The *Standard Cost* expenditure per child at public schools decreased, while it grew by 2% at public pre-schools, which is below inflation.

The fastest growing item on both programmes is *Subsidy to the private sector*. These account for 4% of the increase in expenditures in the general education programme and 13% in the pre-school programme. Between 2015 and 2016, there is a sharp increase in these expenditures and between 2016 and 2019, this item grows at 23% per year in general education and 28% in pre-school education. Both the number of aimags reporting this expenditure and expenditures per aimag have grown since 2015, with the sharpest increase in the number of aimags reporting between 2015 and 2016. It is not clear whether reporting on the item has improved, or expenditures have increased. The trends in enrolment in private general education and the number of private pre-schools justifies increased expenditures, but not at the rate these have grown. Nor do they support the sharp increase in 2016.

### 4.3.2 Dormitory services

Providing access to dormitory services is crucial to improving access to education for children from herder families. The performance data on dormitories suggest that the growth in capacity of dormitories has enabled improved access to children of herders.

**Table 20** Access to dormitory services

	2015	2019	Annual Average Change
Total Children in Dorms	33 256	35 757	1,8%
<i>Children in Dormitories that are children of herders</i>	69%	82,8%	11,7%
Capacity of Dormitories	36 534	47 434	7%
<i>% capacity used</i>	91%	75%	
<i>% Applied but not accepted</i>	2%	8%	

Source: Own calculations, based on ESIS data received from Ministry of Education and Science, 2021

The capacity of dormitories has increased faster than the number of children enrolled in them, therefore increasing excess capacity. This suggests that provision of these services and resourcing is not a constraint to access.

Less than five aimags report expenditures against the dormitory services budget activity correctly. Detailed analyses of expenditures on this service were therefore not possible.

### 4.3.3 Normative funding

State and private educational institutions are funded based on fixed, normative costs, approved in Resolution 242 of 2016. The funding formula balances various socioeconomic factors and separate normative costs per child at different levels of the education system, and urban versus rural settings are used to calculate allocations per school and for other education expenditures.

Data on enrolment by type of school and pre-school in 2019/20 were used to estimate the share of total special purpose transfers each aimag should receive, which was compared to the share of the total special purpose transfers they did receive. According to these calculations, Gobi-Altai receives 1.48 times the

value of general education special purpose transfers than it should, and Ulaanbaatar receives 81% of what it should. In the equivalent analysis on pre-school special purpose transfers, the range is narrower. Dundgovi receives 1.22 times as much as it should, while Uvurkhangaigai receives only 81% of its share. Even though there are margins of error in these calculations, these estimates suggest there are errors in how the allocations are calculated. The reasons for these variances are not known, and it is recommended that this issue is subject to investigation.

#### 4.3.4 Investment spending in education infrastructure

The list of investment projects shows these expenditures fluctuate between 2015 and 2017, then rise sharply to 2019 before dropping again. During this time, 53% of capital expenditures are at schools, 35% in pre-schools, 7% on dormitories, and the rest on projects that combine more than one of these.

Estimated as a proportion of total expenditures for general education, investment spending ranges from 23% in Gobi-Altai to 6% in Darkhan-Uul, and for pre-school education, from 29% in Gobi-Altai and 6% in Bulgan. These expenditures were compared to changes in enrolment and poverty severity, and apparent relationships between these were identified.

Investment expenditures were compared to line items that should be associated with investments in infrastructure such as heating and other office expenses, furniture, repairs and maintenance. Trends in expenditure on these items do not change as result of increased investments, but a full-scale costing of these expenditures is required to assess whether or not existing levels of expenditure do need to increase to ensure the proper maintenance and operation of the new buildings.

#### 4.3.5 Using expenditure data to assess effectiveness and equity

The classifications of expenditure support estimating unit expenditures of several different types of expenditures, e.g. standard cost per child; school lunch programme per child; expenditure per teacher. Enrolment data enable estimating key education indicators such as learners per classroom, learners per teacher, growth in enrolment and learners per school.

The structure of expenditure data allows calculating these indicators per aimag and comparing them to levels of poverty in each aimag, as well as performance against national assessments in Grade 5, 9 and 12, per aimag.

Comparisons of unit expenditures to the above did not reveal any meaningful or significant relationships between expenditures and poverty levels. In other words, poverty does not appear to be a factor that influences budgeting decisions.

Performance in the national assessments was compared to several factors, but the only meaningful relationship identified is a moderate positive correlation between expenditures per child and performance in grade assessments. Simplistically, this implies that higher levels of expenditure are associated with better performance in annual assessments, which is a plausible conclusion. However, disaggregating the expenditures to understand what factors or which expenditure items are driving performance did not provide additional insights.

#### 4.3.6 Assessing the alignment between policy priorities and funding

The overarching policy for education for the period under review was the State Policy on Education (2014–2024). It is worth noting that the 2014/15 school year was the first year that all children in the education system were part of a 12-year schooling system, after which a period of stabilising the system was needed. According to the policy document, the priorities for pre-school and general education were to enable access and provide internationally recognised quality of instruction.

From an expenditure perspective, achieving this requires increasing expenditures on these services. At an aggregate level, the expenditure trends suggest that funding has been aligned with these priorities, as the rate of growth in expenditures and the share of this expenditure of total government expenditures suggest these sectors have received priority attention.

However, analyses of what the money has bought present a mixed picture. Expenditures on investments in education have reduced the numbers of children per classroom in 14 aimags, and there is more excess capacity in dormitories in 2019 than there was in 2014. Expenditures on salaries and wages has increased, which is core to improving access and quality, but the learner to teacher ratios in general education worsened in 16 aimags.

#### 4.3.7 The structure of education budget and expenditure data

Mongolia's budget architecture for education enables allocating budgets and reporting expenditures in line with policy priorities. It therefore should support detailed analyses of expenditures and a wide range of evaluations of these expenditures. However, a key feature of expenditure data is the lack of uniform interpretations and standard approaches to reporting expenditures by aimags. This lack of uniformity limited the types of meaningful analyses that could be carried out.

The usefulness of education expenditure data could be massively improved through enforcing the uniform use of the budget activities and establishing a common interpretation of what activities should be reported against which budget activities.

Key steps that are needed include:

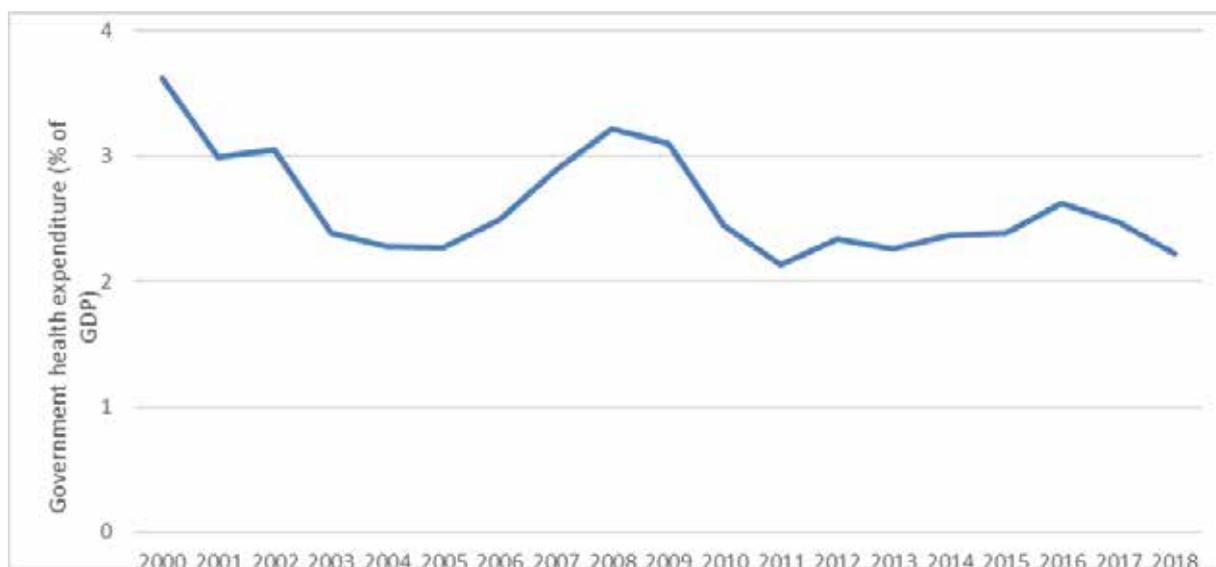
- Budget programmes and budget activities must be structured around how the service is delivered. They must communicate how much is spent on core implementation programmes.
- The economic classifications should be reviewed to ensure they support reporting on the different types of inputs used in education. Such a review should be part of a whole of government review, as the principles and rules that apply to using these should be standard across all sectors.
- The process needs to ensure that the distinction between the above two issues is clearly understood. Simply put: one process must lead to expenditure and budget information communicating expenditure by policy objectives; the other process must ensure inputs are correctly classified.

## 4.4 HEALTH – SUMMARY OF KEY FINDINGS

Annexure E reviews government spending on health programmes provided to children.

### 4.4.1 Health budget and expenditure trends

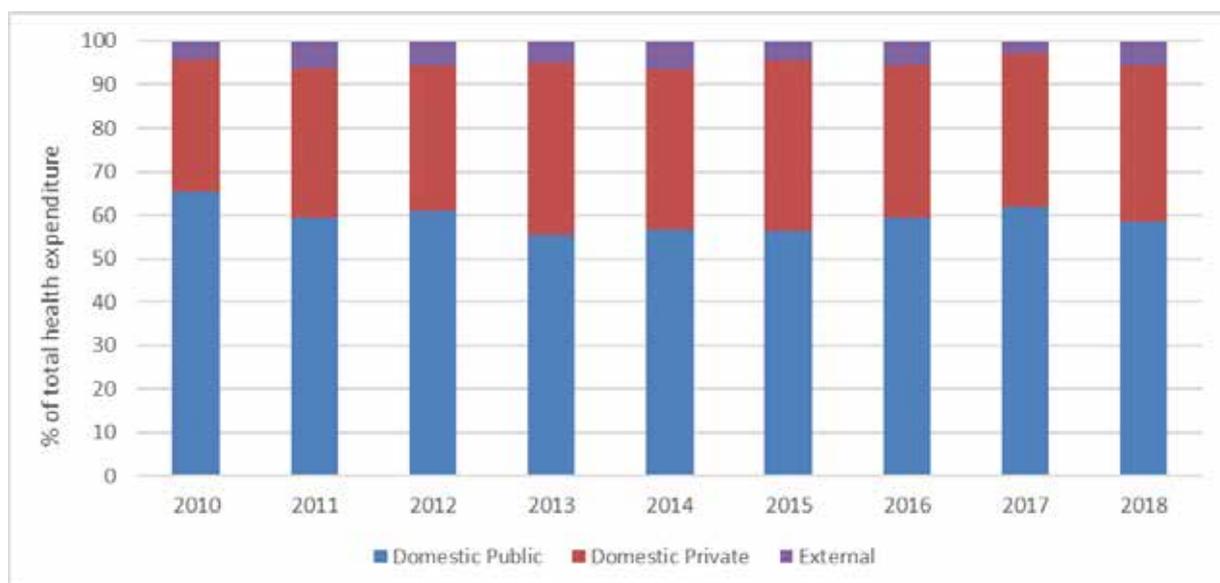
Figure 10 below presents Mongolia's government health expenditure, expressed as a proportion of GDP, between 2000 and 2018. As shown, it exhibited a largely downward trend over the past two decades, decreasing from 3.62% of GDP in 2000 to 2.22% of GDP in 2018. While this proportion has shown some volatility over this period, with some periods of notable increase – particularly between 2005 and 2008 – what is of chief concern is the downward trend in proportional allocations since 2016, such that the proportional allocation to health in 2018 is the second-lowest it has been since 2000. This general trend suggests a steady and systematic deprioritisation of health in government budgets and expenditures, while the more recent proportional decline suggests that Mongolia is unlikely to meet the target set in the 2017 Government Health Policy of increasing total health funding from the state budget to a target of 5.0% of GDP by 2026 – indeed, it would take a significant reprioritisation of health in future budgets to reach this target.

**Figure 10** Trends in government health expenditure as a proportion of GDP, 2001 to 2018

Source: Global Health Expenditure Database, 2021

#### 4.4.1.1 Composition

One of the reasons that underpins the low, and declining, levels of government health expenditure in Mongolia is the fact that government's proportional contribution to total health sector expenditure in the country has been steadily declining since 2010, corresponding to an increasing reliance on private financing mechanisms over this period. As illustrated in Figure 11 below, domestic public financing sources, including government budgets and social health insurance, have decreased, as a proportion of total health expenditures in Mongolia, from 65.38% in 2010 to 58.68% in 2018. Meanwhile, over the same period, domestic private financing sources, including out-of-pocket payments and private health insurance contributions, have increased, as a proportion of total health expenditures, from 30.27% in 2010 to 35.81% in 2018. External financing has remained fairly consistent across this period, increasing slightly from 4.35% in 2010, to 5.51% in 2018. The increased reliance on private financing sources, and particularly on out-of-pocket payments, is particularly problematic given Mongolia's intended move towards universal health coverage, and the barriers that out-of-pocket health payments typically present to readily achieving this goal. Moreover, out-of-pocket payments place a particular economic burden on poorer households in accessing health care, with high levels of out-of-pocket payments typically associated with catastrophic health expenditures and impoverishment, and a subsequent cyclical poverty-health trap with poor households, unable to pay for health services, falling further into poverty due to the adverse effects of untreated health issues.

**Figure 11** Health financing trends in Mongolia by source and type, 2010 to 2018

Source: Global Health Expenditure Database, 2021

#### 4.4.1.2 Level of government

Table 21 below highlights the compound annual growth rates (CAGRs) and trends in the proportional contributions of state and local government budgets to the total health budgets between 2015 and 2019. As shown, compound annual growth rates in state (9.09%) and local government (11.19%) were strong, both exceeding the average annual CPI inflation rate of 5.14% for this period, indicative of real growth in these allocations, further to the demonstrated nominal growth. The moderately higher nominal growth in local government health budgets resulted in positive growth in its proportional contribution to the total health budget of 7.00%, while proportional state contributions declined by 0.86%.

**Table 21** Proportional and compound annual growth rates in contributions of state and local government budgets to total health budgets, 2015 to 2019

	2015		2019		Growth	
	Total Budget	% Total Budget	Total Budget	% Total Budget	CAGR	Proportional
State government budget	238 183	71.33%	337 311	70.72%	9.09%	-0.86%
Local government budgets	95 737	28.67%	146 326	30.68%	11.19%	7.00%

Source: Own calculations, based on data received from Ministry of Finance, 2021

#### 4.4.1.3 Programme

Table 22 below highlights the compound annual growth rates and trends in proportional contributions of component health programmes to the total health budgets between 2015 and 2019. As shown in Table 22, compound annual growth rates in all three programme areas were positive, indicative of nominal growth. However, while the nominal growth rates for *Healthcare services* (10.30%) and *Public health* (13.30%) were both well above the average annual CPI inflation rate of 5.14% for the period, indicative of real growth in these allocations,; nominal growth in the *Health policy and administration* programme (0.91%) was below 5.14%, indicative of a decrease in allocations to this programme in real terms. This deprioritisation is further evidenced by the large decline in its proportional contribution, of 28.40%, to overall health budgets between 2015 and 2019. *Public health*, meanwhile, has clearly been prioritised over

this period, with this programme exhibiting the highest growth rates overall.

**Table 22** Proportional and compound annual growth rates in contributions of health programmes to total health budgets, 2015 to 2019

	2015		2019		Growth	
	Total Budget	% Total Budget	Total Budget	% Total Budget	Actual	Proportional
Health policy and administration	30 577	9.16%	31 707	6.56%	0.91%	-28.40%
Healthcare services	285 404	85.47%	422 370	87.33%	10.30%	2.18%
Public health	17 940	5.37%	29 560	6.11%	13.30%	13.77%

Source: Own calculations, based on data received from Ministry of Finance, 2021

#### 4.4.1.4 Economic classification

Table 23 below highlights the compound annual growth rates and trends in proportional contributions of economic classifications of expenditure to total health budgets between 2015 and 2019. As shown, compound annual growth rates are positive across all economic classifications, indicative of an across-board nominal increase in budgetary allocations to these economic classifications in the health sector. Furthermore, these nominal growth rates were higher than average annual CPI inflation (5.14%) across this period for all but one of these economic classifications – fixed expenses related to office building, which only grew at a compound annual growth rate of 4.66%. This is indicative of real growth across the remainder of the economic classifications in the health sector. The highest rates of growth were observed within the two core contributors to goods and services expenditure in the health sector – *Standard cost* (14.24%) and *Purchase of other goods and services* (18.68%) – which is indicative of a prioritisation of goods and services expenditures in the health sector, a critical development for the provision of accessible and equitable health services.

**Table 23** Proportional and compound annual growth rates in economic classification of health budgets, 2015 to 2019

	2015		2019		Growth	
	Total Budget	% Total Budget	Total Budget	% Total Budget	CAGR	Proportional
Wages and salaries, bonuses	192 788	57.73%	262 572	54.29%	8.03%	-5.96%
Standard cost	41 885	12.54%	71 337	14.75%	14.24%	17.59%
Purchase of other goods and services	18 394	5.51%	36 492	7.55%	18.68%	36.98%
Social insurance contributions paid by employers	21 216	6.35%	33 073	6.84%	11.74%	7.63%
Fixed expenses related to office building	24 950	7.47%	29 930	6.19%	4.66%	-17.17%
Other	34 687	10.39%	50 233	10.39%	9.70%	-0.01%

Source: Own calculations, based on data received from Ministry of Finance, 2021

#### 4.4.2 Assessing child health expenditures

Health is a good consumed by all members of a society and, as such, government investments in health benefit all its citizens who consume the health services provided by government funding. The proportion of benefit that accrues to a single cohort of society, and consequently the proportion of budget that could be deemed to be of benefit to this cohort, should therefore be determined by the proportion of the service utilised. This provides a better alternative to merely dividing the total expenditure in a sector by

the population, as this approach fails to take into account *actual usage* of the service. To this end, detailed data on health system usage from the MOH were used to determine the proportional use of health services by children in Mongolia between 2015 and 2020, which facilitated calculating the proportional child-benefit health expenditure allocations based on those already presented in the previous section. A summary of this data is presented in Table 24 below.

**Table 24** Total, and proportional child-benefit, health system usage in Mongolia by service type, 2015 to 2019

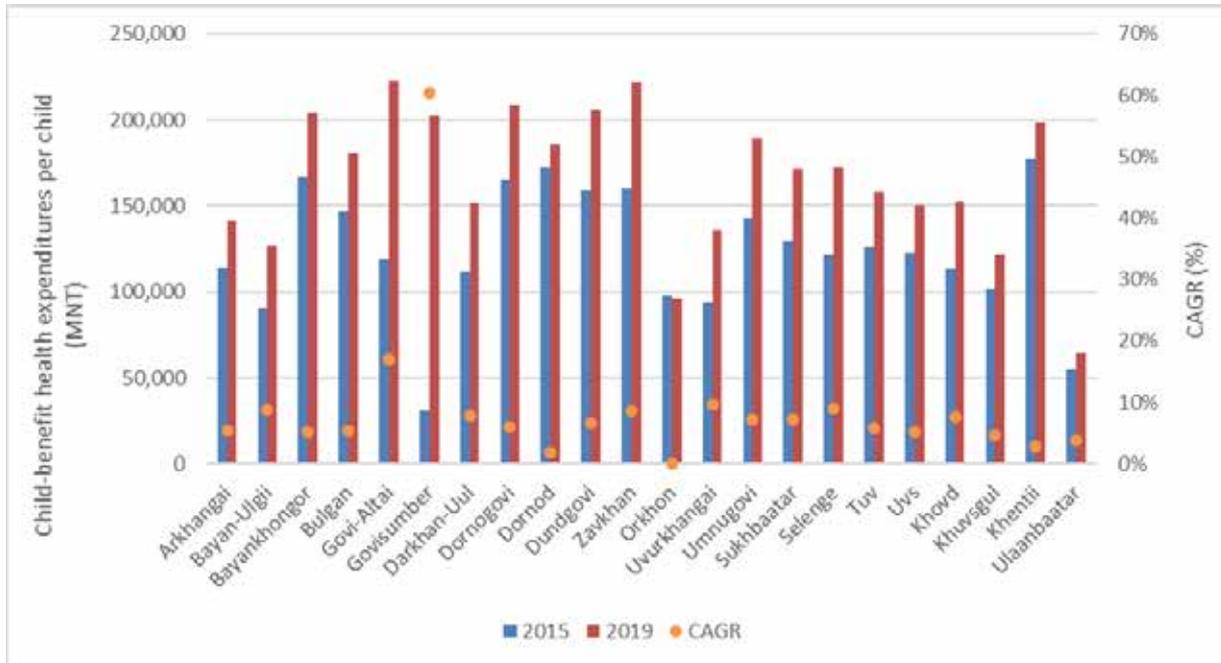
	2015	2016	2017	2018	2019	2020
Inpatients Treated	784 881	849 051	853 838	902 439	927 293	836 277
o/w Children	177 851	211 355	197 785	213 731	211 991	160 959
% Children	22.66%	24.89%	23.16%	23.68%	22.86%	19.25%
Inpatient Bed Days	5 735 344	6 135 519	6 109 901	6 405 724	6 479 486	5 800 186
o/w Children	1 318 787	1 534 996	1 415 797	1 512 140	1 483 582	1 134 922
% Children	22.99%	25.02%	23.17%	23.61%	22.90%	19.57%
Outpatient Examinations	16 620 444	17 006 503	17 567 757	17 452 458	18 883 404	17 540 498
o/w Children	5 250 701	5 258 204	5 319 243	5 199 502	5 709 651	4 578 379
% Children	31.59%	30.92%	30.28%	29.79%	30.24%	26.10%

Source: Own calculations, based on data received from Ministry of Health, 2021

The above numbers are used to calculate health expenditures benefiting children. Total child health expenditures rose steadily from MNT108 billion in 2015 to MNT148 billion in 2019, at an annual growth rate of 8.06% – which, by virtue of being larger than average annual CPI inflation (5.14%), is indicative of growth in child health expenditures in both nominal and real terms. Such positive and larger-than-inflation growth rates were observed across both broad local government groups – with an annual growth rate of 7.50% in Ulaanbaatar, and 8.25% in aimags – indicative of real growth in child health expenditures across the board. The moderately higher annual growth rate in aimags relative to that in Ulaanbaatar resulted in a shift of the proportional child health budgetary allocations towards aimags, from 74.96% in 2015 to 75.47% in 2019. Table 24 above shows a marked decline in the proportional health system usage by children, both in terms of inpatient bed days and outpatient examinations, in 2020. This is likely largely due to the COVID-19 pandemic and an associated over-representation of patients from older cohorts in public health facilities, given the fact that the virus was far more pertinent, and manifested far more significant symptoms, among such patients than among children.

Figure 12 shows that per-child health expenditures vary significantly across local government sub-divisions, with Ulaanbaatar exhibiting the lowest per-child health expenditures in 2019 – at MNT64 442 per child – and Gobi-Altai exhibiting the highest per-child health expenditures in 2019 – at MNT222 952 per child – more than three times the rate in Ulaanbaatar. Also evident in Figure 12 is the fact that per-child health expenditures increased across all local government sub-divisions with the sole exception of Orkhon, in which per-child expenditures contracted, albeit slightly. The remainder of the aimags exhibited marked increases in per-child health expenditures between 2015 and 2019, with the majority having per-child health expenditure annual growth rates in excess of 5%. Govisumber is a notable outlier here by virtue of an enormous increase in the total health budget in the aimag between 2015 and 2019.

**Figure 12** Total per-child health expenditures by local government sub-division, 2015 to 2019



Source: Own calculations, based on data received from Ministries of Finance and Health, 2021

#### 4.4.3 Assessing efficiency of child health expenditures

Data envelopment analysis (DEA) was employed to interrogate the efficiency of aimags in delivering child health services. The data used in these DEAs is comprehensive annual service delivery data compiled by the MOH, detailing the myriad inputs to, and outputs of, health service delivery across Mongolia, disaggregated by health system level and by aimag, between 2015 and 2018. Two separate sets of DEAs were conducted. One focused on all levels of the health system, while the other focused on the primary system, assuming that it is such facilities that typically service the health needs of children. The summary results of the DEAs are presented in Table 25 below.

As can be seen, average rates of child health service delivery efficiency vary widely across aimags, with Tuv exhibiting the lowest rate of average efficiency across all levels of the health system at 63.63%, while Gobi-Altai exhibits the lowest rate of average efficiency in the primary health sector at 70.56%. Efficiency rates and rankings for the various aimags were fairly consistent across years, and across levels of the health system, with the notable exception of Orkhon, which exhibited among the lowest rates of overall efficiency, yet the highest rate of average efficiency when the analysis was narrowed to focus exclusively on the primary level.

**Table 25** Summary results of data envelopment analyses

	All Levels		Primary Level Only	
	Efficiency	Rank	Efficiency	Rank
Arkhangai	83.50%	12	89.46%	9
Bayan-Ulgii	100.00%	1	97.37%	4
Bayankhongor	81.60%	15	81.13%	13
Bulgan	74.27%	19	76.13%	18
Gobi-Altai	66.87%	20	70.56%	21
Govisumber	95.58%	5	98.42%	3
Darkhan-Uul	98.05%	4	100.00%	1
Dornogovi	91.50%	7	82.19%	12
Dornod	98.78%	3	86.53%	10
Dundgovi	82.37%	13	74.24%	19
Zavkhan	79.10%	17	76.30%	17
Orkhon	77.84%	18	100.00%	1
Uvurkhangai	85.55%	11	92.82%	7
Umnugovi	98.99%	2	79.32%	14
Sukhbaatar	81.07%	16	79.16%	15
Selenge	89.28%	9	78.44%	16
Tuv	63.63%	21	82.35%	11
Uvs	89.96%	8	93.47%	6
Hovd	94.55%	6	97.23%	5
Khövsgöl	82.35%	14	72.48%	20
Khentii	88.80%	10	92.23%	8
<b>Average</b>	<b>85.89%</b>		<b>85.70%</b>	

Source: Own calculations, based on data received from Ministry of Health, 2021

Two separate tobit models were specified, one for each DEA, to interrogate the cause of the efficiency gaps identified in the DEAs. Each tobit model included possible determinants of child health expenditure efficiency for each aimag, including: total child health budgets, total child health budgets per child, number of doctors per 1 000 children, number of nurses per 1 000 children, average life expectancy, GDP per capita and poverty gap. The results of these tobit regressions are presented in Table 26 below.

**Table 26** Coefficients of the tobit models for full and primary health system efficiencies

theta	All health expenditure	Primary level only
Log of total child health budget	0.0032749	-0.0184492
Log of health budget per child	.0381074	-0.4171937**
Doctors per 1,000 children	0.0001035	0.0210827
Nurses per 1,000 children	-0.0279591	-0.0152257
Life expectancy	-0.0055631	-0.0013034
GDP per capita	-0.0034968	0.0062385
Poverty gap	0.0016069	0.0066131

Source: Own calculations, based on data received from Ministry of Health, 2021

None of the variables has a statistically significant relationship with child health expenditure efficiency scores, with one exception: child health budget per child in the primary-level model. Here, the coefficient

for *Log of child health budget per child* is negative, and statistically significant at 5%. This suggests that per-child health expenditures in aimags are negatively related to the aimags' child health expenditure efficiency scores in a statistically significant manner. In other words, child health expenditure efficiencies decrease as per-child health expenditures increase at the primary health level.

#### 4.4.4 Assessing equity of child health expenditures

An equitable health system is one in which both financing and benefit incidence promote equity, such that the more socioeconomically deprived households have equal access to health care regardless of ability to pay, and are able to benefit from healthcare services in an equitable manner. Concentration indices were applied to interrogate the levels of equity in child health expenditures and outcomes in Mongolia. The data used in these equity analyses is taken from the 2018 Household Socio-Economic Survey (HSES), a nationally representative household survey covering myriad health and socioeconomic indicators, conducted by the Mongolian National Statistics Office. Table 27 below presents the summary results of these analyses.

**Table 27** Summary results of equity analyses

	Total household health expenditure (MNT)	Proportional household health expenditure	Catastrophic health expenditure	Health insurance coverage	Cost barriers to health insurance	Care-seeking for sick children
Average	139 112	3.01%	5.27%	86.64%	40.87%	70.36%
Poorest	89 463	8.14%	12.65%	79.60%	50.99%	60.17%
Second	123 961	2.52%	5.37%	83.56%	45.79%	69.57%
Middle	150 300	2.04%	3.68%	87.20%	32.39%	69.72%
Fourth	133 183	1.27%	2.46%	89.88%	33.83%	72.15%
Richest	201 105	1.05%	2.04%	93.21%	24.95%	78.41%
Concentration Index	0.13436***	-0.41102***	-0.36721***	0.030888***	-0.12121***	0.040812**

Source: Own calculations, based on the HSES, 2018

A negative concentration index is evidence of concentration of a variable among poorer households, while a positive concentration index is evidence of concentration of a variable among wealthier households. As seen in Table 27, the health financing system in Mongolia is decidedly regressive in nature, with poorer households having reduced access to health care (lower levels of health insurance coverage and higher cost barriers to health insurance), bearing a larger proportional burden of healthcare financing (higher proportional expenditure on health and higher incidence of catastrophic health expenditures), and benefiting less from the healthcare system (lower rates of care-seeking from the healthcare system for sick children) than their wealthier household counterparts. Households from the poorest quintile in Mongolia spend nearly eight times what the wealthiest households do as a proportion of household income on health, are six times more likely to experience catastrophic health expenditures, and are twice as likely to experience cost barriers to health insurance. Moreover, the concentration indices for all these indicators are statistically significant at the 1% level (with the exception of care-seeking for sick children, which is still statistically significant at the 5% level), indicating that equity concerns are a significant problem in the Mongolian health system.

#### 4.4.5 Assessing effectiveness of child health expenditures

Effectiveness analyses in health typically seek to quantify the gains in health outcomes that accrue from a health intervention, and compare these gains to the costs associated with implementation of the

specified health intervention. The effectiveness analysis conducted here interrogated the production of intermediate health goods – namely, inpatient bed days and outpatient visits – which are typically assumed to result in improved, albeit unmeasurable, health outcomes within aimags, against the health expenditures directed towards aimag health systems from state and local government budgets.

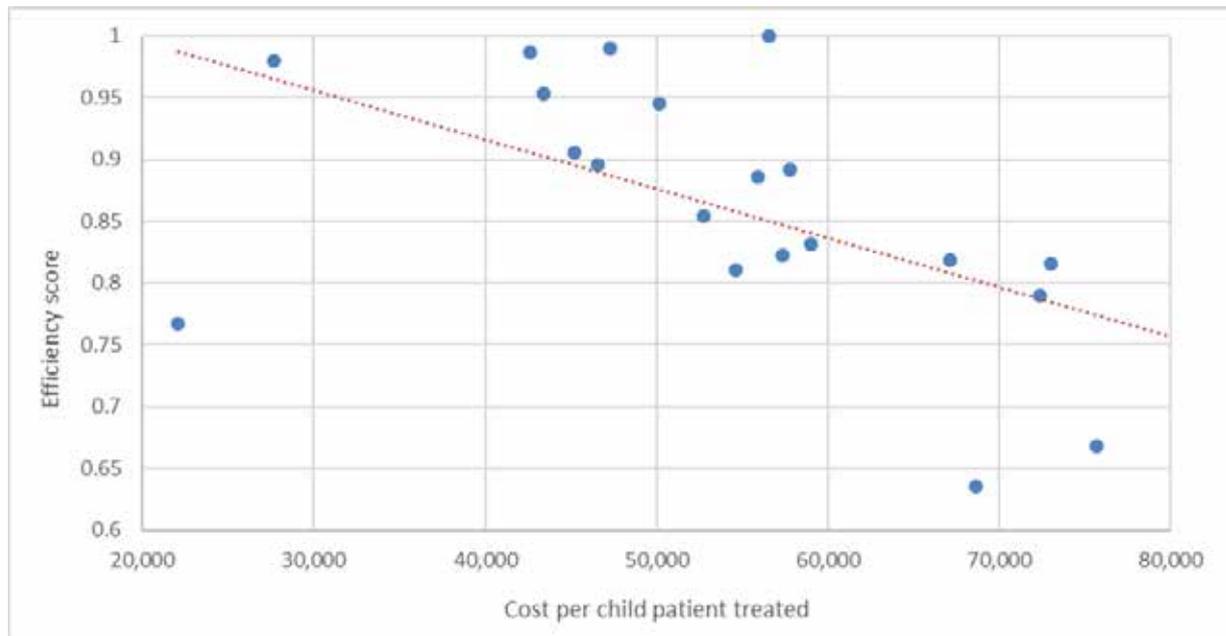
Table 28 below presents the results of the effectiveness analysis, which compared the cost per child patient treated across all 21 aimags and Ulaanbaatar. Aimags in which health outcomes – in this instance, treatment of a single child patient – can be achieved at the lowest unit cost are identified as being the most cost-effective in the delivery of child health services. As can be seen, there is a large discrepancy in the cost per child patient treated across aimags, with Orkhon – the most cost-effective aimag – averaging MNT22 093 per child treated, while Bulgan – the least cost-effective aimag – averages MNT80 036 per child treated.

**Table 28** Cost effectiveness of child health expenditures, by aimag

	Cost per child patient treated (MNT)	Rank
Arkhangai	58 980	15
Bayan-Ulgii	56 594	12
Bayankhongor	73 032	19
Bulgan	80 036	21
Govi-Altai	75 709	20
Govisumber	43 389	4
Darkhan-Uul	27 693	2
Dornogovi	45 195	5
Dornod	42 595	3
Dundgovi	67 096	16
Zavkhan	72 393	18
Orkhon	22 093	1
Uvurkhangai	52 760	9
Umnugovi	47 263	7
Sukhbaatar	54 637	10
Selenge	57 763	14
Tuv	68 603	17
Uvs	46 570	6
Khovd	50 151	8
Khuvsgul	57 379	13
Khentii	55 937	11
Ulaanbaatar	48 869	-

Source: Own calculations, based on data received from the ministries of Finance and Health, 2021

Comparing these cost-effectiveness estimations with the previously calculated child health efficiency scores by aimag in Figure 13 below highlights a positive relationship between cost-effective spending on health services and its efficient delivery.

**Figure 13** Comparing cost-effectiveness and efficiencies of child health services by aimag

Source: Own calculations, based on data received from MOF and MOH, 2021

Aimags that are able to employ their health input resource mix – doctors, nurses and beds – most efficiently in achieving health outputs – treatment of children, in this instance – are consequently able to provide health services in the most cost-effective manner, given that these inputs are the main cost drivers in government health budgets. Increased health expenditures per child – which, as seen in the efficiency analysis, are currently a driver of inefficiency in health expenditures – are only useful insofar as these expenditures are used to purchase the correct health resource mix, and this mix of resources be used in an efficient manner so as to achieve an optimal child health output.

The efficiency, equity and effectiveness analyses presented here suggest that the Mongolian government still has some way to go in ensuring that its health expenditures – which are due to increase significantly in order to meet nationally approved targets – result in improved health outcomes for all Mongolians, and particularly the most vulnerable.

## 5. Performance against the SDGs

This section examines Mongolia's progress in realising the SDGs related to child protection, social protection, education and health. In the tables for this section, the red shading shows where there are problems or under-delivery; yellow shows where there is progress, but improvement is needed to reach the SDG targets by 2030; and green shows where progress is adequate and/or the targets have already been achieved.

### 5.1 PERFORMANCE AGAINST SDGS FOR CHILD PROTECTION

Table 29 below provides an overview of progress towards achieving the SDGs relevant to child protection. The sources of data referred to are as follows:

- Mongolia Voluntary National Review Report (2019) – Implementation of the Sustainable Development Goals (VNR)
- Mongolian National Statistics Agency website – accessed September 2021

The structure of the budget does not facilitate linking expenditures to the specific SDGs relevant to child protection.

**Table 29** Progress towards the child protection SDGs

	Indicators	Performance	Comment on budgets and expenditure
<b>Goal 5. Achieve gender equality and empower all women and girls</b>			
<b>5.2 Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation</b>			
5.2.1	Proportion of ever-partnered women and girls aged 15 years and older subjected to physical, sexual or psychological violence by a current or former intimate partner in the previous 12 months, by form of violence and by age	Gender-Based Violence Survey 2017 recorded that for 15-49 year olds: <ul style="list-style-type: none"> <li>■ from partner: sexual - 3.6%</li> <li>■ from a partner: physical or sexual - 14.7%</li> </ul>	Spending on child protection services increased very significantly from 2018 onwards. It will, however, take time for this to impact on performance against these indicators.
5.2.2	Proportion of women and girls aged 15 years and older subjected to sexual violence by persons other than an intimate partner in the previous 12 months, by age and place of occurrence	Percentage of women who have been sexually abused by others - 3.1%.	See above.
<b>5.3 Eliminate all harmful practices, such as child, early and forced marriage and female genital mutilation</b>			
5.3.1	Proportion of women aged 20-24 years who were married or in union before age 15 and before age 18.	Based on the National Statistics database, the rate of women aged 20-24 married before the age of 15 increased from 0.7% in 2013 (VNR) to 0.9% in 2020 (National Statistics database). The marriage rate before 18 years of age increased from 5.2% in 2013 (VNR) to 12% in 2020 (national statistics database).	See above.
5.3.2	Proportion of girls and women aged 15-49 years who have undergone female genital mutilation/cutting, by age	no data	
<b>8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibitions and elimination of the worst form of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.</b>			

	Indicators	Performance	Comment on budgets and expenditure
8.7.1	Proportion and number of children aged 5 - 17 years engaged in child labour, by sex and age	Latest data on child labour is 2013 (MICS data). Child labour rose from 16% (National Statistics database) in 2011 to 17.3% (MICS & VNR) in 2013. The largest percentage increase is among 5-11-year-olds.	See above.

Source: National Statistics Office, 2021; United Nations, 2021

There is a concerning trend of regress in relation to some of the SDG targets for child protection. The increase in the proportion of children aged 5–11 years engaged in child labour is a concern. However, the most recent data for this goal area is 2013. Also concerning is the increase in the percentage of women aged 20–24 years married before the age of 18 from 5.2% in 2013 to 12% in 2020. For SDG 5.2, no trend analysis could be done due to a lack of data for prior years. No data could be found for any year for goal 5.3.2.

It is expected that the recent legislative reforms in the sector, as well as the substantial increase in government spending on child protection from 2018 onwards, will begin to impact on performance against these goals going forward.

## 5.2 PERFORMANCE AGAINST SDGS FOR SOCIAL PROTECTION

Table 30 below provides an overview of the progress towards achieving the SDGs for social welfare.

**Table 30** Progress in the social welfare-related SDGs

	Indicators	Performance	Comment on Budgets and Expenditure
<b>Goal 1. No poverty</b>			
<b>1.1</b>	<b>By 2030, eradicate extreme poverty for all people everywhere, currently measures as people living on less than \$1.25 per day.</b>		
	Proportion of the population living below the extreme poverty line	In 2018, 1% of the population lived below the extreme poverty line. This outcome has remained roughly constant for the past decade, but has fallen significantly from 13% of the population in 1995. (United Nations, 2021).	The analysis of the child-focused SWS reveals that the value of the services have a significant impact on household income, lifting almost all remaining households above the extreme poverty line.
<b>1.2</b>	<b>By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.</b>		
	Proportion of population living below the national poverty line, by percentage of the population of the age group	In 2018, 36.4% of children 0-18 years old lived below the national poverty line. That is an improvement from 2016, when a recent high of 38.1% of children lived below the national poverty line (National Statistics Office, 2021).	The analysis of the child-focused SWS reveals that the value of the services have a significant impact on household income. However, there is still a large number of children who remain in households below the national poverty line.
<b>1.3</b>	<b>Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.</b>		

	Indicators	Performance	Comment on Budgets and Expenditure
	Proportion of population covered by social protection floors	In 2020, 95.9% of children were covered by the social protection floor. Although lower than the 96.4% achieved in 2016, that is still a relatively high proportion of children who are protected. The outcome is also significantly higher for children than the general population, with 54.1% of all males and 68.9% of all females covered by the social protection floor in 2020. (National Statistics Office, 2021).	The social protection floor covers a very high proportion of children. This is one of the main reasons that the social protection system was able to be used so effectively as a COVID-19 shock-responsive measure.
		In 2016, 100% of mothers with newborns received maternity cash benefits (United Nations, 2021).	The SWS specifically accommodate new and breastfeeding mothers.
		In 2018, 100% of the country's population with severe disabilities was receiving disability cash benefit (United Nations, 2021).	The SWS provide a range of benefits for children with disabilities.
<b>Goal 10. Reducing inequalities</b>			
<b>10.1</b>	<b>By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average</b>		
<b>10.2</b>	<b>By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</b>		
	Proportion of people living below 50 percent of median income	In 2020, 15.6% of people lived below 50% of median income. There have been year-on-year improvements, with the rate dropping from 17.6% of people living below 50% of the median income in 2015. (National Statistics Office, 2021).	The child-focused SWS have contributed significantly to household income, thereby reducing the gap between poor and rich households. Although sizeable, the value of the services is constrained by sustainability concerns.

Source: National Statistics Office, 2021; United Nations, 2021

Overall, the performance for these indicators has been good, with at least some progress made in all areas. Most significantly, the proportion of the population living below the extreme poverty line has fallen drastically, to approximately 1% of the population. SWS played large role in this reduction in extreme poverty. Similarly, there has been significant progress in terms of the proportion of the population covered by social protection floors. This comprehensive (almost universal) coverage of social protection floors for children is precisely what enabled the shock-response measures to the COVID-19 pandemic to be rolled out so rapidly and effectively. However, despite the progress with reducing extreme poverty, there is still a stubbornly high number of children living below the national poverty line and below 50% of the median income. These are areas for improvement, perhaps through better targeting of the child-focused SWS, thereby raising the per beneficiary allocations for vulnerable groups.

### 5.3 PERFORMANCE AGAINST SDGS FOR EDUCATION

Table 31 below provides an overview of progress towards achieving the SDGs for education. The sources of data referred to are as follows:

- VNR
- UNESCO Institutes for Statistics (Accessed September 2021). (UNESCO UIS)
- Pre-school education sector study report. Asian Development Bank 2019. (ADB 2019a).
- Primary and Secondary Education Sub-Sector Study Report. Asian Development Bank 2019. (ADB 2019b).
- Promoting Inclusive Education in Mongolia. ADB East Asia Working Paper Series No.28. 2020. (ADB 2020a).

- Improving water, Sanitation and Hygiene in Schools. A guide for practitioners and policy makers in Mongolia. 2020. (ADB 2020b).

Enrolment data from ESIS by the MOES and budget and expenditure data provided by the MOF were also used in the review.

Data related to SDG 4 are difficult to find, and some sources contradict each other. It is therefore reassuring that one of the activities listed under objective 1.1 of the Education sector Medium Term Development Plan (2021–2030) is to “Develop an evaluation methodology for SDG 4 implementation and use it in mid-term and final stage of the implementation”.

**Table 31** Progress towards SDG 4

	Indicators	Performance	Comment on budgets and expenditure
<b>Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</b>			
<b>4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes</b>			
4.1.1	Proportion of children and young people (a) in grades 2/3; (b) at the end of primary; and (c) at the end of lower secondary achieving at least a minimum proficiency level in (i) reading and (ii) mathematics, by sex	Performance against assessments is low at grades 1 and 2 and Junior Secondary (ADB 2019). In 2018, at most 35% were achieving minimum proficiency. Both sources show this doesn't vary much by gender (UNESCO UIS).	Growth in expenditure has outstripped growth in enrolment. Expenditure per learner in general education grew faster than inflation in 15 aimags. There appears to be a moderate positive relationship between expenditures per child and performance in grade assessments.
4.1.2	Completion rate (primary education, lower secondary education, upper secondary education)	Between 2015/16 and 2017/18, completion rates in primary grew from 98% to 114%; in Junior Secondary, it increased from 45% to over 100%. In Secondary education it fluctuated, and was 76.2% in 2017/18 for boys and 93.5% for girls (ADB 2019b).	Growth in expenditure has outstripped growth in enrolment. Learner to teacher ratios worsened in 16 aimags; number of children per class fell in 14 aimags.
<b>4.2 By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education</b>			
4.a.1	Proportion of schools with access to: (a) electricity; (b) the Internet for pedagogical purposes; (c) computers for pedagogical purposes; (d) adapted infrastructure and materials for students with disabilities; (e) basic drinking water; (f) single-sex basic sanitation facilities; and (g) basic handwashing facilities (as per the WASH indicator definitions)	The VNR reports that in 2017, 96% of schools had access to electricity, 95.4% had access to computers and 68.4% had access to internet. Data on access to WASH is difficult to find. ADB (2020b) reports that all schools in the capital and in soums have WASH facilities, but no bagh schools have access to these facilities.	The list of education infrastructure projects did not specify what improvements the projects focused on, but assumed that those expenditures included providing access to electricity and WASH. Note, however, that expenditure data is not part of the local government budget data.
		Insufficient number of specialised pre-schools and quality of facilities is poor (ADB 2020a). ESIS Data shows enrolment falling sharply in general education	Reporting on expenditure on special needs education is very poor, and therefore difficult to assess.
<b>4.c By 2030, substantially increase the supply of qualified teachers, including through international cooperation for teacher training in developing countries, especially least developed countries and small island developing States</b>			

	Indicators	Performance	Comment on budgets and expenditure
4.c.1	Proportion of teachers in: (a) pre-primary; (b) primary; (c) lower secondary; and (d) upper secondary education who have received at least the minimum organized teacher training (e.g. pedagogical training) pre-service or in-service required for teaching at the relevant level in a given country	In 2018/19, 49% of teachers did not have professional qualifications (ADB 2019b). By contrast, the VNR reports 95% of teachers in pre-primary; 98.8% in primary and 99.2% in secondary and upper secondary have received sufficient training.	Growth in expenditure on salaries is similar to growth in total budgets. It's not possible to differentiate expenditures by qualification of teachers. Although it grows, expenditure on training is a small share of total expenditures.
<b>4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations</b>			
4.5.1	Parity indices (female/male, rural/urban, bottom/top wealth quintile and others such as disability status, indigenous peoples and conflict-affected, as data become available) for all education indicators on this list that can be disaggregated	Most datasets are disaggregated by gender. Gender parity is close to 100 at lower levels, but worsens at older ages, since more boys drop out than girls	Services are available to both genders; budgets don't differentiate between them.
4.a. Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all			
4 a.1	Proportion of schools with access to: (a) electricity; (b) the Internet for pedagogical purposes; (c) computers for pedagogical purposes; (d) adapted infrastructure and materials for students with disabilities; (e) basic drinking water; (f) single-sex basic sanitation facilities; and (g) basic handwashing facilities (as per the WASH indicator definitions)	ADB reports that there is no quality data related to inclusive education.	Expenditure on these activities is erratic and therefore trends cannot be evaluated.

Source: National Statistics Office, 2021; United Nations, 2021

The evaluation shows that targets related to access to education have already been met, but there are challenges around the quality of that access, the quality of teaching and learning outcomes. However, one may draw different conclusions if only some sources of data are relied on.

#### 5.4 PERFORMANCE AGAINST SDGS FOR HEALTH

Table 32 below provides an overview of progress towards achieving the SDGs for child health. The sources of data referred to are as follows:

- World Development Indicators. World Bank (2021)
- Global Health Expenditure Database. World Health Organization (2021)
- Mongolian Statistical Information Service. Mongolian National Statistics Agency (2021)

**Table 32** Progress towards health-related SDGs relevant to children

	Indicators	Performance
<b>Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture</b>		
<b>2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round</b>		
2.1.1	Prevalence of undernourishment	Undernourishment is a significant public health issue in Mongolia, with 21.3% of the country exhibiting undernourishment in 2018. What is of further concern is that, despite significant improvements in the rate of undernourishment in Mongolia between 2001 and 2013 – with rates dropping from 31.2% to 17.0% over this period – rates of undernourishment have, subsequently, increased over the past five years, suggesting that undernourishment is a burgeoning child health problem in Mongolia.
2.1.2	Prevalence of moderate or severe food insecurity in the population, based on the Food Insecurity Experience Scale (FIES)	Food insecurity is a similarly significant public health issue in Mongolia, with 27.5% of households experiencing either moderate or severe food insecurity, as per FIES measures, in 2018. What is of even more concern is that rates of food insecurity in Mongolia are increasing: between 2015 and 2018, rates of moderate and severe food insecurity rose from 21.0% to 27.5%. This suggests that Mongolian households are becoming increasingly food insecure, which is likely to have significant health and nutrition implications for infants and young children.
<b>2.2 By 2030, end all forms of malnutrition, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under 5 years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons</b>		
2.2.1	Prevalence of stunting (height for age <-2 standard deviation from the median of the World Health Organization (WHO) Child Growth Standards) among children under 5 years of age	Mongolia has largely succeeded in arresting rates of stunting amongst children under 5 in the country, with a reduction from 15.3% prevalence in 2010 to 9.4% prevalence in 2018, a level well below the internationally agreed SDG target of 12%. What is of some concern, however, is the fact that rates of stunting have increased, albeit slightly, since 2016 – possibly indicative of some ground being lost in tackling rates of stunting in the country.
2.2.2	Prevalence of malnutrition (weight for height >+2 or <-2 standard deviation from the median of the WHO Child Growth Standards) among children under 5 years of age, by type (wasting and overweight)	Mongolia has been extremely successful in reducing rates of wasting (weight for height <-2 standard deviation from the median of the WHO Child Growth Standards) among children under 5 in the country. Most recent estimates show that rates of wasting in Mongolia are 0.9% – the lowest of all LMI countries globally. Rates of child overweight (weight for height >+2 standard deviation from the median of the WHO Child Growth Standards), meanwhile, are of far greater concern. Data suggests that more than 10% of children under 5 in Mongolia are overweight – one of the highest rates globally. Moreover, rates of child overweight appear to be increasing, albeit moderately. Childhood obesity is strongly correlated with poor future health outcomes, which will have significant implications for Mongolia's future public health.
2.2.3	Prevalence of anaemia in women aged 15 to 49 years, by pregnancy status (percentage)	Mongolia exhibits moderately high, but decreasing, rates of anaemia among pregnant women of reproductive age. Latest data suggest that 24.9% of pregnant women in Mongolia are anaemic – a decrease from 26.0% in 2010. This high prevalence of anaemia is likely due to the aforementioned high prevalence of undernourishment and food insecurity in the country.
<b>Goal 3. Ensure healthy lives and promote well-being for all at all ages</b>		
<b>3.1 By 2030, reduce the global maternal mortality ratio to less than 70 per 100,000 live births</b>		
3.1.1	Maternal mortality ratio	Mongolia has been largely successful in arresting maternal mortality over the last two decades, with maternal mortality rates decreasing significantly over this period. Indeed, Mongolia has long-since achieved the maternal mortality ratio target espoused in SDG 3.1, with recent estimates indicating a maternal mortality ratio of 45 per 100 000 live births, well below the above target.

	Indicators	Performance
3.1.2	Proportion of births attended by skilled health personnel	Mongolia has achieved near-universal skilled birth attendance, with more than 99% of births attended by skilled health personnel every year since 2010. These high rates of skilled birth attendance are critical for ensuring safe delivery of neonates, the prevention of perinatal complications and timely response to any maternal and neonatal issues that may arise. Indeed, such high rates of skilled attendance are likely to have contributed to the low rates of maternal (above) and neonatal (below) mortality observed in Mongolia.
<b>3.2 By 2030, end preventable deaths of newborns and children under 5 years of age, with all countries aiming to reduce neonatal mortality to at least as low as 12 per 1,000 live births and under-5 mortality to at least as low as 25 per 1,000 live births</b>		
3.2.1	Under-5 mortality rate	Mongolia has been very successful in reducing rates of under-5 mortality in the country over the past two decades, with under-5 mortality declining from 60.7 per 1 000 live births in 2000 to 15.6 per 1 000 live births in 2019. Thus, Mongolia has long-since surpassed the targets espoused in the SDGs (25 per 1 000 live births), whilst projections of the current rate of decline in under-5 mortality rates suggest that Mongolia will reach the Government Health Policy target of 12 per 1 000 live births by 2024, two years ahead of schedule.
3.2.2	Neonatal mortality rate	Mongolia has, similarly, been very successful in reducing rates of neonatal mortality in the country over the past two decades, with neonatal mortality declining from 22.1 per 1 000 live births in 2000 to 8.1 per 1 000 live births in 2019. Thus, Mongolia has long-since surpassed the targets espoused in the SDGs of 12 per 1 000 live births.
<b>3.b Support the research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries, provide access to affordable essential medicines and vaccines, in accordance with the Doha Declaration on the TRIPS Agreement and Public Health, which affirms the right of developing countries to use to the full the provisions in the Agreement on Trade-Related Aspects of Intellectual Property Rights regarding flexibilities to protect public health, and, in particular, provide access to medicines for all</b>		
3.b.1	Proportion of the target population covered by all vaccines included in their national program	Mongolia has achieved near-universal coverage in routine immunisation in the country, with estimates suggesting that just over 98% of children in the country have received all vaccines included in the national programme by the prescribed age. Mongolia is therefore well on track to reach the targets espoused in the SDGs as well as the Government Health Policy target of increasing immunisation coverage to 99% of children by 2026 (although the impact that COVID-19 may have had on vaccination rollout in the country does remain to be seen).

Generally, Mongolia has made good progress or achieved the health-related SDGs relevant to children, with the exception of the goals related to ending hunger and ensuring food security, where there are still challenges.

## 6. Things the Government of Mongolia is Doing Well

This analysis of child-focused budgets and expenditure in the social sectors in Mongolia has highlighted a number of areas where the Government of Mongolia is doing well when it comes to budgeting for and delivering services to children. It is important to draw specific attention to these areas so as to encourage the government to continue along these paths.

1. It is clear from both planning and budget documents that the Government of Mongolia is prioritising improving services to children. This is reflected in the priorities set in planning documents and the sustained, rapid growth in budgets funding children's services.
2. The government has implemented a sophisticated budget architecture that provides an excellent platform for ensuring funds are allocated to the correct programmes and tracking whether the correct inputs are being used.
3. When the government allocates funds to children's services in the state and local government budgets, there is a very high probability that all the allocated funds will be used for the intended purposes. This is a very significant achievement, and indicates that the government is committed to both maintaining fiscal discipline and ensuring services to children get delivered.
4. Generally, children's access to services is excellent. This is reflected by the universal coverage of the Child Money Program, the high levels of school enrolment, the good vaccination coverage rates and the widespread use of child protection services across aimags.
5. The government responded very quickly to the COVID-19 crisis by increasing the value of key social protection grants for families and children in April/May 2020. This was possible because of the comprehensive nature of the existing social protection systems and the government's ability to make rapid expenditure decisions in response to a crisis.
6. Over the last few years, child protection has been prioritised in Mongolia through legislative amendments (2016) and significant budgetary allocations (2018) to the sector. According to the officials within the programme, the increase has been successfully defended in the recent budget processes by pointing to the continued good performance in the sector.
7. Most aimags supplement state funding with their own funding for child protection services.
8. Mongolia's system of social protection grants contributes significantly to reducing poverty and inequality in the country.
9. The funding arrangements for education (normative cost per child) are simple and transparent. This enables easy tracking of transfers and accounting for whether local governments have allocated them as intended. They can also be changed relatively easily to achieve alternative or additional policy objectives (e.g. prioritise funding for the poor).
10. Child health is a clear priority in Mongolia, evidenced in the sector policy priorities, which include a variety of key performance indicators (KPIs) related to child health, and in the capitation funding for primary healthcare, which provides greater per capita funding for children than for any other age cohort. These priorities manifest as strong child health outcomes in the country, with Mongolia outperforming the vast majority of comparator countries across a range of child health indicators and outcomes.

## 7. Recommendations

Taking into account all that the Government of Mongolia is doing well in relation to planning, budgeting and managing services for children, the following recommendations highlight areas where further improvements can be made.

### 7.1 ENSURE “THE BEST INTERESTS OF CHILDREN” GUIDES PLANNING AND BUDGETING

As noted, Mongolia has robust framework legislation for managing its planning and budgeting processes. This legislation sets out principles to guide planning and budgeting processes. At present, these principles do not include “the best interests of children” or anything similar.

Planning and budgeting processes impact on the whole of society, but the children and the youth are going to live the longest with the consequences of current decisions. It is therefore recommended that:

- articles 5.1 and 5.2 of the Development Policy and Planning and Its Management Law of 2020 should be amended to include “the best interests of children” as a principle for guiding all planning processes, and
- articles 5 and 6 of the Budget Law of 2011 should be similarly amended to include “the best interests of children” as a principle for guiding all budget processes.

This would align Mongolia’s planning and budgeting processes with Article 4 of the *Convention on the Rights of the Child*,<sup>12</sup> which states:

#### Article 4

States Parties shall undertake all appropriate legislative, administrative, and other measures for the implementation of the rights recognized in the present Convention. With regard to economic, social and cultural rights, States Parties shall undertake such measures to the maximum extent of their available resources and, where needed, within the framework of international co-operation.

Commenting on states’ obligations under Article 4, the Committee on the Rights of the Child notes:

The Committee needs to know what steps are taken at all levels of Government to ensure that economic and social planning and decision-making and budgetary decisions are made with *the best interests of children as a primary consideration* and that children, including in particular marginalized and disadvantaged groups of children, are protected from the adverse effects of economic policies or financial downturns (emphasis added).<sup>13</sup>

Including “the best interests of children” principle in the planning and budgeting framework legislation would place an explicit obligation on the government to consciously and conscientiously apply this principle in all planning and budgeting processes. This has the potential to transform the nature of these processes into truly forward-looking processes that seek to protect and invest in children to the benefit of children, their families, communities, the economy and society generally.

<sup>12</sup> Mongolia ratified this convention in 1990.

<sup>13</sup> Committee on the Rights of the Child. 2003. General Comment No. 5 - General measures of implementation of the Convention on the Rights of the Child (arts. 4, 42 and 44, para. 6).

## 7.2 RECOGNISE CHILDREN AS “STAKEHOLDERS” IN PLANNING AND BUDGETING PROCESSES

Planning and budgeting processes are about envisaging a better future for everyone, but especially children. The framework legislation governing planning and budgeting processes should therefore explicitly recognise children, and organisations that represent the interests of children, as stakeholders in the planning and budgeting processes of both national and local governments. It is therefore recommended that:

- Article 8 of the Development Policy and Planning and Its Management Law of 2020 be amended to include children and organisations that represent the interests of children among the list of stakeholders of development policy and planning.

Recognising children and organisations that represent the interests of children as stakeholders in planning and budgeting processes lays the basis for them to participate in such processes.

## 7.3 FACILITATE CHILDREN’S PARTICIPATION IN PLANNING AND BUDGETING PROCESSES

Given that children are the most important stakeholders in any planning and budgeting processes, they should be afforded special opportunities to participate in, or at very least provide input into, such processes. It is therefore recommended that:

- a section be added to Article 9 of the Development Policy and Planning and Its Management Law of 2020 that describes the rights and roles of children and organisations that represent the interests of children in development policy and planning processes. These provisions should require key role-players involved in developing specific plans to put in place mechanisms to gather information from and consult with children, the youth, and organisations that represent the interests of the children.
- articles 63.1 and 63.2 of the Budget Law of 2011 should be amended to require the governors of baghs and khoros to survey children and youth regarding investments, programmes, projects and activities to be implemented by the Local Development Fund in their bagh and khoroo, and that the results of this survey also feed into discussions by the khoroo and bagh Citizen’s Khurals.

There also needs to be a broader discussion regarding how the State Great Khural, and Citizen’s Khurals at the various levels of local government, can create opportunities for children and youth to participate in their respective discussions and hearings relating to plans and budgets.

## 7.4 ROLE-PLAYERS SHOULD REGULARLY REFLECT ON THEIR ROLE REGARDING CHILDREN

It is important to enquire whether, and to what extent, the responsible role-players in planning and budgeting processes consider the interests of children explicitly and engage with children in these processes. However, such enquiries should not be seen as an external examination; rather, the role-players themselves should regularly reflect on their role regarding children with a view to improving how they engage with children, and how they can serve the best interests of children better. The aim is to get role-players to internalise the idea that it is important to listen to and serve children better.

To facilitate this “self-reflection”, it is recommended that a children’s unit be established within the National Development Agency (or other suitable body). The envisaged role of this children’s unit will be:

- to develop a participatory process aimed at assisting MDAs, local governments, etc. to reflect on how their work impacts on the lives of children, and how they might engage with children and

- serve children better, and
- to facilitate such self-reflection sessions for MDAs, local governments, etc.

This children's unit might also be given the responsibility of facilitating opportunities for children and youth to engage with the State Great Khural, Citizen's Khurals, government and governors.

Note that under no circumstances should this recommendation be interpreted as a call to set-up any kind of M&E processes or instruments to measure and report on MDAs' engagements with children or the like. Such an approach would result in the entire idea devolving into another meaningless tick-box exercise that wastes time and resources.

## 7.5 REVIEW THE STRUCTURE OF BUDGET AND EXPENDITURE INFORMATION

As noted above, the government has implemented a sophisticated budget architecture that provides an excellent platform for ensuring that funds are allocated to the correct programmes and tracking whether the correct inputs are being used. However, as the analysis in section 2.8 and Annexure A shows, the current budget structure does not utilise the potential of the budget architecture optimally to generate information that can be used to manage and monitor the use of funds effectively. We note that the main problems result from, firstly, not using the programme and activity categories to clearly reflect what is being done in each of the sectors, and secondly, using the activity category to capture information that should be captured within the economic classification category. In addition, aimags do not have consistent approach to capturing budget and expenditure information in the existing budget structure, with the result that the data cannot be used to assess the efficiency, economy, equity and effectiveness of spending and service delivery across aimags.

To address these issues, it is recommended that:

- an overarching review of the chart of accounts and the budget structure should be undertaken with a view to:
  - agreeing on the core purpose of the each of the components of the chart of accounts – (i) level of government, (ii) budget governors, (iii) economic classification, (iv) programme, (v) activities, and (vi) financing sources, and
  - agreeing on a set of principles to guide their use and how they relate to each other so as to optimise the collection of useful expenditure data;
- the budget structure for each sector be reviewed in light of the outcomes of the above review, and redesigned to align with it; and
- a process is put in place to train all officials responsible for managing expenditures and capturing budget data to ensure consistent use of the new, redesigned budget structures in each sector.

Revising a country's budget structure is a massive undertaking. The government, and specifically the MOF, needs to own and drive the process. Development partners can assist by facilitating access to technical experts and funding the associated training.

Again, commenting on states' obligations under Article 4 of the *Convention on the Rights of the Child*, the Committee on the Rights of the Child notes:

No State can tell whether it is fulfilling children's economic, social and cultural rights "to the maximum extent of ... available resources", as it is required to do under article 4, unless it can identify the proportion of national and other budgets allocated to the social sector and, within that, to children, both directly and indirectly. Some States have claimed it is not possible to analyse national

budgets in this way. But others have done it and publish annual “children’s budgets”.<sup>14</sup>

Redesigning Mongolia’s budget structure would provide an opportunity to ensure that it is properly aligned to how the government delivers services, including services to children, and so include appropriate children’s markers to allow for the identification of all expenditures benefiting children, both directly and indirectly.

## 7.6 ADVOCACY OPPORTUNITIES IN CHILD PROTECTION

The analysis in the child protection sector was severely hampered by a lack of credible data across a consecutive period of time. UNICEF can advocate to make elements of the performance statistics used to allocate funding in the sector more readily available. This will not only improve transparency, but will also contribute to effective policy implementation and oversight.

## 7.7 ADVOCACY OPPORTUNITIES IN SOCIAL PROTECTION

Overall, the SWS system provides a good level of coverage for children. There is a variety of SWS that cover many beneficiaries. Moreover, the expenditure allocations for these SWS are relatively high and have grown over the period reviewed. This indicates that the government has indeed prioritised children. Despite this positive position, the following are identified as areas for consideration:

- As noted by previous research and in policy discussions, it is vital that the government safeguards the sustainability of the child-focused SWS. This is especially important given the extension of the Child Money Program to universal coverage in 2020. While the expenditures are essentially an investment in the future labour force, they still risk generating an inter-generational debt burden if not managed correctly within the MLSP and across other ministries (for example, education provision is important to ensure that children are able to convert their relatively more stable living conditions into higher potential productivity).
- Although the SWS offering can be applauded for its comprehensive scope, some of the articles only service a few beneficiaries. The service offering should therefore be reviewed, focusing on opportunities to merge and/or reform certain articles to create efficiency gains.
- To address the stubbornly high number of children still below the national poverty line, the MLSP should consider better targeting of some of the SWS towards vulnerable children. The aim should be to ensure that higher-value grants reach the most vulnerable children, thereby lifting more children in poor households above the national poverty line.

## 7.8 ADVOCACY OPPORTUNITIES IN EDUCATION

Improving the quality of expenditure data by implementing the reforms proposed above will improve the ability of the government, and stakeholders, to track education expenditures related to children. This will also enable more detailed policy analyses. UNICEF can guide the government in implementing these reforms by bringing a policy lens to discussions and ensuring that the resulting budget architectures support tracking key priority issues identified in the education sector’s mid-term development plan. This is not just a public finance issue; it is about making the budgets an instrument that contributes to effective policy implementation, oversight of that implementation, and its evaluation.

This analysis suggests there are problems in how the total special purpose transfers each aimag receives is calculated. This requires a detailed analysis, of which the scope should include:

<sup>14</sup> Committee on the Rights of the Child. 2003. General Comment No. 5 - General measures of implementation of the Convention on the Rights of the Child (arts. 4, 42 and 44, para. 6).

- reviewing the normative funding arrangements to enable greater flexibility of the management of education budgets at local government and school level.
- assessing whether a wider range of socioeconomic variables should be incorporated into the normative cost per child than are currently considered.

Lastly, a significant portion of the education sector's mid-term development plan is dedicated to estimating the financial implications of the demographic bubble on the education system. It is estimated that the number of learners will double by 2024, requiring a doubling in the number of teachers and classrooms. Most of the pressure is expected to be felt in Ulaanbaatar. Addressing this will require innovative delivery of education services and innovative financing, as the bubble will pass through the system and the needs will diminish by 2030. Issues UNICEF could focus on are:

- options for financing temporary classrooms and the potential uses of this infrastructure when they are no longer needed.
- the labour and financial implications of increasing the workforce, then preparing for a large portion of this workforce to be made redundant a few years later. Where else in the education sector could those people be used? How best can they be prepared to add value within the education sector after the bubble has passed?

## 7.9 ADVOCACY OPPORTUNITIES IN HEALTH

Overall, the Mongolian health system provides strong policy and budgetary focus to child health issues, evidenced in the sector policy priorities, which include a variety of KPIs related to child health, and in the capitation funding for primary healthcare, which provides greater per capita funding for children than for any other age cohort. These priorities manifest as strong child health outcomes in the country, with Mongolia outperforming the vast majority of comparator countries across a range of child health indicators and outcomes. This being said, there are still areas for concern that ought to be addressed:

- Health expenditure in Mongolia, as a proportion of GDP, remains well below targeted levels, and rapid increases in health expenditure will be required to meet the target set in the 2017 Government Health Policy of increasing total health funding from the state budget from a baseline of 2.4% of GDP to a target of 5.0% of GDP by 2026. This commitment to a large increase in health spending provides ample scope for advocacy for increased allocations to programmes and activities that target children specifically.
- Analysis of trends in causes of child health burdens in Mongolia highlight a few stubborn contributors to child mortality and morbidity – maternal and neonatal disorders, respiratory infections and tuberculosis, and other non-communicable diseases. Child health budgets and associated advocacy should be targeted at measures to combat child health burdens in these areas specifically, including, for example, improved rates of antenatal care coverage, improved rates of TB screening and treatment, and nutrition campaigns to reduce incidence of malnutrition and child overweight.
- Advocacy should focus on reducing health financing inequities, and specifically the high burden associated with out-of-pocket health expenditures among poorer households. This could involve a review of the social health insurance scheme to ensure that the poorest and most vulnerable in Mongolia achieve full coverage for all services, a focus on community-based healthcare and outreach service delivery platforms to reduce financial and geographic barriers to healthcare access, and expansion of certain social welfare grants to ensure that all economic costs associated with health-seeking are affordable.

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# Annexure A – Assessing Planning and Budgeting through a Child Lens

## 1. INTRODUCTION

When analysing government budgets and expenditures, or advocating for the better use of resources or increased allocations for children’s services, it is critical to have a thorough understanding of the country’s policy, legal and institutional arrangements for planning and budgeting, as well as the country’s governance and PFM arrangements more generally.

This understanding is important for the following reasons. Firstly, one needs to understand the structure and functioning of government and the allocation of functions, particularly those relating to children, across government to know who is responsible for delivering what services to children. This determines where one looks for budgets for specific services. Secondly, one needs to understand the government’s planning and budgeting processes, particularly who the role-players are and the timetable for these processes, as this informs who one’s budget advocacy efforts need to target and the types of messaging required. It is also critical to identify when the key moments for feeding information into these processes are to stand any chance of influencing their outcomes. Successful budget advocacy involves ensuring that key role-players have relevant information front-of-mind when making decisions about the allocation of resources. So, one needs to align one’s core advocacy efforts to the planning and budgeting timetable. Thirdly, one needs to have a thorough understanding of the practical workings of these processes, their strengths and weaknesses, to be able to make sensible proposals as to how they might be changed to serve the interests of children better.

Generally, when analysing a government’s planning and budgeting arrangements one needs to distinguish those elements that form the framework from the actual planning and budgeting processes themselves. For instance, the Budget Law of 2011 describes the process and timetable government is required to adhere to when compiling its budget. This is the framework. Then, each year, the government works within this framework to develop and approve the annual budget for the forthcoming year. This annual activity is the budget process.

This distinction between framework and process needs to inform one’s advocacy efforts. Ideally, but only if necessary, priority should be given to advocating for strategic changes to the framework, as they have the potential to impact the outcomes of all successive planning and budget processes. However, identifying and advocating for changes to the framework requires detailed technical PFM knowledge, and the ability to engage with the MOF on such issues in a credible manner. At core, it requires experts who speak the technical language of PFM to drive such advocacy efforts. These efforts to reform the framework are distinct from what is generally understood as budget advocacy, namely, initiatives to influence role-players in planning and budgeting processes to give greater priority to the interests of children and allocate more funds towards children’s services, or ensure that such funds are used more efficiently. While these latter budget advocacy initiatives are strengthened by technical public finance input, a wider range of stakeholders can participate in them meaningfully. Indeed, it is desirable that diverse stakeholders, including children themselves, participate in these less-technical budget advocacy initiatives.

The sections that follow apply a child lens to review Mongolia’s governance, policy, legal and institutional arrangements for planning and budgeting.

## 2. STRUCTURE OF GOVERNMENT

Government in Mongolia is organised into two tiers, namely national/state government and local government.

National government consists of the State Great Khural (Parliament) and the national government (state), which is headed by the State President along with Cabinet, and consists of a number of ministries under which are various departments. In addition, there is a range of national government institutions that enjoy varying degrees of autonomy, such as the Central Bank and National Audit Office.

For local government, the country is divided into 21 aimags, which are subdivided into soums and then baghs. Ulaanbaatar, the capital city, is a *hot* (municipality) that has independent administrative status and consists of several *düüreg* (districts). There are Citizen Representative Khurals at each level, and governors who head the respective administrations.

## 3. ASSIGNMENT OF REVENUES AND FISCAL TRANSFERS

### 3.1 Assignment of revenues

Article 23 of the Budget Law of 2011 assigns budget revenues to the respective levels of government, as set out in Table 33 below. Budget revenues are divided into two categories, namely:

- tax revenues, comprised of taxes, fees and commissions covered by the General Tax Law<sup>15</sup>, and
- non-tax revenues, comprised of dividends from state-owned enterprises, sales revenue and charges for the use of government property, proceeds of privatisation, sale and renting of government property, fines, loans and grants from international development partners and other revenues.<sup>16</sup>

**Table 33** Assignment of budget revenues by the Budget Law of 2011

Shared revenues	State revenues	Capital city and aimag revenues	Soum and district revenues
<b>Tax revenues</b>			
<b>Royalties on minerals</b> <ul style="list-style-type: none"> <li>▪ 95% to State</li> <li>▪ 5% to GLDF*</li> </ul> <b>Domestic VAT</b> <ul style="list-style-type: none"> <li>▪ 95% to State</li> <li>▪ 5% to GLDF*</li> </ul> <b>Royalties on petroleum</b> <ul style="list-style-type: none"> <li>▪ 70% to State</li> <li>▪ 30% to GLDF*</li> </ul> <b>* General Local Development Fund</b>	Company income tax VAT on imported goods and services Excise tax Customs duties Fuel and diesel tax Mining and exploration license fees Air pollution tax State stamp duties specified in Article 11.2 of State Stamp Tax Law	Capital city tax Land fees Immovable property tax Vehicle tax User fees for industrial water use Taxes on wages as specified in Article 8.1.1 of the Personal Income Tax Law Taxes on inheritance and gifts State stamp duties, other than specified in Article 23.4.9 of the State Stamp Tax Law 20% of license fees for petroleum exploration and exploitation	Personal income tax, other than specified in Article 8.1.1 of the Personal Income Tax Law Income tax on self-employed person whose incomes is not predictable for a certain time period State stamp duties, other than specified in Article 23.4.9 of the State Stamp Tax Law Gun ownership fees User fees for hunting License fees for the exploitation of natural resources other than mineral resources User fees on the harvesting of natural plants (herbs) User fees on the harvesting of timber User fees on the use of widespread mineral resources User fees on the household usage of water and spring water Dog tax Waste removal charges 10% of license fees for petroleum exploration and exploitation

<sup>15</sup> See Article 23.2 of the Budget Law of 2011.

<sup>16</sup> See Article 23.2 of the Budget Law of 2011.

Shared revenues	State revenues	Capital city and aimag revenues	Soum and district revenues
<b>Non-tax revenues</b>			
	Dividends from SOEs Charges for the use/sale of state property Other revenues generated in terms of other laws	Dividends from local SOEs Charges for the use/sale of state property Revenue from interest and fines Other revenues generated in terms of other laws	Dividends from local SOEs Charges for the use/sale of state property Revenue from interest and fines Other revenues generated in terms of other laws Proceeds from donations, grants and assistance

Source: Article 23 of the Budget Law of 2011

Compared to previous revenue assignment arrangements, Article 23 of the Budget Law of 2011, centralises the most productive mineral tax revenues to the state government. This centralisation, while unpopular with aimags where mining operations are located, has enabled the government to put in place more equitable revenue-sharing mechanisms, thus enabling local government services to be provided more equitably across the country.<sup>17</sup>

The rates for all taxes, even if they are assigned to local government, are approved centrally by the Revenue Division of the MOF and the State Great Khural, unless such powers have been delegated to the local government khurals, as is the case for one or two land-use-related fees.

All revenues are collected by the General Tax Department of the MOF, which has offices in each local government.

## 9.15 FISCAL TRANSFERS

Article 56 of the Budget Law of 2011 provides for the following three types of transfers from upper-level budgets to lower-level budgets: (i) financial support or deficit-filling transfers, (ii) special purpose (earmarked) transfers to fund delegated functions (iii) revenue-sharing transfers.

There is also a provision that allows surplus funds from lower-level budgets to be transferred to upper-level budgets.<sup>18</sup> In essence, these transfers are the logical counterpart of the deficit-filling transfers.

### i. Deficit/surplus transfers

Deficit transfers are made to local government budgets to cover the deficit between approved base expenditures and revenues.<sup>19</sup> Similarly, the surplus transfers are made from lower-level budgets to upper-level budgets when the former show a surplus. The amount of the surplus transfers is restricted to the residual of the basic budget surplus minus the base expenditure of the lower-level government, where the base expenditure of each local budget is determined using a methodology defined by the government.<sup>20</sup>

These deficit/surplus transfer arrangements also apply to the relationship between the capital city and its districts, and the aimags and their respective soums. They reflect an inherited practice of equalising expenditures across local government, and as such can play an important role in fostering equity in the provision of local government services (which include social care and welfare services) across rich and poor regions. The conditions governing these legally mandated sharing arrangements having been changing over time with an increase in the upward transfer of surpluses. However, in most years the level of deficit transfers is greater than surplus transfers, which means national government is subsidising local government.

17 See page 31 in Asian Development Bank, 2021. Decentralisation, local governance and local economic development. Philippines: Manila.

18 See article 56.2 of the Budget Law of 2011.

19 See articles 56.1 and 56.4 of the Budget Law of 2011.

20 See article 56.4 of the Budget Law of 2011.

These transfers are not grants in the usual sense, but are determined after local governments have submitted their budget proposals to the MOF, and serve as a mechanism to offset any legitimate deficits and centralise local government surpluses.

## ii. Special purpose transfers

These are transfers to local governments under Article 61.2 of the Budget Law of 2011 to fund the recurrent expenditures of functions delegated to local government under articles 39.1 and 61.1 of the Budget Law of 2011. The functions in question are pre-school education services, general education services, primary healthcare services, land relations and cadastre services, and child development and protection services. Prior to 2012, these functions were the responsibility of state government.

These special purpose transfers are based on agreements negotiated between individual aimags and the sector ministries, and between soums and their aimags. The actual allocations are made with reference to prior contractual agreements, which specify sets of budget norms covering all staff-related and other operating costs – leaving local governments little discretion when it comes to implementation. It would appear that variables other than population inform the value of these transfers, otherwise it is difficult to explain the per capita variances between aimags noted elsewhere.

These transfers are approved by the relevant state ministry and the State Great Khural. Each aimag is then supposed to make allocations to its constituent soums in accordance with agreements to delegate delivery to the soums. However, this appears not to happen in certain aimags, even where the soums are delivering aspects of the delegated functions.<sup>21</sup>

## iii. Revenue sharing transfers

Article 59 of the Budget Law of 2011 establishes the General Local Development Fund. It is currently funded by 5% of VAT on domestic goods and services, 30% of the royalties on petroleum and 5% of the royalties on minerals. These sources of funding have changed over time. For example, for some years, sources included a share of the surplus transfers from local budgets.

The revenue derived from the VAT and petroleum streams to the General Local Development Fund is shared among the capital city and aimags according to a formula based on four criteria:

- development index of local government;
- population;
- population density, remoteness, and size of territory; and
- tax initiatives of local government.<sup>22</sup>

The royalties on minerals portion of the General Local Development Fund is allocated to aimags and the capital city on a per capita basis, but with a preferential increase of 10% for those areas where these revenues were generated.<sup>23</sup> This has, however, had a disturbed history. In 2016, provisions were introduced into the Budget Law, under articles 60.6 and 60.7, that require a portion of the revenues from mining royalties and exploration fees to be allocated to the Local Development Funds of the local government areas where the revenues were collected. These provisions were applied in 2016, suspended in 2017 and 2018, then reintroduced in 2019.<sup>24</sup>

21 See page 36 in Asian Development Bank, 2021. Decentralisation, local governance and local economic development. Philippines: Manila.

22 See Article 59.3 of the Budget Law of 2011.

23 See Article 59.4 of the Budget Law of 2011.

24 See page 37 in Asian Development Bank, 2021. Decentralisation, local governance and local economic development. Philippines: Manila.

The capital city and aimags are required to reallocate a certain percentage of the funds they receive from the General Local Development Fund to soums' and districts' Local Development Funds using the above criteria.<sup>25</sup> Since 2017, as part of the government's attempt to manage the budget crisis induced by the severe drop in mining revenues, these onward-sharing arrangements have been altered as follows:

- part of the aimag and capital city Local Development Fund has been earmarked for certain base expenditures, substantially reducing the balance available for discretionary spending and reallocating to soums and districts; and
- the share that aimags and capital city are required to reallocate to soums and districts has been reduced from 60% to 40%.<sup>26</sup>

The above changes have resulted in a severe drop in funds flowing to soum- and district-level Local Development Funds.

#### 4. ASSIGNMENT AND DELEGATION OF EXPENDITURE FUNCTIONS

Article 58 of the Budget Law of 2011 allocates a range of functions to the capital city, aimags, districts and soums that are funded from local budgets. This allocation of functions is set out in the table below, with functions relevant to children highlighted in blue.:

**Table 34** Functions assigned to local government by the Budget Law of 2011

Functions of the Capital City	Functions of the Aimag	Functions of the Urban Districts	Functions of the Soums
Capital city management <b>Urban planning, constructions and establishing new infrastructure</b> <b>Capital maintenance of construction and buildings owned by the capital city, establishing new property and making investments</b> <b>Social care and welfare services</b> <b>Implementing programmes and measures to support employment and alleviate poverty</b> <b>Development of small and medium-sized enterprises</b> <b>Pasture management</b> <b>Establishing water supply, sewerage and drainage systems</b> <b>Housing and public utility services</b> <b>Flood protection</b> <b>Public transport services</b> <b>Fight of infectious livestock and animal diseases, pest eradication and control</b> <b>Disaster prevention</b> <b>Environmental protection and rehabilitation</b> <b>Environmental protection and rehabilitation</b>	Aimag management Urban planning, construction and establishing new infrastructure Capital maintenance of locally owned construction and buildings, establishing new property and making investments <b>Social care and welfare services</b> Implementing programmes and measures to support employment and alleviate poverty Development of small and medium-sized enterprises Replace livestock Pasture management within the territory of the aimag Establishing livestock fodder reserve Water supply, sewerage and drainage systems, housing and public utility services, and flood protection Public transport services Fighting infectious livestock and animal diseases, pest eradication and control, and disaster prevention and elimination Environmental protection and rehabilitation Establishing within the territory of the aimag and inter-soum road, bridge and their lighting, traffic lights and other respective construction	District management <b>Social care and welfare services provided subsequent to the decision of district governors</b> Within the territory of districts, utility services for public areas, public hygiene, street lighting, cleaning and waste removal Promotion of intensified raising of livestock Protection of nature and the environment within the district territory Protection of nature and the environment within the district territory <b>District landscaping, and development and maintenance of sidewalks, recreational areas and children's playgrounds</b>	Soum management <b>Social care and welfare services provided subsequent to the decision of soum governors</b> Within the territory of soums, utility services for public areas, public hygiene, street lighting, cleaning and waste removal Replace livestock Pasture management within the territory of the soum Protection of nature and the environment within the soum territory Recurrent maintenance of lighting of public areas within the soum territory <b>Soum landscaping, and development and maintenance of sidewalks, recreational areas and children's playgrounds</b>

25 See Article 59.2 of the Budget Law of 2011.

26 See page 37 in Asian Development Bank, 2021. Decentralisation, local governance and local economic development. Philippines: Manila.

Functions of the Capital City	Functions of the Aimag	Functions of the Urban Districts	Functions of the Soums
<b>Utility services for public areas, landscaping, public hygiene, street lighting, cleaning, and waste removal</b> <b>Within the territory of the capital city operation and maintenance services of high voltage and electricity lines and substations and other activities to ensure normal functioning</b>	Utility services for public area, landscaping, public hygiene, street lighting, cleaning, and waste removal Within the territory of the aimag operation and maintenance services of high voltage and electricity lines and substations and other activities to ensure normal functioning		

Source: Article 58 of the Budget Law of 2011

The capital city and aimag governors can delegate, by agreement with the district and soum governors, the performance of these functions to the district and soum administrations.<sup>27</sup>

The above allocation of functions to local government highlights that all local government administrations are responsible for the social care and welfare function. This duplication across levels (capital city versus district, and aimag versus soums) is not ideal because it dilutes accountability; the aimag governors can argue that primary responsibility for the function rests with the soum governors and vice-a-versa. This can be resolved by clear regulatory provisions that allocate specific responsibilities to each level. However, we could not find evidence of a formal division of responsibilities between these levels of government.

The functions assigned to local government by Article 58 of the Budget Law of 2011 are funded from the local budgets of the respective local governments. This means the level of funding allocated to social care and welfare services, an important range of services for children, depends on the strength and reliability of local revenues (see section 2.2), and the priority local governors give to funding these services versus the other local government functions.

In addition, Article 61 of the Budget Law of 2011 delegates implementation of the following national/state government functions to the capital city and aimag level, with services directly relevant to children highlighted in blue:

- pre-school education services;
- general education services;
- primary health care services;
- land relations and cadastre services; and
- child development and protection services.

Since 2019, through an amendment to the Budget Law, cultural services and fitness activities have been transferred to the local government, to be included in their base expenditures funded from own revenues.

These delegated functions are funded by special purpose transfers allocated from the state budget in accordance with agreements concluded with the relevant ministries, and the agreed allocations are incorporated and approved as part of the local budgets.<sup>28</sup> The capital city and aimags may add to these transfers from local revenues, but they may not divert the funds received by way of special purpose transfers to other sectors (see analyses in Section 4 of the report).<sup>29</sup>

Clearly, as a result of these delegations, the capital city and aimag governments are key implementing agents of services to children.

<sup>27</sup> See article 39.2 of the Budget Law of 2011.

<sup>28</sup> This means that, when consolidating state and local government budgets, special purpose transfers for funding these delegated functions need to be removed from state budgets to avoid double counting.

<sup>29</sup> See Article 39.4.1 of the Budget Law of 2011.

## 5. LEGISLATION GOVERNING PLANNING AND BUDGET PROCESSES

In the aftermath of the financial crisis in 2009, Mongolia embarked on a range of initiatives to strengthen fiscal discipline and improve PFM. This saw the passing of a number of laws aimed at reforming the institutional and procedural frameworks for planning and budgeting, as well as better managing debt, procurement and the use of revenues from mining activities.

To start with, Article 20 of the Constitution states that “The National Parliament is the highest organ of state power, and the supreme legislative power is vested only in the Parliament”. And in defining the competencies of Parliament, Article 25(7) of the Constitution states that the role of Parliament is “to define the State’s financial, credit, tax and monetary policies, to lay down guidelines for the country’s economic and social development, to approve the Government’s programme of action, the State budget, and the report on its execution.” So, the Parliament is a key role-player in the planning and budgeting processes.

The following are the primary PFM laws that currently set the framework for planning and budget processes:

- ***the Fiscal Stability Law of 2010, as amended***

This law sets budget deficit, budget expenditure growth and debt limits<sup>30</sup> that need to be adhered to in the development of the Government Action Program, the Medium Term Fiscal Framework Statement, and consolidated budget.<sup>31</sup>

- ***the Budget Law of 2011***

This law deals with all aspects of budget and expenditure management. Key provisions include:

- sets out the principles for budgets and how they are to be applied<sup>32</sup>
- sets the fiscal year (January to December)<sup>33</sup> and key dates for budget preparation, approval and execution for all levels of government,<sup>34</sup> as well as reasons and processes for in-year budget adjustments<sup>35</sup>
- defines role-players’ responsibilities in budget preparation, approval and execution<sup>36</sup>
- defines the structure of the budget in terms of levels and types of classifications<sup>37</sup>
- allocates revenue sources to each level of government<sup>38</sup> and provides for the management of grants<sup>39</sup>, debt, loans, guarantees and contingent liabilities<sup>40</sup>
- allocates expenditure responsibilities to each level of local government<sup>41</sup>
- provides for the delegation of certain national functions to local government, and sets out arrangements for the funding of such functions<sup>42</sup>
- provides for fiscal relations between upper- and lower-level budgets, and specifically

30 These are referred to as special fiscal requirements and are defined in Article 6 of the Fiscal Stability Law of 2010.

31 See Article 7 of the Fiscal Stability Law of 2010.

32 See articles 5 and 6 of the Budget Law of 2011.

33 See Article 7 of the Budget Law of 2011.

34 See Article 8 of the Budget Law of 2011.

35 See articles 42 and 43 of the Budget Law of 2011.

36 See articles 9 to 19 of the Budget Law of 2011 in relation to the state budget, and articles 64 to 66 in relation to local budgets.

37 See articles 21 and 22 of the Budget Law of 2011.

38 See Article 23 of the Budget Law of 2011.

39 See Article 25 of the Budget Law of 2011.

40 See articles 49 to 53 of the Budget Law of 2011 regarding State debt etc, and Article 62 on borrowing by local governments.

41 See Article 58 of the Budget Law of 2011 and Table 34.

42 Article 61 of the Budget Law of 2011 provides for the delegation of functions, and Article 39 the funding of such functions.

describes the different kinds of transfers<sup>43</sup>

- sets out arrangements for the establishment and income of a General Local Development Fund<sup>44</sup> and the sharing of revenue with the Local Development Funds established by the capital city, aimags, districts and soums (currently a 60:40 split)<sup>45</sup>
- provides for community participation in local budget processes<sup>46</sup>
- **the Glass Account Law of 2014**  
This law provides for the establishment<sup>47</sup> of a web-based portal (the Glass Account) for the publication of planning, budget, expenditure and reporting information within specified time periods<sup>48</sup> by all role-players responsible for managing the use of public funds.<sup>49</sup>
- **the Development Policy and Planning and Its Management Law of 2020**  
This law sets out the kinds of development plans government is required to produce.<sup>50</sup> It also sets out the role-players<sup>51</sup> and processes for their development, approval and monitoring.<sup>52</sup> The intention is that the mid- and short-term plans will inform the drawing up of state and local budgets.<sup>53</sup>

With reference to the adage “children are the future,” a remarkable feature of the above laws is that between the four of them, there are only two mentions of “children”. Both are in the Budget Law of 2011 with reference to the allocation of responsibility for children’s playgrounds to districts and soums.<sup>54</sup> Obviously, there are references to services that benefit children, such as education and health. However, the complete absence of any mention of the interests of children in the principles guiding planning and budgeting, or of children as stakeholders in these processes, is notable. It perpetuates the bad practice prevalent in planning and PFM legislation, policy and processes of largely ignoring children. The framework legislation for planning, especially, but also budgeting should provide that these processes must promote the “best interests of children” as a core principle.

Operating within the framework created by the abovementioned laws, government role-players are required to engage in a range of planning and budgeting processes, which result in the production of numerous planning and budget documents. Role-players are then also required to produce a range of monitoring and reporting documents that document their performance in implementing the plans and budgets. The Glass Account Law requires that all this information should be published on a dedicated web-based portal established by national government.

The following figure sets out the range of planning and budget documents that are required across the three levels of government:

43 See Article 56 of the Budget Law of 2011.

44 See Article 59 of the Budget Law of 2011.

45 See Article 60 of the Budget Law of 2011.

46 See Article 63 of the Budget Law of 2011.

47 Article 5.3 of the Glass Account Law of 2014 set the launch date before 30 June 2016.

48 See Article 6 of the Glass Account Law of 2014 for a full list of information to be published.

49 See Article 3 of the Glass Account Law of 2014 for the list of organisations that are required to publish information in terms of the law.

50 See Article 6 of the Development Policy and Planning and Its Management Law of 2020.

51 See Article 8 of the Development Policy and Planning and Its Management Law of 2020.

52 See articles 12 to 21 of the Development Policy and Planning and Its Management Law of 2020.

53 See Article 20 of the Development Policy and Planning and Its Management Law of 2020.

54 See Article 58 of the Budget Law of 2011 and Table 34.

**Figure 14** Planning and budget documents required across the levels of government

National Government	Capital city & Aimags	Districts & Soums
<b>Long-term</b> Vision 2050 <b>Mid-term</b> 10yr Development Target Programs 5yr Development Guideline-of Mongolia Law on Fiscal Stability	City master plan 5yr Development Guidelines	
<b>Short-term</b> 4yr Action Programs of Government Medium-term Expenditure Frameworks Statement State General Guidelines for Socio Economic Development Annual Development Plans Annual budgets Budget of the SIF and HDF	4yr Action Programs of Governors Annual Development Plans Annual budgets	4yr Action Programs of Governors Annual Development Plans Annual budgets
<b>Implementation reports</b> 5yr Progress Reports on Vision 5yr Progress Reports on Target Programs Monthly budget execution reports Quarterly budget execution reports ½ yearly budget execution reports Yearly budget execution reports Unified Budget Execution Report	Publish all information on the Glass Account website	
<b>Accountability reports</b> Annual financial statements Achievement report of development policy and planning targets Implementation evaluation of Guidelines Performance Reports on Target Programs Performance Report on Vision	Annual financial statements Achievement report of development policy and planning targets	Monthly budget execution reports Quarterly budget execution reports ½ yearly budget execution reports Yearly budget execution reports Annual financial statements

Source: Development Policy and Planning and Its Management Law of 2020, and the Budget Law of 2011

The Development Policy and Planning and Its Management Law of 2020 requires that the long-term Vision 2050 forms the framework within which the mid-term plans are developed, and these mid-term plans form the framework for the short-term Action Programmes and Annual Development Plans. Similarly, the limits set out in the Fiscal Stability Law set the framework for developing the Medium-term Expenditure Frameworks Statement and the State General Guidelines for Socio Economic Development, and these documents in turn set the framework for the development of annual budgets. It is also envisaged that the budgets will aim to provide the funds necessary to implement the respective plans. Furthermore, the state-level plans and budgets set the framework for local government plans and budgets.

While the framework legislation does not explicitly promote the best interests of children, it is evident that promoting the interests of children is an important policy focus area in the formulation of recent state plans and budgets. This is reflected in priority given to key children’s issues in **Vision 2050** and

- the very significant increases in spending on the Child Protection and Development programme from 2018 onwards;
- the reintroduction of the universal Child Money Program; and
- the fact that spending on social services benefiting children has largely been protected in periods of budget austerity.

**Box 1 – Children’s Interests in Mongolia’s Long-Term Development Plan – Vision 2050**

Given that the central aim of Mongolia’s *Vision 2050* is to plan a brighter and more prosperous future for Mongolia, it is encouraging that children are both explicitly and implicitly considered. The plans toward achieving green development and equitable access to quality education for all speak directly to the interests of children.

Education is recognised across the world as a key need of children, as well as an imperative for achieving sustainable development. *Vision 2050* sets out extensive plans for improving all levels of education in Mongolia, from pre-school to university. The unique needs of each of these education levels are considered in *Vision 2050*’s plan for improving access to education. These plans aim not only to improve schooling outcomes but also children’s overall education experience. For all levels of education, M&E measures have been included to ensure that the steps set out for realising quality education for all are achieved. These objectives will directly improve the lives of children in Mongolia.

Climate change is an enormous challenge facing the world, and one that will disproportionately affect children. Mongolia is particularly vulnerable to the effects of climate change and as such, its children are particularly at risk. Green development is one of the nine core components of this plan. *Vision 2050* contains wide-ranging plans for achieving green development that recognise the need for change to happen across society and the economy.

While *Vision 2050* does seek to address the needs of children in these two important ways, more could be done to ensure that the interests of children are addressed more fully in Mongolia’s long-term plans. Among the ways Mongolia could guarantee that children’s needs play a more central role is by making the “best interests of children” a key planning principle and by including processes for consulting children in the creation of development visions moving forward. This would help ensure that the children’s needs are addressed more comprehensively.

## 6. PUBLIC PARTICIPATION IN PLANNING AND BUDGET PROCESSES

The Development Policy and Planning and Its Management Law of 2020 lists a set of principles that must guide development policy and planning, among them “ensure involvement of all stakeholders.”<sup>55</sup> However, the further elaboration of how this principle should be understood in practice makes no mention of children as stakeholders in planning processes:

- 5.2.13. “Principle of participation of all stakeholders”: Development policy and planning documents shall be prepared ensuring participation of relevant government and non-government organizations, scientific and research institutes, professional associations, private businesses, individuals and interested parties;

Of course, government could argue that “individuals and interested parties” covers children. However, the failure to identify children explicitly as stakeholders in planning processes is a missed opportunity, especially in a law adopted as recently as 2020.

As regards public participation in the budget process, Article 6.5 of the Budget Law of 2011 states that the principle of fiscal transparency includes ensuring there is “community participation in budget planning, revenue collection, allocation and reporting processes.” Furthermore, it states that:

Each authority shall inform the public on how comments and opinions of citizens and non-governmental organisations are reflected in his/her decisions and how his/her actions ensure public participation in budget activities.<sup>56</sup>

55 See Article 5.1.13 of the Development Policy and Planning and Its Management Law of 2020.

56 See Article 6.5.6 of the Budget Law of 2011.

In addition, Article 63 of the Budget Law of 2011 requires governors of baghs and khoros to survey the views of residents regarding projects to be funded from the Local Development Fund, and to ensure that the information from these surveys is discussed in the bagh and khoroo Citizens' Khurals, where the projects should be prioritised and selected. These lists of priority projects should then feed into the budget processes of the districts and soums, and the governors must ensure they are incorporated in the district and soum budget proposals

Again, it is notable that the Budget Law of 2011 has no specific provisions regarding the participation of children in government budget processes.

Planning and budget processes impact on the whole of society; everyone in the country is a stakeholder. It could be argued that since children and the youth are going to live the longest with the consequences of current decisions, they are the most important stakeholders, and accordingly, should be afforded special opportunities to provide input. However, this is rarely the case. To the country's credit, there is a range of initiatives to promote children's participation in governance and child rights issues, and generally they have been well received by the State Great Khural and the government.<sup>57</sup> Does more need to be done in this regard? Yes, of course.

## 7. PLANNING AND BUDGETING ROLE-PLAYERS

Planning and budgeting processes are about envisaging a better future for everyone, but especially children. Consequently, it is important to enquire whether and to what extent the responsible role-players consider the interests of children explicitly in these processes. To properly assess this issue requires intimate knowledge of the different planning and budgeting processes, and engagement with the relevant role-players. Ideally, the role-players themselves should reflect on these questions from time to time with a view to ensuring that they make progressive strides towards incorporating the best interests of children in their work, and the resultant plans and budgets.

When it comes to planning and budgeting at the state level, the key role-players are:

- The President of Mongolia, and the Cabinet
- The State Great Khural
- The National Development Agency
- The MOF
- All other line ministries
- Other state government entities such as the National Statistical Office, the National Audit Office and the Central Bank
- Governors of the capital city and districts, aimags and soums
- The Citizens Representative Khurals of the capital city and districts, aimags and soums

In addition, the Development Policy and Planning and Its Management Law of 2020 identifies the following stakeholders: universities, research institutes, the stock exchange, the Development Bank, professional associations, civil societies and private legal entities (but not children).

## 8. BUDGET PROCESS TIMETABLE AND OPPORTUNITIES FOR PUBLIC PARTICIPATION

Generally, the government budget process consists of five steps: (i) Gathering data, expenditure analysis and costing, (ii) Preparation, (iii) Approval, (iv) Implementation, and (v) Accountability. The Budget Law of

<sup>57</sup> <https://www.goodneighbours-uk.org/2019/11/29/mongolian-children-raise-their-voices-in-parliament/>, accessed 2021.09.11.

Save the Children, 2020. For Mongolian Children – 25 Years – 25 Breakthroughs. Ulaanbaatar, Mongolia.

2011 sets the framework and key dates for these processes for all levels of government.<sup>58</sup> In Mongolia, the fiscal year for all levels of government runs from January to December.<sup>59</sup> The following sections provide more detail on each of the budget steps, highlighting the key activities, the timetable and opportunities for public participation.

#### **i. Gathering data, expenditure analysis and costing**

Preparing a good quality government budget is an information-intensive exercise. Each ministry, department and agency (MDA) needs to have systems and processes in place to gather, organise and analyse information relevant to its functions. These processes need to include conducting ongoing analyses of the efficiency and equity of its current expenditure and service delivery, as well as periodic assessments of service delivery effectiveness. It should also include the costing of plans and new programme and project proposals. All this information is key to developing credible and persuasive budget proposals.

Stakeholders promoting the interests of children can contribute to improving the scope and quality of the information available to MDAs for planning and budgeting by:

- providing training to public officials to strengthen their information gathering, analytical and report writing skills,
- supporting initiatives to develop or strengthen information-gathering and reporting systems within sectors,
- undertaking key research (such as cost of inaction studies, costing new programmes or surveys of children's priorities and preferences) in partnership with the MDAs that support implementation planning and budgeting, and
- assisting in developing advocacy arguments and materials that can support budget proposals.

The first two of these activities are not time-bound. The second two should conclude, ideally, before June each year so that the findings and recommendations can feed into the budget preparation process.

#### **ii. Budget preparation**

Article 8 of the Budget Law of 2011 requires that the state budget be prepared in three stages:

- *Stage 1 – Preparation of the MTEFS and General Guidelines*

This stage involves the MOF developing the Medium Term Expenditure Framework Statement to guide the development of the upcoming budget. It sets out a fiscal framework, taking into account special fiscal requirements regarding the deficit, budget growth and debt prescribed by the Fiscal Stability Law of 2010. Key elements of the fiscal framework include revenue projections, a consolidated spending ceiling, and proposals regarding deficit financing.

The State General Guidelines for Socio Economic Development sets out priorities for capital projects.

Cabinet approves the MTEFS and General Guidelines, then submits them to the State Great Khural, which needs to approve the former by 1 June, and the latter in the spring session.

- *Stage 2 – Determination of budget ceilings*

In this stage, MDAs submit 1<sup>st</sup> draft budget proposals to the MOF by 10 June. Based on these proposals, the MOF prepares a set of proposed consolidated budget ceilings for each MDA, which is submitted to Cabinet. Cabinet approves draft annual budget ceilings for each MDA by 1 July.

- *Stage 3 – Preparation of detailed budgets*

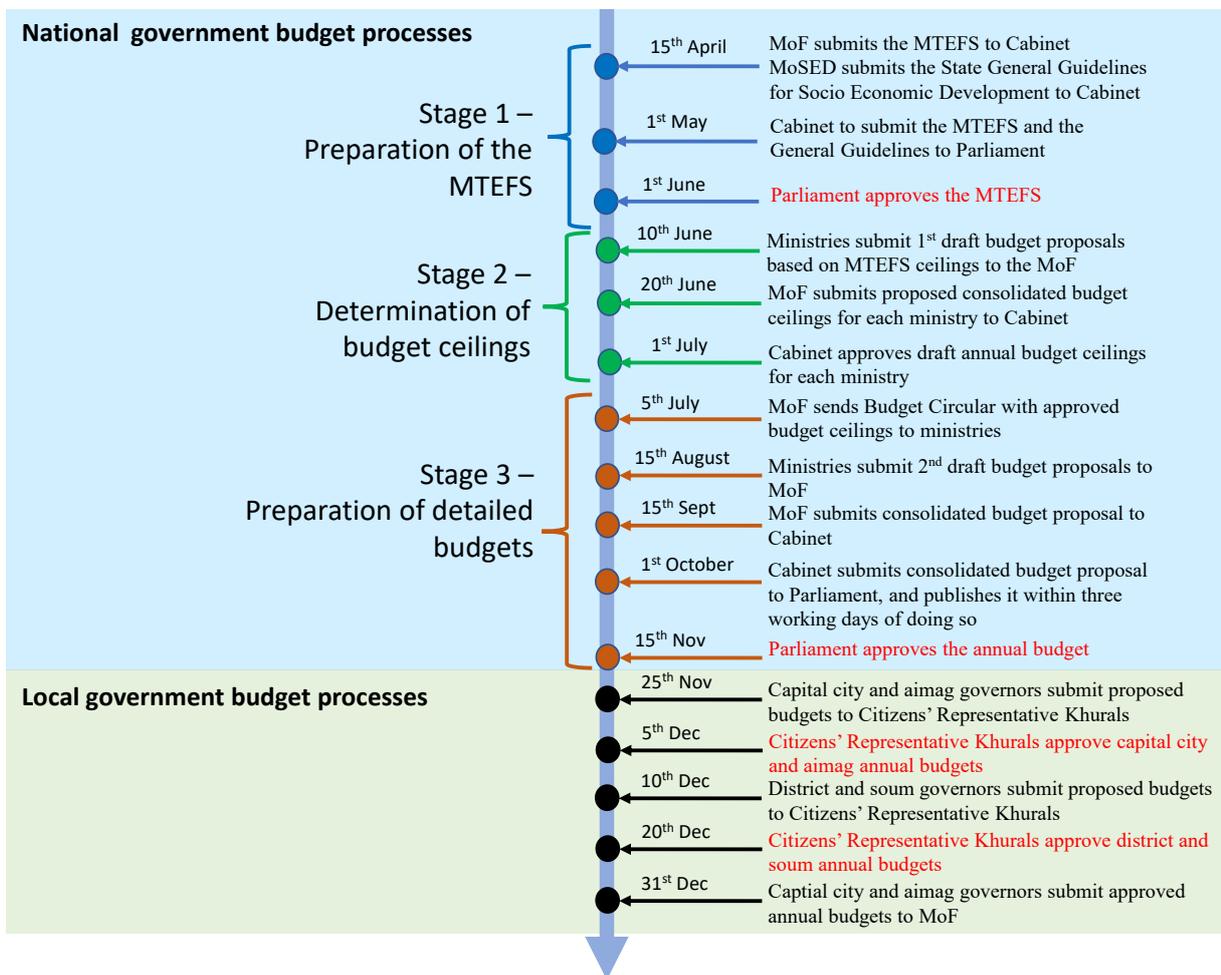
58 See Article 8 of the Budget Law of 2011.

59 See Article 7 of the Budget Law of 2011.

This stage starts with the MOF sending out the annual Budget Circular with the approved budget ceilings for each MDA by 5 June. MDAs then prepare their 2<sup>nd</sup> draft budgets and submit them to the MOF by 15 August. These proposals are supposed to be within the ceilings, but this is rarely the case. Consequently, the MOF makes an initial set of cuts, and then prepares a list of trade-offs to be considered by Cabinet during its budget deliberations at the end of September.<sup>60</sup> This results in a final consolidated budget proposal, which Cabinet submits to the State Great Khural by 1 October, and publishes three days later.

The following figure shows the budget preparation and approval processes for the state budget and local budgets.

**Figure 15** National and local government budget preparation and approval processes



Source: Article 8 in the Budget Law of 2011 (own figure)

Local governments compile their budgets in November and December, once the state budget has been approved by the State Great Khural. This is to ensure proper co-ordination, since the special purpose grants and other transfers first need to be fixed in the state budget before they feed into local budgets.

Budget preparation is an internal government process with limited opportunities for public participation. Parliament may call for inputs from specialist stakeholders such as economic research institutes during its deliberations on the MTEFS. For the rest, budget meetings between the MOF and MDAs invariably happen

60 See page 143 in World Bank, 2020. Public Expenditure Review: Mongolia – Growing without undue borrowing. Ulaanbaatar, World Bank

behind closed doors. There may be opportunities for civil society organisations that have developed good relationships with key officials within MDAs to provide specific assistance with the preparation of draft budget proposals.

### **iii. Budget approval**

This step in the budget process involves the State Great Khural discussing, possibly amending, and approving the state budget. There are several important stakeholders in this process: the various standing committees (and powerful members on them), the Standing Committee on the Budget, the Speaker and, less formally, the party caucuses. Key changes are discussed and voted on between the first and second readings. Following the second reading, the Standing Committee on the Budget submits the proposed revisions back to the MOF to formalise them before final approval. In a 2020 Public Expenditure Review,<sup>61</sup> the World Bank notes that “since the mid-2000s, Parliament has begun interpreting provisions and existing legislation in ways that allow it to change the composition of the budget as well as the overall envelope. Thus, some investment projects are removed from the list, and others are added in during the parliamentary stage.”

The different standing committees usually hold public hearings on the different ministries’ budgets. This is an opportunity for stakeholders to provide input into the budget process. The fact that the State Great Khural does amend the draft budgets tabled by the government increases the importance of engaging with members regarding the best interests of children, and involving children in advocacy initiatives around the budget. It is also important that stakeholders participate in these processes, particularly with a view to building relationships with key role-players and sharing information that may influence future budgets.

At local government level, the Citizens’ Representative Khurals debate and approve the local budgets.

### **iv. Budget implementation**

Once the state budget is approved in mid-November, MDAs start to prepare for implementation. This involves preparing monthly and quarterly allotment schedules for submission to the MOF by 25 December. Similarly, the governors of the capital city and aimags prepare allotment schedules for submission to the MOF by 31 December.

Once the fiscal year starts, the MOF disburses funds according to the allotment schedules, and all state- and local level government entities have to report monthly, quarterly and half-yearly on the execution of the budget.

Article 34 sets out the conditions for the introduction of supplementary (or adjustments) budgets, which are primarily aimed at ensuring fiscal discipline, managing the deficit and providing for price increases of inputs for capital projects. Opportunities for public participation around supplementary budgets are limited, largely because the proposed changes are not significant and are technical in nature.

### **v. Budget Accountability**

The budget accountability step involves MDAs and governors preparing budget execution reports and annual financial statements for submission to the National Audit Office, and then submission of the audited financial statements to the MOF. The Cabinet is required to submit the unified budget execution report and the consolidated financial statements, along with the audit opinion, to the State Great Khural, which is required to consider and approve these reports in its spring session.<sup>62</sup>

In a recent review of budgeting processes in Mongolia, the World Bank notes that “Overall, the budget

61 World Bank, 2020. Public Expenditure Review: Mongolia – Growing without undue borrowing. Ulaanbaatar, World Bank.

62 See articles 8.9 and 8.1 of the Budget Law of 2011.

process has been orderly, but trade-offs between expenditures have not been made as envisaged in the law, and no hard budget constraint was observed.”<sup>63</sup>

## 9. STRUCTURE OF BUDGET AND EXPENDITURE INFORMATION

State and local budgets in Mongolia are divided into “budget governors”, which represent sectors. Each sector budget is divided into budget programmes, and each programme is in turn divided into budget activities. The use of these three budget categories together produce what is generally understood as a programme budget structure.

If good PFM principles are applied to developing the programme budget structure and the hierarchy for the economic classifications, then together they can support detailed and meaningful expenditure analyses. That was the expectation when the budgets were first assessed.

The programme budget structure of the education sector is detailed. There are seven budget programmes, and each budget programme is divided into between three and 36 budget activities. In addition, there are various levels of economic classifications of expenditures. However, closer analysis of the programme budget structure, and particularly the use of the activities category, reveals serious shortcomings that severely limit the kinds of analyses that can be done with the resultant budget and expenditure data. In other words, the data cannot support analyses that would facilitate a fuller understanding of the efficiency, equity and effectiveness of spending on education.

Here we explore the good practice principles that need to guide the use of the budget programme, budget activity and economic classification categories in developing programme structures. We then review the programme budget for general education to illustrate how the failure to adhere to these good practice principles compromises the usefulness of the current budget and expenditure data.

### 9.1 Good practice principles in developing programme budget structures

The names and number of budget programmes and budget activities should correspond to policy objectives and the way in which the sector implements policies and delivers on its objectives. Several factors need to be balanced in the process, including: adherence to basic accounting principles, the organisations in a sector and how they relate to each other, and the assignment of roles and responsibilities within the sector. The naming of budget programmes and budget activities should follow a policy mandate and planning logic that is relevant to the sector.

Budget activities (in some countries these are budget programmes or sub-programmes) should group actions that are similar from a policy and/or programme implementation perspective. These budget activities should be structured in such a way that all the entities that allocate to and report expenditure against them can use them in the same way. Importantly, all the things that entities within the sector are required to do must have a clear and logical place-holder in the budgets.

In the education sector, the entities are the DOEs in aimags.

The different components of the sector should be divided into budget programmes, each programme is divided into budgets activities, each of which should be a grouping of activities that are similar to each other and contribute to similar objectives. The number of budget activities per budget programme depends on how complex the sector is, how interrelated the various activities are, and the extent to which resources are used to carry out multiple activities. In a sector like education, which is hierarchical, it is relatively easy to delineate which resources are used for specific activities. Consequently, the budget programme

63 World Bank, 2020. Public Expenditure Review: Monogolia – Growing without undue borrowing. Ulaanbaatar, World Bank.

structure should present a picture of the programmes involved in delivering education policies. In other sectors, this picture may be more vague.

In short, the budget programmes and the budget activities should describe the activities of the sector; they should be uniform across all sub-national entities that report against them, but mostly unique to the sector. The economic classifications of expenditures are a separate category. These should be uniform across all sectors. Not all sectors need to report against the same economic classifications, but economic classifications should enforce and enable a uniform approach to classifying expenditures.

The difference between the two can be summed up as:

- **Budget programmes and budget activities** should describe and group expenditures from a policy mandate and implementation perspective – *what is done?*
- **Economic classifications** must be used to describe expenditures by the type of input – *what resources are used?*

Budget programmes and budget activities must be used, along with economic classifications, in such a way that one can always answer the question: *what activity are those resources used for?* It is important that this distinction is recognised when budgets are designed, and budget allocations and expenditure are reported.

## 9.2 Assessment of the budget programme structure for general education

The two budget programmes that are relevant to this analysis are general education and pre-school education. These are presented in 36 and 34 budget activities, respectively. A small proportion of these fit the definition of a budget activity, whereas the majority are better described as economic classifications. Therefore, in many instances it is not possible to give a clear answer to the question: “what activities are those resources used for?”

The budget activities in the general education programme that fit the description of a budget activity are shown in Table 35 below.

**Table 35** “Good practice” general education budget activities

Expenses of core activities	Education standards, training plans and programmes	Child development program
Ensuring smooth operation of educational organizations	Literacy program	Special need education
Evening training (higher education)	Dormitory services	Extramural training (higher education)
Create advanced and diversified training environment	<i>Training of teachers</i>	<i>School lunch program</i>
<i>Provision of meal at kindergartens</i>	<i>Sport competition expenses</i>	<i>Education sector IT development</i>

The grey shading shows activities that also appear on the pre-school programme, while the yellow shading shows budget activities that could be captured more efficiently through economic classifications in a relevant budget activity. It is peculiar that “provision of meals at kindergarten” is an activity in general education.

So, the budget activities above meet “the standard” of budget activities. However, Table 36 below shows budget activities in the general education budget programme that should not be budget activities, and many of them definitely not in the general education budget programme. Reasons are provided in the table.

**Table 36** “Bad Practice” general education budget activities

<i>These are descriptions of payments made to civil servants, and are therefore not appropriate budget activities and should be redefined as economic classifications related to salaries and wages. They do not provide any insight into what kind of activities in general education is funded through these budget activities.</i>		
Employer’s benefit, allowance	Compensation to civil servants stipulated by law	Financial aid to social servants
Incentives for discipline, responsibility and work results	Allowance to civil servants’ family	Elders fund
<i>It is not clear that any of these activities are relevant to education. Also, the last two are types of payments and therefore should be economic classifications.</i>		
Social Insurance Commissions of pregnant and nursing mothers	Reimbursements according to judicial decisions	Other benefits, allowance provided by the state to individuals
<i>These are descriptions of payments to entities that provide services and therefore should be economic classifications. They do not provide any insight into what kind of activities in general education are funded through these budget activities.</i>		
Special purpose transfer entities fixed expenses	Private sector organizations	State support to NGOs
Works and services contracted out	Expenses of contractors	
<i>These are descriptions of steps taken during a budget process and should not feature as budget activities to which funds are allocated in a budget (e.g. budget savings should be reallocated to activities, or the budget should be reduced by the savings).</i>		
Budget savings activities / current/	Arrear from previous year	
<i>These are types of inputs, and their names provide no insight into the types of education activities they fund.</i>		
Allocation according to the standard cost per citizen	Information and advertisement	Use of telecommunication lines
Other		

As already noted, these problems severely limit the kinds of analyses that can be done with the resultant budget and expenditure data, which in this context means the data cannot support analyses that would facilitate a fuller understanding of the efficiency, equity and effectiveness of spending on education.

## 10. SUMMARY OF KEY FINDINGS

1. Mongolia has robust framework legislation for managing planning and budgeting processes. This legislation sets out principles to guide planning and budgeting processes. It is notable that these principles do not include “the best interests of children” or anything similar.
2. The framework legislation identifies the stakeholders that government needs to involve in the processes for developing plans and budgets. Children are not identified as stakeholders in these processes, and so there are no special arrangements in place to ensure children can make inputs. Nevertheless, the State Great Khural and the government are open to receiving inputs from children.
3. The arrangements for the assignment and delegation of functions make the capital city and aimag governments the key implementing agents of services to children. They receive the majority of the funds for these functions from the state budget by way of special purpose transfers, which leaves them little discretion in managing the allocation of funds for implementation.
4. In the structuring of budgets, the use of budget programmes, budget activities and economic classifications needs to be aligned with good practice principles to ensure information is better structured for management and analytical purposes.

# Annexure B – Child Protection: Budget and Expenditure Analysis

## 1. OVERVIEW OF THE SECTOR

The child protection function is funded primarily by special purpose transfers from the MLSP to local governments, in terms of articles 39 and 61 of the Budget Law of 2011.

The MLSP transfers the funds required to implement the child protection function to aimag and capital city governors on a contractual basis, approved by the local budget and administered by the Governor’s Agency for Child Affairs.

An important component of the child protection system in Mongolia is the Multi-Disciplinary Teams in aimags across the country. Multi-Disciplinary Teams were launched with the goal to reduce, stop and prevent violence against children. The teams consist of the district governor, police officers, family doctors, social workers and representative from NGOs.

### 1.1 Legislation governing the sector

#### 1. Law on Child Protection of 2016 (<https://www.legalinfo.mn/law/details/11710>)

The Child Protection Law was passed in 2016 and, together with the Rights of the Child Law of 2016, the Childcare Services Law of 2015 and the Domestic Violence Law, seeks to create a framework for the provision of comprehensive protection serves for children in Mongolia. The Child Protection Law sets out the roles and responsibilities of duty-bearers across sectors in preventing and responding to violations of the rights of the child.

The passage of the Child Protection Law established a legal framework for the child protection system at national, local government and community levels for the first time. There was a need to enshrine a coordinated system for child protection service delivery in law, and institute a multi-sectoral approach to child protection work. The Child Protection Law has not, however, been met with universal approval. Some stakeholders are of the view that the law contains insufficient detail and lacks clear definitions relating to child protection case management, as well as fails to specify the services that must be made available to children in need of protection, or the degree of support and monitoring that should take place. However, these are details that should be worked out through regulations and guidelines.

Responsibility for implementation of the law at national and local level falls on the state and local administrative bodies “in charge of children and family matters”. At national level, this is the MLSP and the Authority for Family, Child and Youth Development as an implementing agency of the government. At sub-national level, it is the provincial and district departments and divisions for Family Child and Youth Development.

The law requires the following:

- Parents, family members, guardians and custodians shall take measures to protect children from abuse of rights and responsibilities, neglect of children, all forms of harassment, violence, exploitation, and any crime or violation.
- In order to create conditions for children to grow up in a healthy and safe environment, a child-friendly environment shall be created by uniting in accordance with the law, submitting demands, petitions, complaints and information and resolving them.

- Emergency care and services for children affected by domestic violence shall be provided in accordance with the Law on Combating Domestic Violence.
- Parents, legal guardians, relatives, teachers and educators shall use non-violent methods of upbringing, education and care of children.

#### In education

- The educational institution shall develop and follow programmes and plans when implementing the child protection policy in the institution.
- Educational institutions, officials, teachers and staff shall be obliged to inform the stakeholders obliged by the Law on the Rights of the Child in case of anticipation, knowledge or detection of children at risk.
- The following measures shall be taken to ensure that every child studying in an educational institution is not exposed to corporal punishment, psychological and peer pressure, neglect, crime, violations and harmful habits in the environment:
  - Teachers and employees of educational institutions to acquire positive methods of child rearing;
  - Assess, study and advise teachers and staff of educational institutions on whether students are at risk;
  - Take preventive measures such as reconciling and resolving unfriendly relations, disputes and conflicts between teachers and staff of educational institutions and students, and informing their families;
  - Not to involve children in activities that may cause harm to the child's life, health and safety;
  - Take measures to prevent and protect children from alcoholism, drug addiction and addiction.

#### In health care

- If a health worker predicts or finds out about a child at risk in the course of performing their duties, they shall inform the local child officer, official or police officer.
- It shall be prohibited to disclose information related to a child, their family and personal secrets to organisations, officials and individuals when providing health care and services, and they shall be responsible for the consequences of disclosure.
- The health organisation shall provide health care and services to children at risk in accordance with the law.

## 2. Law to Combat Domestic Violence

The Law to Combat Domestic Violence covers the use of violence, abuse (physical, sexual, psychological), neglect and exploitation of a child in a family setting or involving family members, and duplicates and extends the provisions of the Child Protection Law. Unlike the Child Protection Law, the Law to Combat Domestic Violence appears to apply to all children present in the jurisdiction, and not just to citizen children. As with the Child Protection Law, the Law to Combat Domestic Violence, provides for a referral system. It requires all teachers at all levels of education, schools, social workers and other employees, officers in charge of health, social, child and family issues, officials of aimags, soums and baghs/khoroos to report "domestic violence" to the police or, in the absence of a police officer, to the governor or the telephone Helpline service, but not directly to the Authority for Family, Child and Youth Development.

The responsibility for the Law to Combat Domestic Violence falls on the Ministry of Justice and Home

Affairs. No expenditure for child protection could be isolated from the Ministry of Justice and Home Affairs' budget for this exercise.

## 1.2 Institutional and service delivery arrangements in child protection

### 3. National Programme of Action for Child Development and Protection

In 2017, the *National Programme of Action for Child Development and Protection* was approved. The programme was designed to implement the objectives set out in Mongolia's *Sustainable Development Vision 2030* and the *Government Platform for the years 2016–2020* in the areas of child development and protection, health and education. The following indicators were specified to measure the effectiveness of the programme:

The indicators highlighted in orange relate to the health sector, those in green relate to the education sector and those in blue to housing/infrastructure.

**Table 37** *National Programme of Action for Child Development and Protection performance indicators*

Purpose: The purpose of the Programme lies in ensuring the rights of children to access safe and healthy environment, education, development, protection and participation, as well as developing the national child protection framework with the assistance from other sectors and creating child-friendly environment.							
Indicators	Measuring Unit	Baseline		Target			
		Year	Indicator	Year	Indicator	Year	Indicator
Child mortality caused by preventable diseases	Percentage in overall mortality	2016	16 (1625 cases)	2019	14	2021	13
Child stunting	Level	2013	10.1	2019	8	2021	7
Net enrolment in education	-Pre-school enrolment -Secondary school enrolment	Academic year 2015-2016	80.9 91.2	2019	84.0	2021	85.6 94.3
Child development assessment	-Early childhood: 18 and 36 months -Adolescence: 11 and 15 years old	2017	New Indicator	2019	Increase from established baseline	2021	Increase from established baseline
Information on violations of child rights and protection Number of children who received child protection services	Percentage	2016	76	2019	76<	2021	76<
Child poverty	Percentage of children aged 0-17 who live in families below the poverty line	2016	28.9	2019	25	2021	20

Indicators	Measuring Unit	Baseline		Target			
		Year	Indicator	Year	Indicator	Year	Indicator
Objective 2: Create an environment conducive to development of							
Percentage of children deprived of education	percentage	2016	14.9 (among children aged 6-14); 6.3 (among children aged 15-17)	2019	13.0 5.8	2021	10 5
Percentage of children who have access to extracurricular activities	percentage	2018	New Indicator	2019	Increase from established baseline	2021	Increase from established baseline
Gross weight of primary completion rate	percentage	Academic year 2015-2016	95.8	2019	112.0	2021	123.9
Gross weight of secondary completion rate	percentage	Academic year 2015-2016	118.9	2019	128.0	2021	133.5

Indicators	Measuring Unit	Baseline		Target			
		Year	Indicator	Year	Indicator	Year	Indicator
Objective 3: Promote the practice of listening to and respecting							
Percentage of children involved in child-led organizations <sup>1</sup>	percentage	2015	74.4 (overlapped count)	2019	78	2021	80
Percentage of decisions made by the local administration that took children's opinion into consideration <sup>2</sup>	percentage	2015	4.6	2019	8	2021	10
Follow-up on requests and complaints raised by children	-Percentage of follow-up measures on requests and complaints raised by children	2015	86.7	2019	92	2021	95

Indicators	Measuring Unit	Baseline		Target			
		Year	Indicator	Year	Indicator	Year	Indicator
Objective 4: Protect children from all forms of neglect, abuse,							
Funding allocated from the state budget for child protection efforts	Funding from the state budget (MNT million)	2016	12.8	2019	236.0	2021	300.0
Mental and physical punishment	-percentage of children aged 0-14 who were affected by mental punishment	2013	40.3 27.8	2019	35.3> 22.8>	2021	30.3 17.8
	-percentage of children aged 0-14 who were affected by physical punishment						

Indicators	Measuring Unit	Baseline		Target			
		Year	Indicator	Year	Indicator	Year	Indicator
Objective 5: Reduce income and non-income poverty among							
Percentage of children with shortage of housing	aged 0-2 aged 3-5 aged 6-14 aged 15-17	2016	32 78 38 15	2019	27 67 32 13.5	2021	24 60 29 11
Percentage of children with a shortage of sanitary facilities	aged 0-2 aged 3-5 aged 6-14 aged 15-17	2016	77 76 13 12	2019	67 67 11.8 10.8	2021	58 57 10 9
Percentage of child-friendly social welfare expenses within the GDP	percentage	2017	3.4	2019	4.1	2021	4.4

Source: National Programme of Action for Child Development and Protection

The performance measures show a broad perspective of the role of child protection. What is encouraging is that the measures link to other functions, such as health and education. These measures may be relevant to child protection but are not directly related to child protection. Few indicators are linked to any of the key specific child protection<sup>64</sup> SDGs. No outputs are directly linked to the Multi-Disciplinary Teams or child protection programmes, which makes it difficult to assess the effectiveness of these programmes, as they do not have a direct impact on these indicators.

#### 4. Annex 1 to 23<sup>rd</sup> resolution of the Parliament of Mongolia in 2020, Main Directions 2021–2025

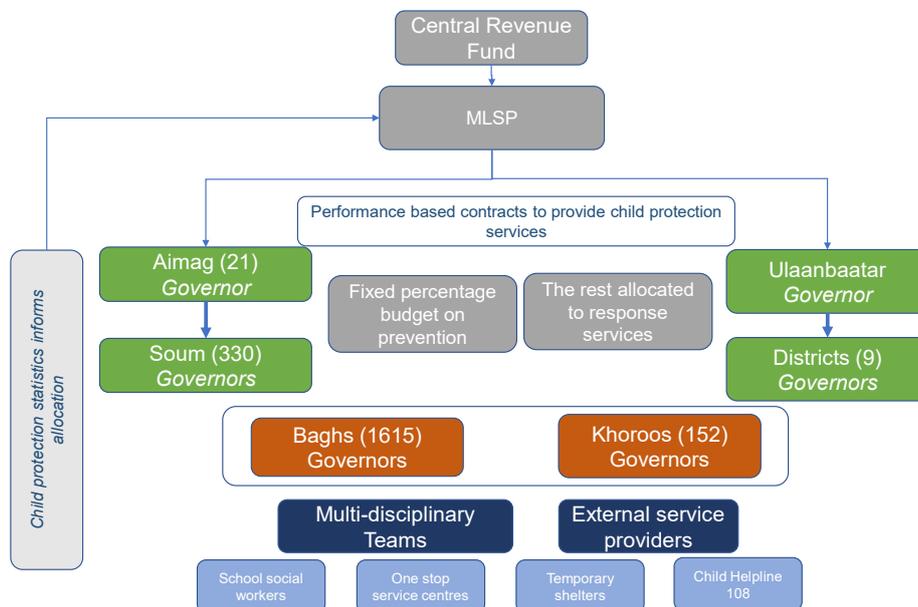
This resolution requires the following:

- Increase the participation of parents and the public in supporting children’s development, talents, skills, technical thinking and maturity, and strengthen the child protection system.<sup>65</sup>
- Strengthen the legal environment to respect the rights of the child, free them from all forms of violence, psychological harassment and labour exploitation, and establish a system for strict monitoring of implementation.<sup>66</sup>
- Provide peaceful and safe living conditions for citizens, reduce domestic violence, and create a safe living environment for children.<sup>67</sup>
- Increase the capacity and access of social service organisations (schools, kindergartens, health, physical education and sports organisations, youth development centres, child protection centres, orphanages, etc.).<sup>68</sup>

### 1.3 Funding arrangements

Figure 16 below illustrates the funding arrangements in the sector:

**Figure 16** Child protection flow of funding



Source: Own figure, based on information from documents and interviews

64 Child protection strives to prevent, respond and resolve the abuse, neglect, violence and exploitation experienced by children in all settings. It is often a specialist policy and service sector but of necessity works very closely and is sometimes integrated with other sectors.

65 Objective 2.3.2

66 Objective 2.3.5

67 Objective 7.3.6

68 Objective 9.1.1

Aimags and the capital city receive funding for the provision of child protection services in the form of special purpose transfers. These are allocated on the MLSP's budget and recorded against Development and Protection of Children budget programmes in the ministry.

The special purpose transfers for child protection services allocated to each local government are based on previous performance in each aimag.

## 2. DATA USED

The MLSP, through UNICEF Mongolia, provided the following data and documents:

- Quarterly news of children, development and protection services per aimag broken down by gender. Only one quarter of data was provided. It was not clear from the file what year and which quarter the data was for. Data on child protection services used is based on this quarterly information and the assumption that the information covers one quarter.
- Child protection services by type of service and type of informant by aimag, gender and age. It was not clear from the file which year or quarter this information was for.
- Child development services by type of service, aimag, gender and age. Again, no date or year reference was in the file.
- State inspector of children's rights investigation form – quarterly news. Again, no date or year reference was in the file.
- Data on joint team service quarterly news for the second quarter of 2021. It would have been useful to have had annual data in this regard. Therefore this information was not used.
- Cases by aimag, age and gender. No dates or year reference.<sup>69</sup>

Budget and expenditure data from the MOF for 2015 to 2020 for the MOES, the MOH and the MLSP and each of the aimags was shared. A consolidated budget database for the ministries and a separate database for local government budget and expenditures was developed. Unless otherwise specified, all expenditure data analysed was extracted from this data.

UNICEF Mongolia provided data with the following:

- Poverty severity and poverty headcount in each aimag for 2016 and 2018
- Population estimates and population forecasts by four-year age cohorts per aimag.

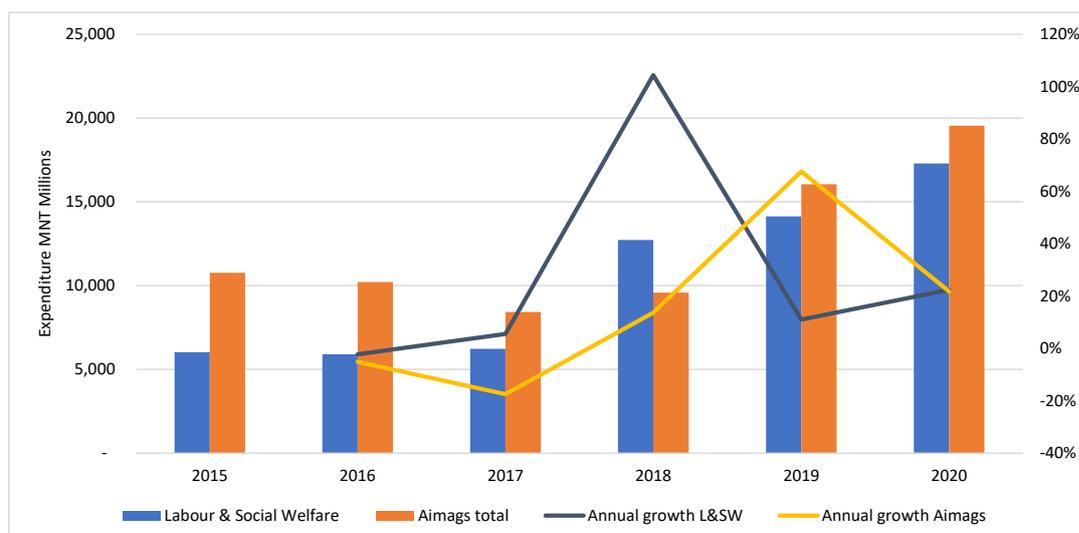
## 3. BUDGET AND EXPENDITURE TRENDS

As noted above, child protection has been prioritised through various legislative changes. However, it is important that the government follows through on these legislative changes with budgetary changes towards the function. In this regard, it is encouraging that the government is demonstrating that it is committed to these laws being implemented.

### 3.1 High-level trends

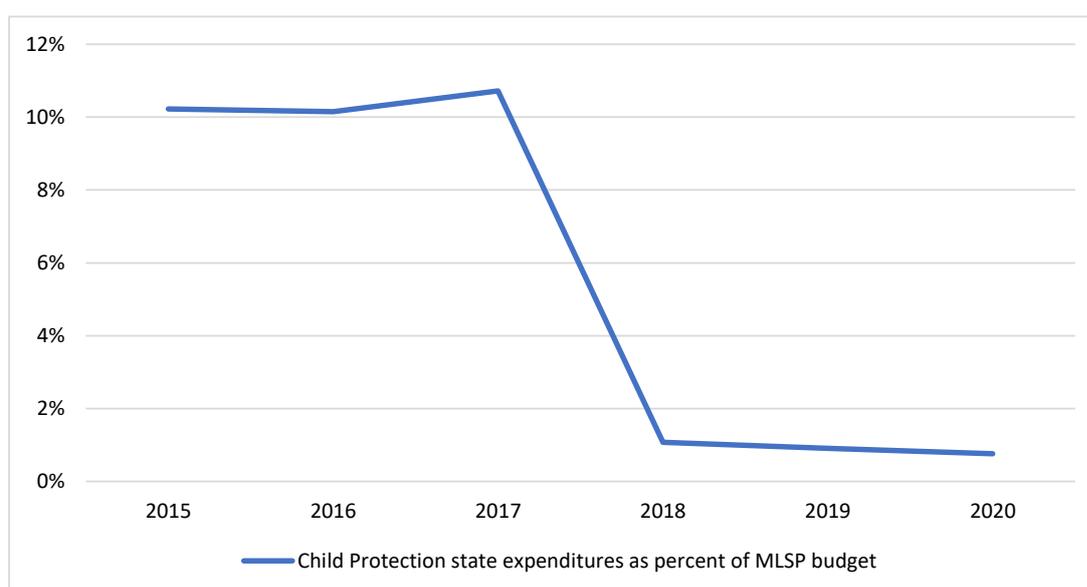
Within the MLSP, the budget for the Child Protection and Development programme grew by an average annual rate of 23% over the period 2015 to 2020. The consolidated budget (state and aimags) for child protection grew by a massive 52% in 2018. At state level, the growth was 104% in that year. According to officials within the programme, the increase has been successfully defended in recent budget processes by pointing to the continued good performance in the sector.

<sup>69</sup> Note – the researchers made requests for clarification on dates and full datasets for specific data for this analysis, but by the final draft these requests were not fulfilled.

**Figure 17** Child protection budget at state and local government levels, 2015 to 2020

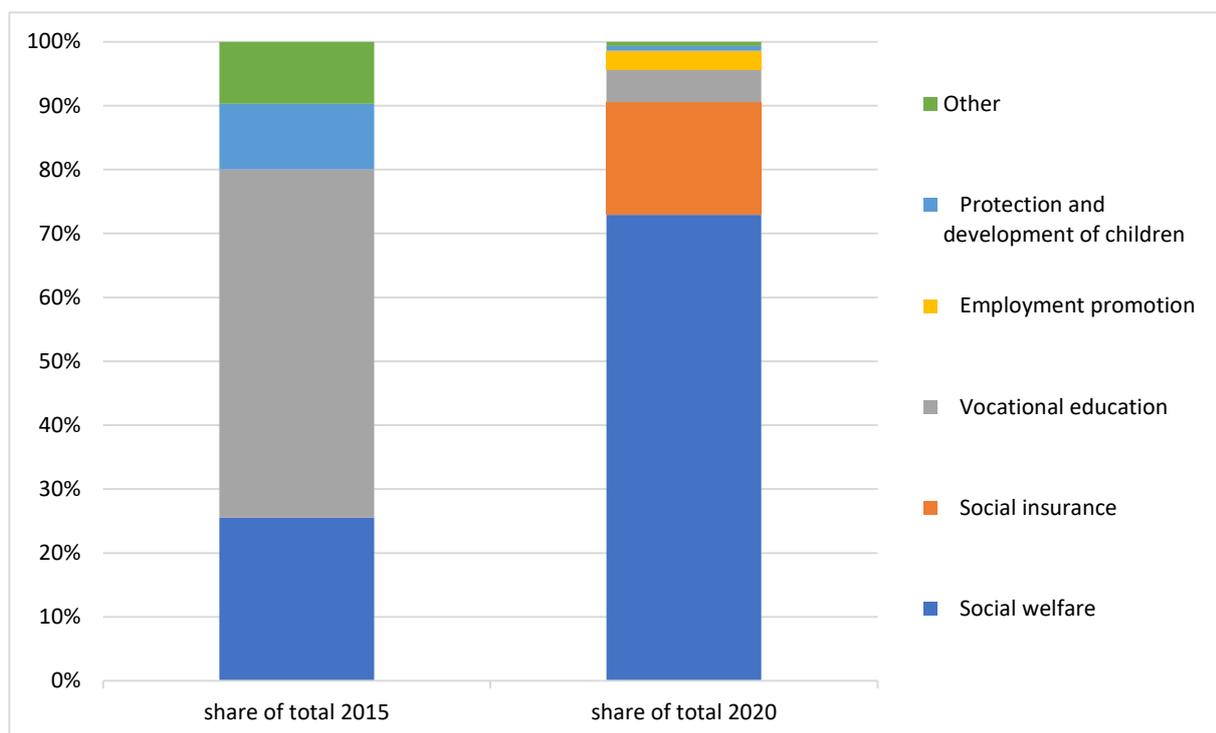
Source: Budget data provided by the Ministry of Finance (own calculations)

Despite the large increase in the budget for the Child Protection and Development programme in 2018, the programme's proportion within the MLSP shifted from 11% in 2017 to 1% in 2018. This proportion stays constant to 2020.

**Figure 18** State-level child protection expenditure as a share of the MLSP budget

Source: Budget data provided by the Ministry of Finance (own calculations)

This is largely due to significant additional allocations to the MLSP budget, but especially due to larger increases in other programmes, such as social welfare and social insurance. The MLSP budget grew by 126% from 2015 to 2020. The budget for social welfare went from occupying 26% of MLSP's budget in 2015 to 73% in 2020. Its annual average growth rate over the period was 156%.

**Figure 19** Child protection share of MLSP budget, 2015 and 2020

Source: Budget data provided by the Ministry of Finance (own calculations)

The prioritisation of child protection can further be seen in its increased share of the overall consolidated budget since 2017. Between 2015 and 2020, recurrent child protection expenditures grew at an annual average rate of 24%, which represents strong real growth, as average inflation during the same period was 5.3%.

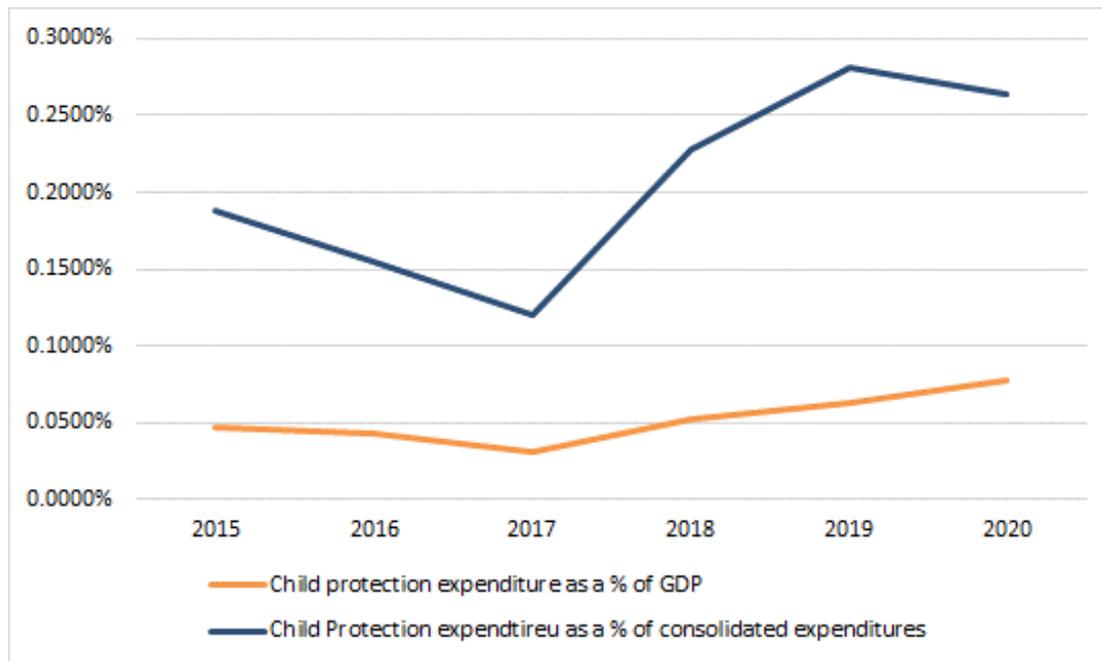
In 2018, an additional MNT8 billion was added to the consolidated child protection budget. Following the additional allocation, the national share of the consolidated child protection budget increased from 0% in 2015 to 32% in 2020. Although a large proportion of the state budget is transferred to local government, the absolute amounts transferred stayed consistent. Additional funds at state level were largely used to pay for external service providers. This shows a trend toward centralising child protection services.

**Table 38** Child protection as a % of GDP and consolidated expenditures

amounts in millions of MNT	2015	2016	2017	2018	2019	2020	Average Annual Growth	
							2015 - 2019	2015 - 2020
Ministry of Labour and Social Protection	-	-	-	7 138	7 101	9 051		
Local government	10 761	10 215	8 430	9 581	16 053	19 547	10,5%	12,7%
of which special purpose transfers	6 034	5 899	6 226	5 585	7 027	9 931	3,9%	10,5%
<b>Total recurrent expenditure on child protection</b>	<b>10 761</b>	<b>10 215</b>	<b>8 430</b>	<b>16 719</b>	<b>23 154</b>	<b>28 598</b>	<b>21,1%</b>	<b>21,6%</b>
Change in expenditure		-546	-1785,36	8289,25	6435,19	5443,81		
Annual growth in expenditure		-5%	-17%	98%	38%	24%		
spending on child protection as a % of GDP	0,046%	0,043%	0,031%	0,052%	0,063%	0,077%		
spending on child protection as % of consolidated recurrent and capital expenditures	0,151%	0,114%	0,097%	0,185%	0,206%	0,206%		

Source: Budget data provided by the Ministry of Finance (own calculations)

Significant allocations were made to child protection in 2018, together with other social welfare programmes (such as social insurance). Figure 20 below shows total child protection expenditure as a percentage of consolidated government expenditure (blue line) and GDP (green line)

**Figure 20** Total child protection expenditure as a % of GDP and consolidated recurrent expenditures

Source: Budget data provided by the Ministry of Finance (own calculations)

Child protection's share of consolidated recurrent expenditures increased slightly from 0.188% to 0.264%, suggesting that priority was given to funding these programmes during this period. Compared to GDP, expenditures have remained in a narrow range, between 0.05% and 0.08%. It is notable that the child protection budget is extremely small when compared with other social sectors, such as health and education.

Table 39 below compares budget allocations to expenditures, with expenditure expressed as a percent of the budget. This shows that, at an aggregate level, expenditure at state level has improved since 2015. At aimag level, under-expenditure is very low, and budget execution generally good. In 2019, 17 aimags achieved 100% expenditure of their budgets.

**Table 39** Child protection expenditure as a percent of budget

	2015	2016	2017	2018	2019	2020
State total	93%	96%	100%	100%	99%	91%
Aimag total	94%	95%	98%	90%	96%	94%

Source: Budget data provided by the Ministry of Finance (own calculations)

### 3.2 Aimag trends

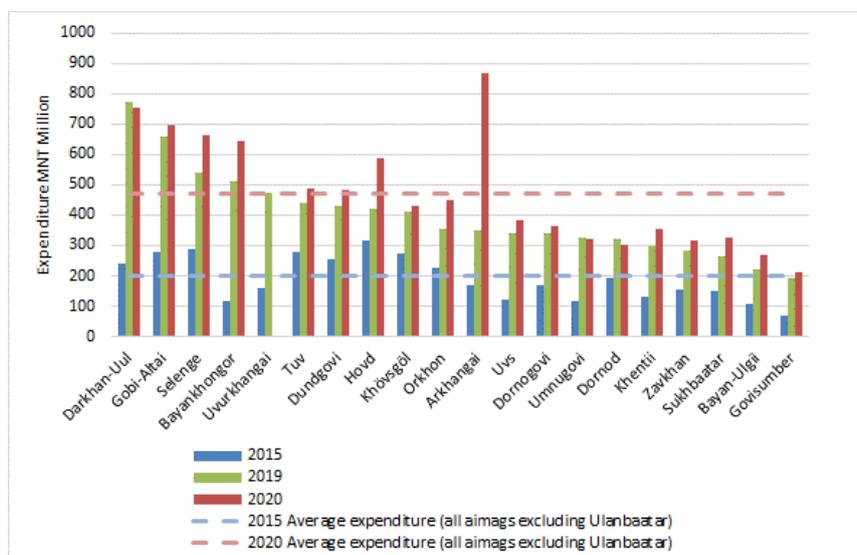
At aimag level, spending on the Protection and Development of Children programme grew at an annual average growth rate of 13% over the period 2015 to 2020. Ulaanbaatar was the only entity where expenditure declined. Table 40 below shows expenditure in all aimags from 2015 to 2020, together with the average annual growth over the period.

**Table 40** Protection and development of children per aimag, 2015 to 2020

millions of MNT	2015	2016	2017	2018	2019	2020	Average Annual Growth	
							2015 - 2019	2015 - 2020
Darkhan-Uul	241	234	378	490	774	754	34%	26%
Gobi-Altai	277	291	337	568	660	695	24%	20%
Selenge	289	263	289	336	538	661	17%	18%
Bayankhongor	118	110	145	328	509	645	44%	40%
Uvurkhangai	160	152	157	223	472	0	31%	-100%
Tuv	279	269	276	329	438	486	12%	12%
Dundgovi	257	268	275	368	432	484	14%	14%
Hovd	318	327	318	349	422	587	7%	13%
Khövsgöl	275	270	280	300	413	432	11%	9%
Orkhon	228	225	216	268	355	448	12%	15%
Arkhangai	168	167	227	249	349	868	20%	39%
Uvs	123	114	117	231	342	381	29%	25%
Dornogovi	167	159	194	202	339	364	19%	17%
Umnugovi	117	120	116	257	325	320	29%	22%
Dornod	195	180	192	223	322	300	13%	9%
Khentii	132	137	157	241	300	354	23%	22%
Zavkhan	154	154	159	191	284	318	16%	16%
Sukhbaatar	151	149	159	195	263	324	15%	17%
Bayan-Ulgii	106	98	101	125	221	270	20%	21%
Govisumber	71	68	70	108	192	210	28%	24%

Source: Budget data provided by the Ministry of Finance (own calculations)

For purposes of scale, Ulaanbaatar is excluded from Figure 21 below, which is a graphic illustration of Table 40. The figure shows expenditure per aimag in 2015, 2019 and 2020. The dashed lines show the average expenditure across aimags – excluding Ulaanbaatar – for 2015 and 2020. As can be seen, there is a large increase in the Protection and Development of Children programme in aimags across the country. Data for 2020 is sporadic. This can be seen in the total expenditure in certain aimags; for instance, Arkhangai's expenditure more than doubles from 2019 to 2020, and zero expenditure data is allocated to Uvurkhangai in 2020. The sporadic nature of the 2020 data is more evident in the lower-level analysis that follows.

**Figure 21** Child protection expenditure per aimag (excluding Ulaanbaatar) – 2015, 2019 and 2020

Source: Budget data provided by the Ministry of Finance (own calculations)

When we compare transfers from the state to the different aimags, we can see to what extent the aimags are fulfilling their obligation to the state with regards to child protection. Figure 22 below shows aimag spending as a percentage of the special purpose transfers made to those aimags for child protection. It shows that most aimags spend nearly all the transfers received, with most supplementing state funding with their own revenue in 2019. This is encouraging, and again shows the prioritisation of child protection in these aimags.

There are exceptions. Bulgan, despite receiving transfers from the state, reports not spending anything on child protection over the years analysed. However, this is unlikely given that it would be in direct breach of the agreement with the MLSP, and is more likely a data issue.

Another exception is Govisumber. Between 2015 and 2017, despite it not receiving transfers from the state, it spent its own funds on child protection. In 2018, however, the aimag received state transfers but did not supplement that funding with own revenue. This means the aimag simply withdrew its own funding from the child protection programme in the year it started receiving special purpose transfers.

**Figure 22** Aimag spending as a % of state transfers, 2015 to 2019

	2015	2016	2017	2018	2019
Arkhangai	100%	100%	102%	102%	127%
Bayankhongor	100%	100%	100%	100%	103%
Bayan-Ulgii	100%	100%	100%	100%	108%
Bulgan					
Darkhan-Uul	113%	119%	147%	130%	136%
Dornod	100%	100%	100%	100%	105%
Dornogovi	104%	103%	104%	104%	118%
Dundgovi	100%	100%	100%	100%	128%
Gobi-Altai	100%	100%	98%	94%	173%
Govisumber				100%	106%
Hovd	102%	107%	102%	102%	151%
Khentii	100%	100%	100%	100%	125%
Khövsgöl	105%	103%	104%	105%	155%
Orkhon	101%	100%	96%	100%	108%
Selenge	100%	100%	95%	100%	115%
Sukhbaatar	102%	104%	103%	102%	114%
Tuv	100%	100%	99%	100%	203%
Ulaanbaatar	244%	244%	152%	505%	402%
Umnugovi	100%	100%	99%	100%	111%
Uvs	100%	100%	100%	100%	124%
Uvurkhangai	100%	100%	100%	100%	135%
Zavkhan	100%	100%	100%	100%	128%
Grand Total	178%	173%	135%	156%	209%

Source: Budget data provided by the Ministry of Finance (own calculations)

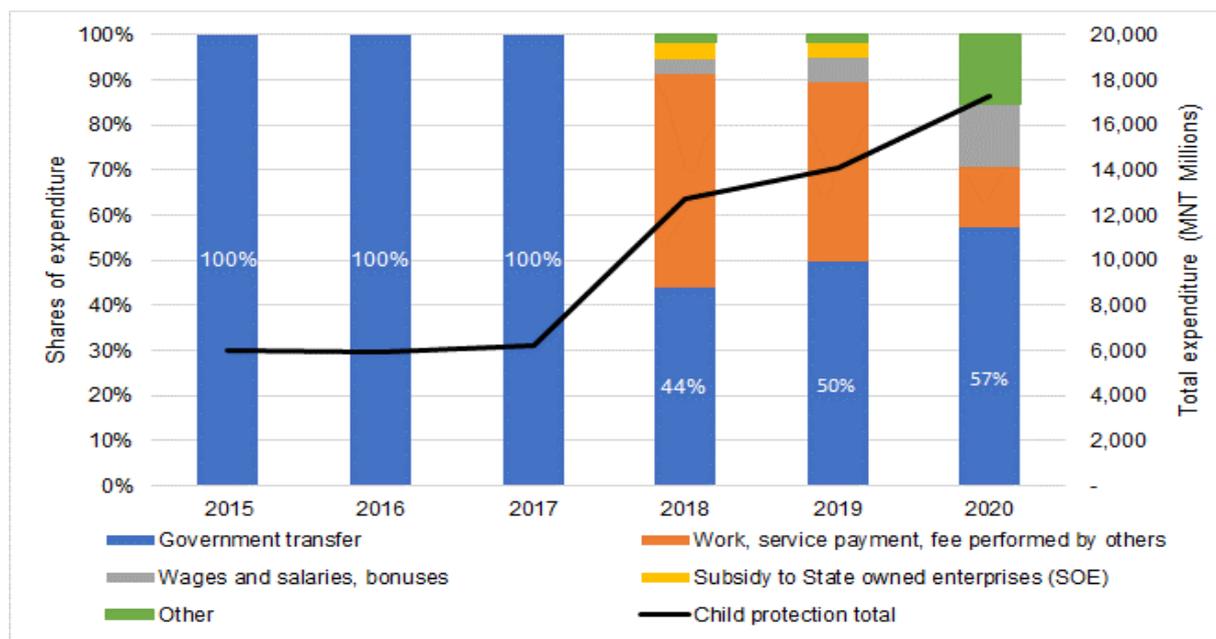
This analysis could not be done for 2020. The special purpose transfers data for 2020 is not disaggregated per aimag. All special purpose transfers are lumped into an item called “State Programmes”. This could mean that the state is no longer funding child protection services in aimags and implementing these programmes themselves. This would need to be clarified with the ministry. If this is the case, it would suggest the ministry is centralising the child protection function.

## 4. COMPOSITION OF EXPENDITURE

The preceding section showed overall increased allocations to child protection, indicating government's commitment to improving child protection in the country. Here we examine *what* this funding has been spent on. To do so, we look at the expenditure data using economic classification level 4.

### 4.1 Expenditure by economic classification

**Figure 23** Ministry of Labour and Social Protection – child protection breakdown, 2015 to 2019



Source: Budget data provided by the Ministry of Finance (own calculations)

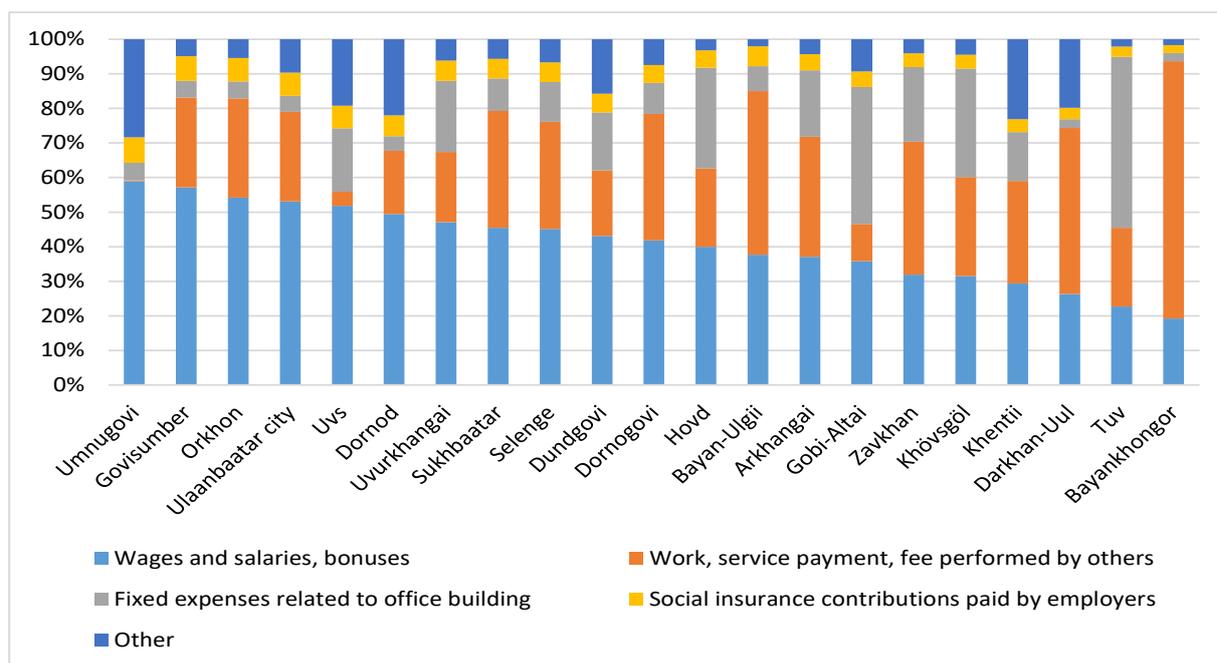
In Figure 23 above, significant shifts in the categories in which spending occurred can be observed. In 2015, 100% of the child protection budget at state level was spent on *government transfers*. By 2019, *government transfers* accounted for 50% of the expenditure, whilst *work, service payment, fee performed by others'* shares increased to 39% of the expenditure.

Whilst the share of *government transfers* reduced significantly, the absolute amounts did not change much over the period. This means that the majority of the additional funds (highlighted in the previous section) allocated to the sector in 2018 were used to pay external service providers. A small portion went toward increasing the capacity within the MLSP.

In 2020, the share of *government transfers* increased to 57% of the child protection expenditure, whilst *work, service payment, fee performed by others* reduced to 13% – the absolute amounts reduced by approximately half of the previous year, so it is not merely a change in proportion due to changes in the overall budget. Items such as *standard cost* (included under *other* in the figure above) went from zero expenditure in 2019 to MNT816 million in 2020. Standard cost includes spending on *clothing and bedding, meals and medicines*. This could be as a result of the ministry's Covid-19 response efforts.

Figure 24 below shows the expenditure on child protection by the aimags in 2019. The majority of spending is on *wages and salaries*, with a few exceptions such as Bayankhongor and Darkhan-Uul. Also shown is an inverse relationship between *wages* and *work service fee performed by others*. This means that those aimags that perform the service with their own staff rely less on outsourcing services to external contractors, such as NGOs.

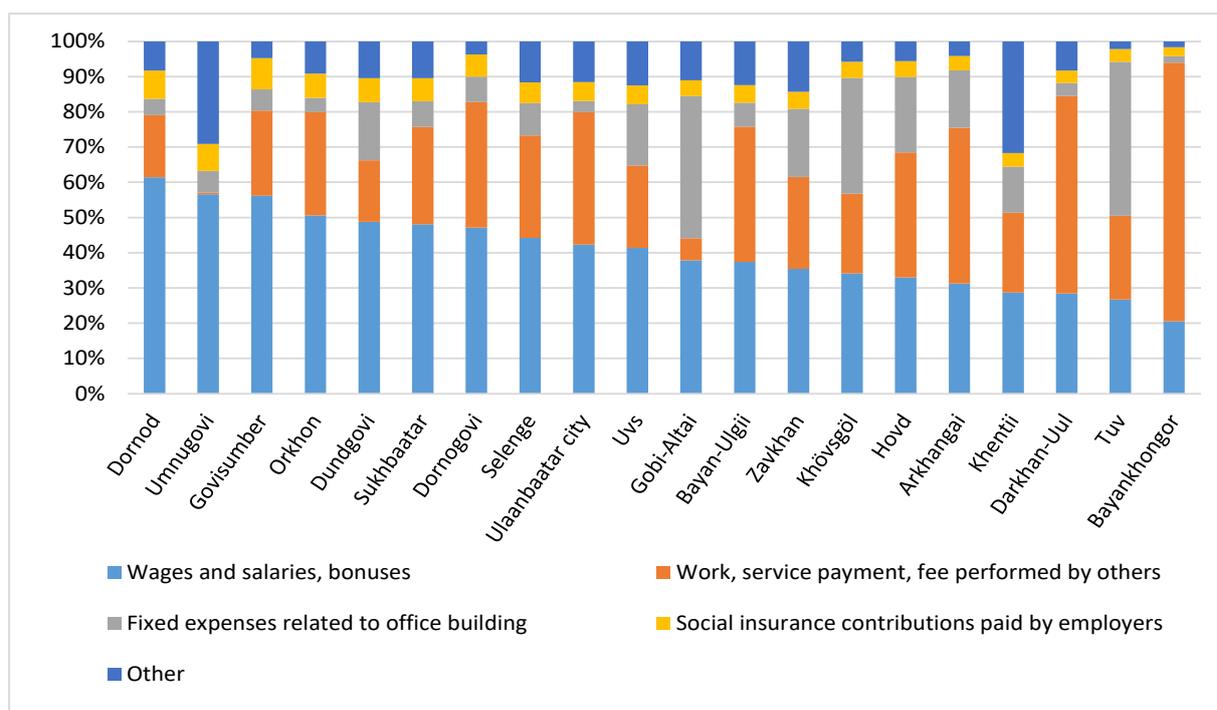
**Figure 24** Child protection expenditure per aimag by economic classification, 2019



Source: Budget data provided by the Ministry of Finance (own calculations)

Figure 25 below presents the expenditure on child protection by the aimags in 2020. It shows a similar inverse relationship between *wages* on the one hand and *work service fee performed by others* on the other. However large shifts in proportion take place between different economic classification items. This could be a result of funds being shifted to respond to the COVID-19 pandemic or indicate that the data for 2020 is unreliable.

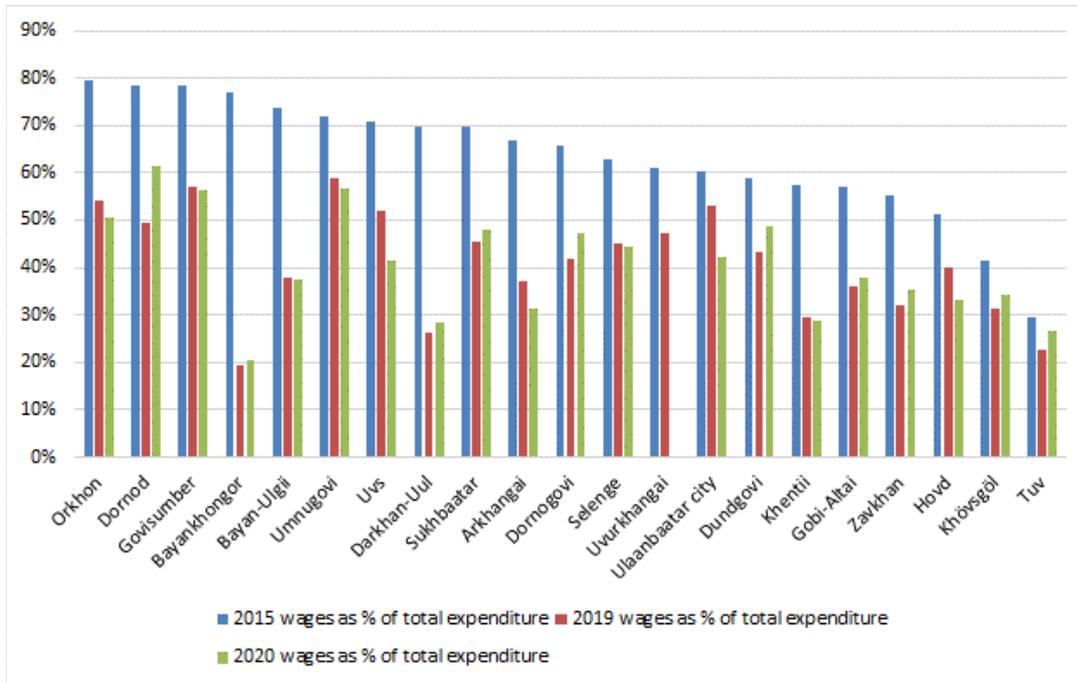
**Figure 25** Child Protection expenditure per aimag by economic classification, 2020



Source: Budget data provided by the Ministry of Finance (own calculations)

Figure 26 below shows the proportion of spending on *wages and salaries* in 2015, 2019 and 2020. All aimags show a reduction in the share of total expenditure on child protection that was spent on *wages and salaries*. In particular, in Bayankhongor the share fell significantly.

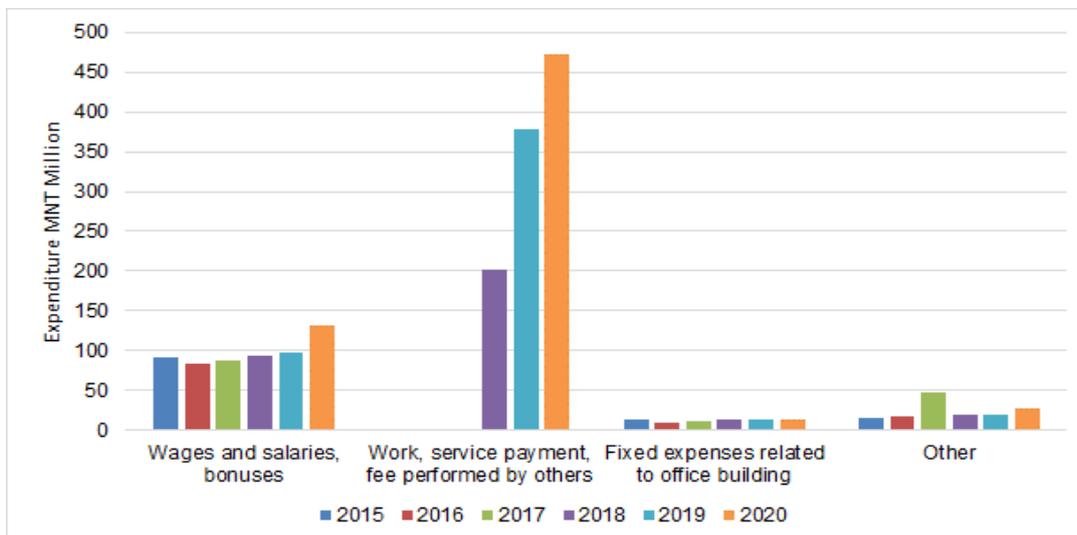
**Figure 26** *Wages and salaries as a percentage of total expenditure on child protection*



Source: Budget data provided by the Ministry of Finance (own calculations)

This does not necessarily mean that it reduced its capacity to deliver child protection services. Figure 27 below shows Bayankhongor’s expenditure on child protection by economic classification from 2015 to 2020. The child protection budget grew, on average, 40% a year over the period, from MNT117 million in 2015 to MNT644 million in 2020, but *wages and salaries* remain constant in absolute terms. This means that the aimag did not reduce its capacity, but rather increased its allocation to outsourced services as its budget increased.

**Figure 27** *Child protection expenditure per economic classification in Bayankhongor*

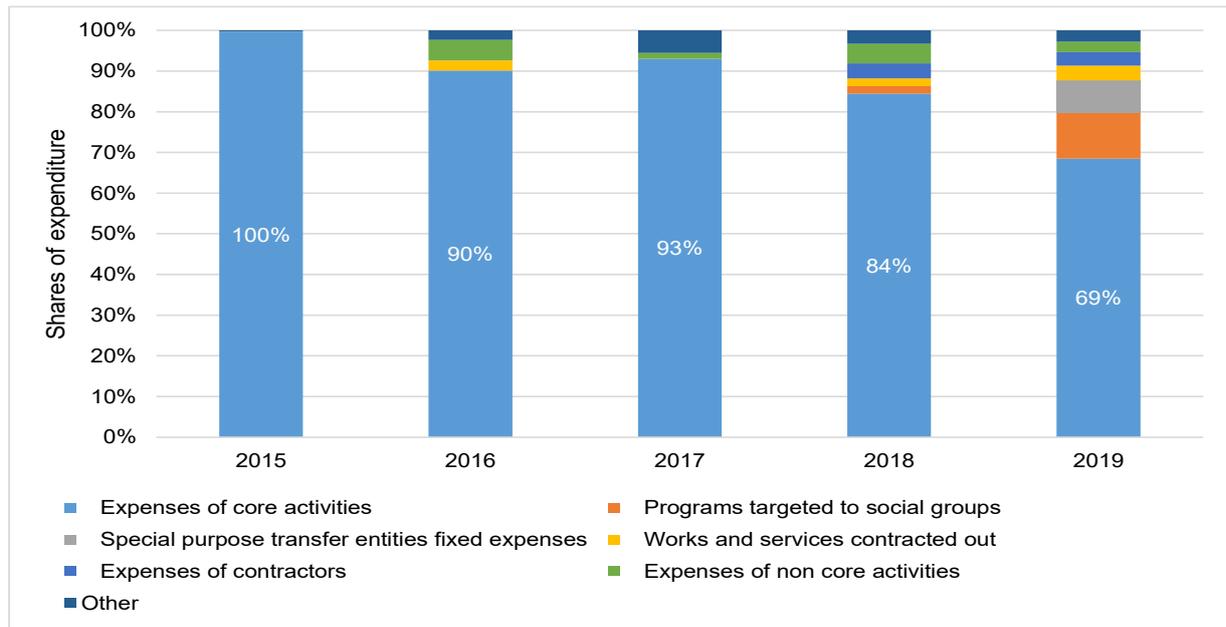


Source: Budget data provided by the Ministry of Finance (own calculations)

## 4.2 Expenditure by activity

Expenditure by activity is not consistent across aimags, and does not allow for meaningful analysis. Figure 28 below shows aggregate expenditure by activity for all aimags from 2015 to 2019. The proportion of expenditure on *core activities* went from 100% in 2015 to 69% in 2019, though the absolute amounts increased from MNT10 million to MNT11 million. The majority of the additional funding allocated in 2018 went toward activities such as *programs targeted to social groups*, *special purpose transfer entities fixed expenses*, and *works and services contracted out*.

**Figure 28** Expenditure by activity in all aimags, 2015 to 2019



Source: Budget data provided by the Ministry of Finance (own calculations)

## 5. ASSESSING EFFICIENCY, EQUITY AND EFFECTIVENESS

To assess equity, efficiencies and effectiveness of expenditures, one needs to compare expenditures per child to:

- Levels of poverty – compare expenditures per poor child to per wealthy child
- Expenditures in other aimags to compare relative efficiencies.
- Performance – to compare the costs of achieving results

### 5.1 Efficiency of expenditures

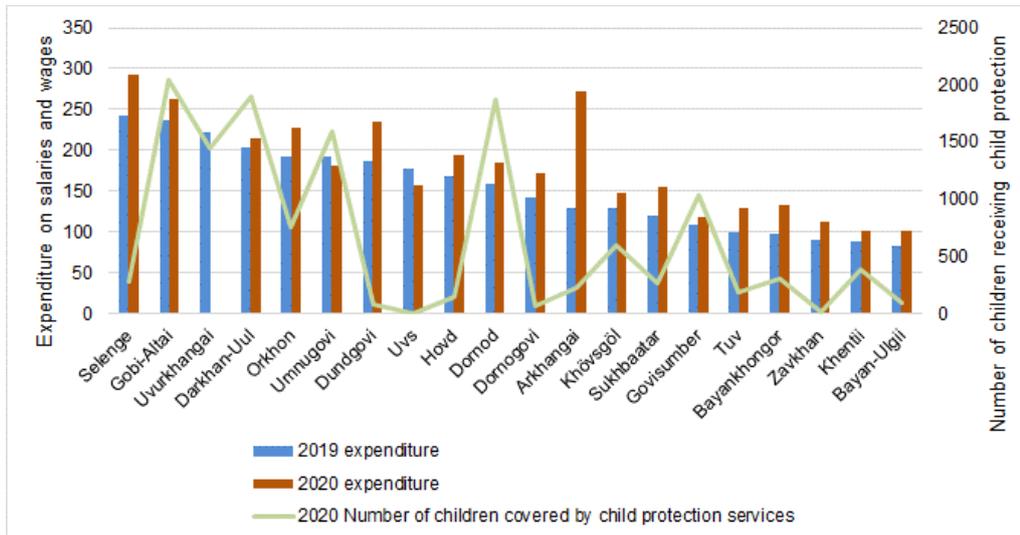
An evaluation of the implementation of the Child Protection Law found that, despite the increase in budget, local-level child protection services remained underfunded, resulting in significant disruptions to the delivery of child protection services provided for in the Child Protection Law. Across the different regions included in the evaluation, respondents reported that a lack of resources for their daily activities, including basics such as transportation and meeting rooms, prevented them from responding to cases effectively or within the necessary time frame.<sup>70</sup>

Figure 29 below compares expenditure on wages and salaries in child protection to the number of children receiving child protection services in the different aimags. The figure is ordered from highest to lowest

70 2021 Technical report: Evaluation of the implementation of the Law on Child Protection in Mongolia.

according to the 2019 expenditure on wages and salaries. Ulaanbaatar is excluded for purposes of scale. The database does not show any expenditure for Uvurkhangai in 2020.

**Figure 29** Expenditure on salaries and wages vs number of children covered by child protection services

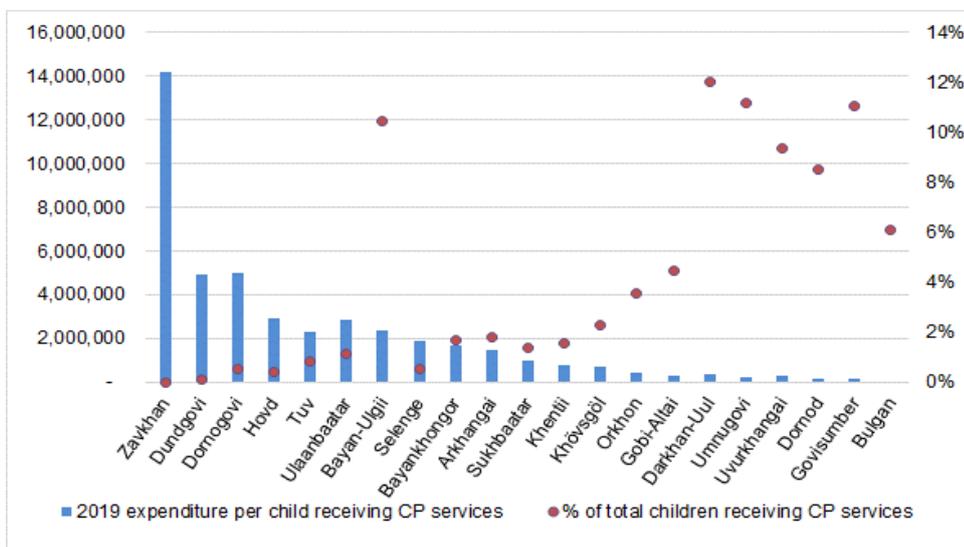


Source: Budget data provided by the Ministry of Finance (own calculations)

The figure shows that aimags that spend more on wages and salaries are able to serve more children (with a few exceptions). This raises serious questions about the ability of the external service providers to reach/serve vulnerable children in those aimags where there is a greater reliance on external service providers, which raises further questions about the efficiency of spending in those particular aimags. It should be noted that the data on the number of children receiving child protection services could simply be for services provided by government, and may not include those reached by external service providers.

Figure 30 below shows expenditure per child receiving child protection services (blue bars) together with the percentage of children currently receiving child protection services per aimag (purple dots). Clearly, aimags that reach a greater percentage of children have a lower per capita cost, suggesting economies of scale.

**Figure 30** Expenditure per child receiving child protection services



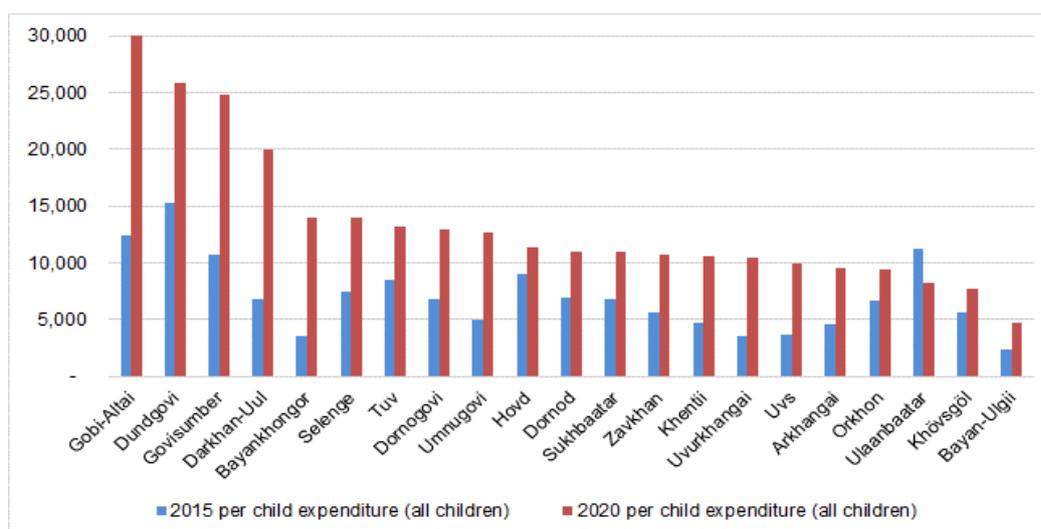
Source: Budget data provided by the Ministry of Finance (own calculations)

## 5.2 EQUITY OF EXPENDITURES

Figure 31 below shows per child expenditure (all children) on child protection in the different aimags in 2015 and 2019. The majority of aimags spend a comparable amount per child with a few exceptions.

Interesting to note is that the two aimags that spent relatively little per child (Figure 30 above), Govisumber and Gobi-Altai, are among the highest spenders per child when taking all children into consideration. Both aimags have a relatively small proportion of the total child population at 1% and 2% respectively, but have a high proportion of children receiving child protection services, at 6% and 12% respectively.

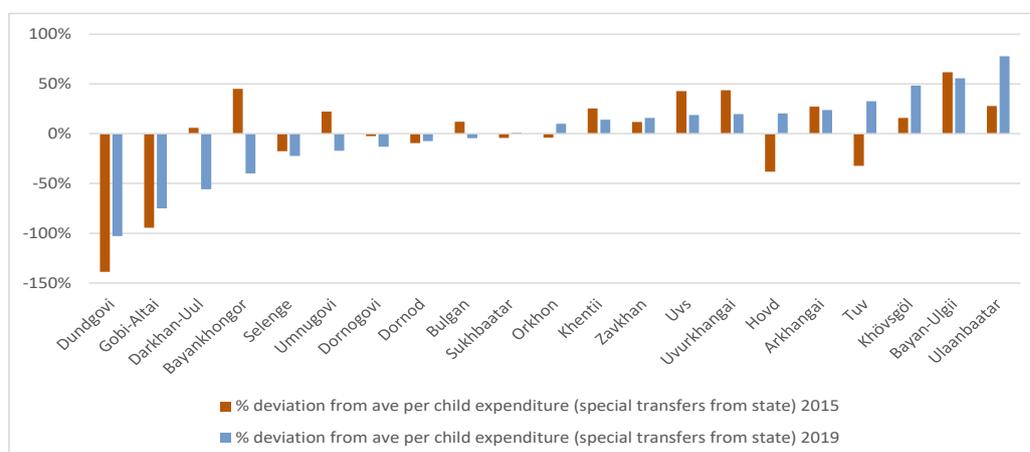
**Figure 31** Per child expenditure on child protection, 2015 and 2020



Source: Budget data provided by the Ministry of Finance (own calculations)

According to discussions with officials from the MLSP, allocations to aimags for child protection are based on performance, using statistics in the Child Rights database. If this is true, the percentage deviation in allocations to aimags, shown in Figure 32 below, could indicate that the aimags on the right of the figure (or above the centre line) perform better, therefore affording them above-average transfers per child. This, however, can only be confirmed once we are provided with the performance measures and outcomes used to allocate funding.

**Figure 32** Percentage deviation from average child expenditure (special purpose transfers from state) per aimag, 2015 and 2019

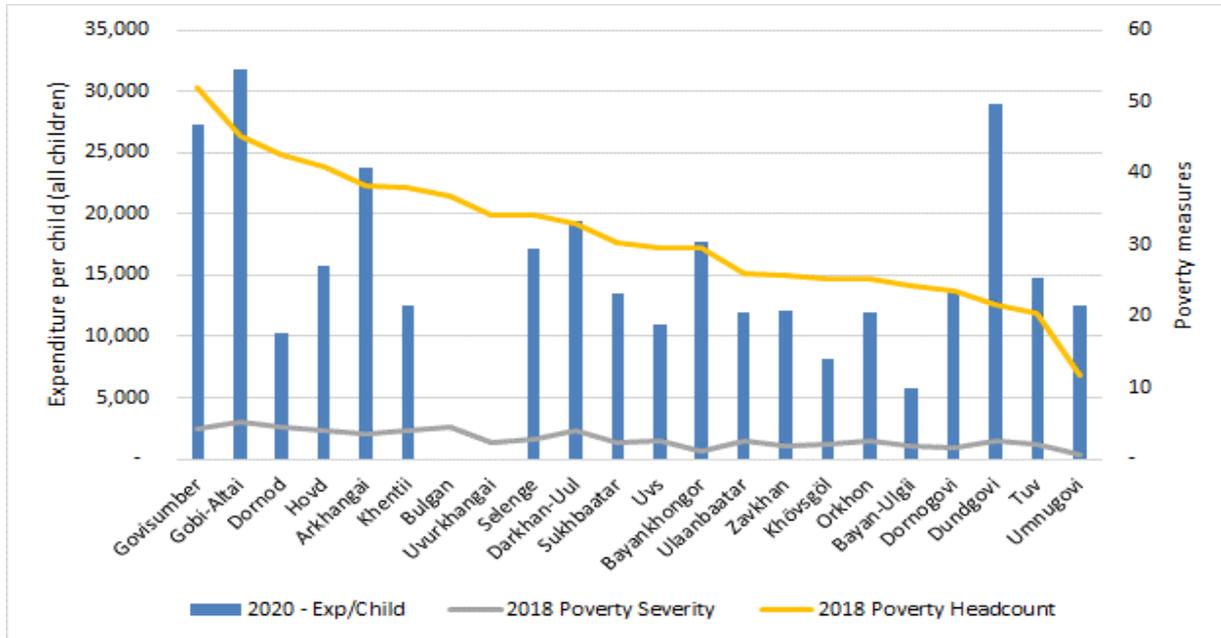


Source: Budget data provided by the Ministry of Finance (own calculations)

71 This figure cannot be produced for 2020, given the lack of data for 2020 on transfers from the state.

Figure 33 below shows expenditure per child (all children) compared to poverty headcount and poverty severity in the aimags.

**Figure 33** Expenditure per child vs poverty headcount and severity

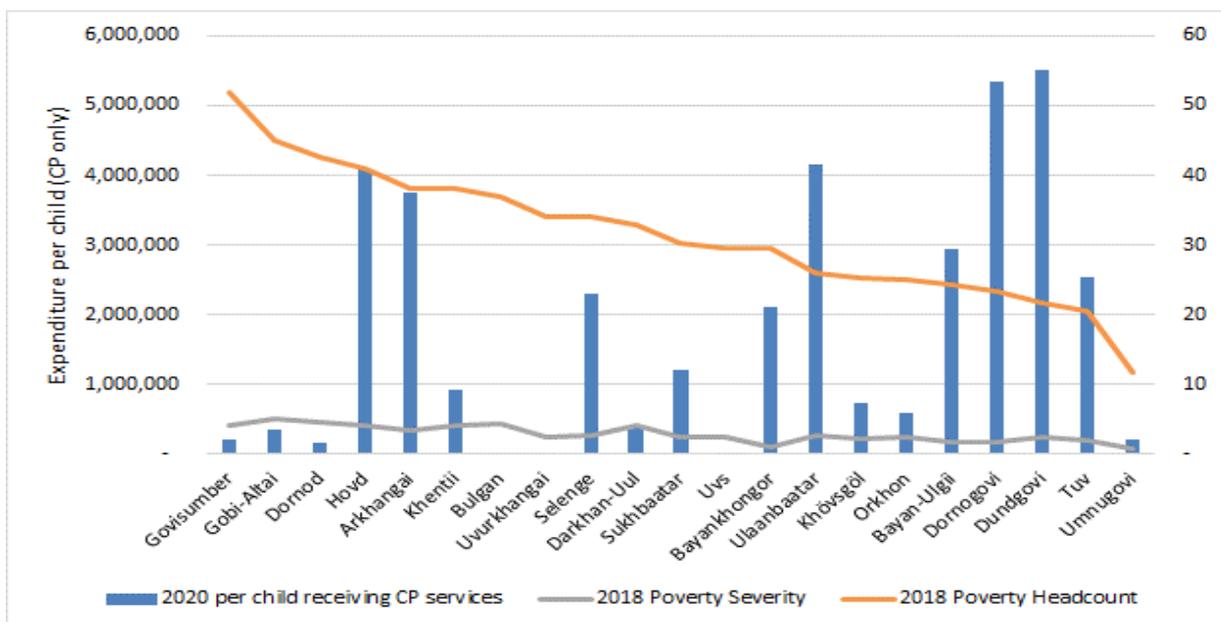


Source: Budget data provided by the Ministry of Finance (own calculations)

The two aimags with the highest poverty headcount spend the most per capita, while those with the lowest poverty headcount spend less per capita. For the other aimags, there is no meaningful trend.

Figure 34 below shows expenditure per child receiving (some form of) child protection service. The less-poor aimags spend more per child in child protection than poorer aimags.

**Figure 34** Expenditure per child receiving child protection vs poverty headcount and severity



Source: Budget data provided by the Ministry of Finance (own calculations)

# Annexure C – Social Protection: Budget and Expenditure Analysis

## 1 INTRODUCTION

Approximately 68 SWS were provided to the citizens of Mongolia over the period 2016-2020. Within this comprehensive social welfare offering, Table 41 below identifies the SWS that apply specifically to children. Due to administrative changes, certain of the articles (such as 13.5.5) have been moved within the different Laws over the period of analysis. Under the Law on Social Welfare, there are seven child-specific articles, disaggregated between social welfare pension (12.1.4; 12.1.5), care allowance (13.2.1; 13.2.2; 13.2.4), and emergency and livelihood benefits (13.5.6; 13.5.9). There are six child-specific articles under the Law on Social Security for Disabled People. There is a further six child-specific articles under the Law on Allowances for Single Mothers and Fathers with Many Children. In total, 19 child-specific articles must be reviewed. In addition to these articles, there are three child-specific programmes.

**Table 41** List of child-focused SWS

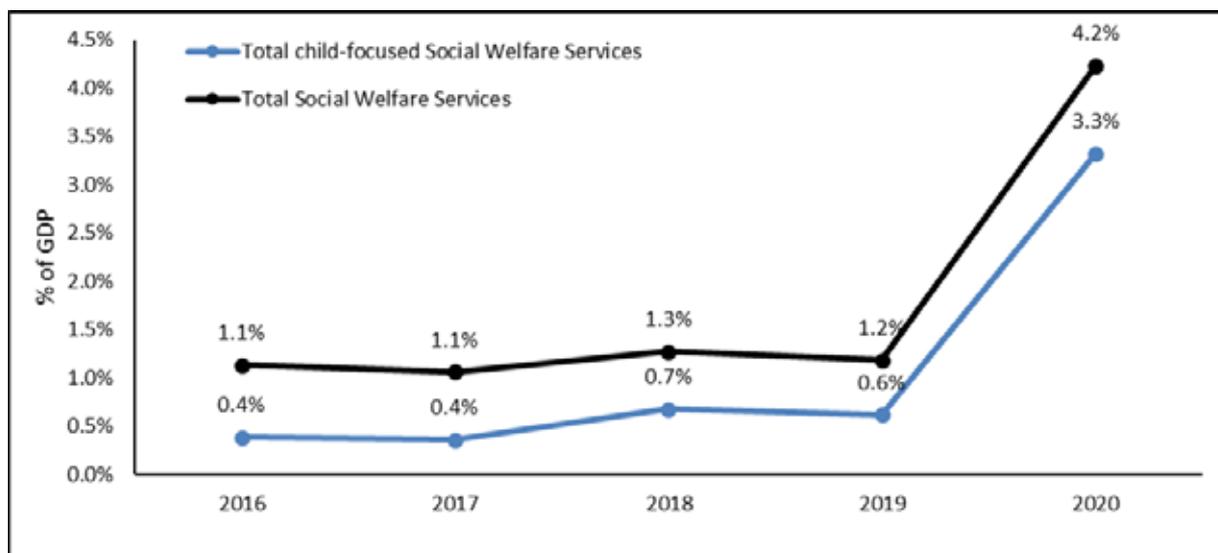
Law	Provision	Article	Type/Description
Law on Social Welfare	Social welfare pension	12.1.4	The breadwinner is a child under the age of 18 from the deceased family.
		12.1.5	A 45-year-old single mother with 4 or more children under the age of 18 and a 50-year-old father.
	Care allowance	13.2.1	A citizen who has legally adopted or legally cared for and supported an orphan.
		13.2.2	A citizen who takes care of a child specified in Article 25.5 of the Family Law or who needs emotional and physical protection due to violence in accordance with Article 74 of the Family Law.
		13.2.4	A citizen who takes care of a child with a disability who is under medical supervision and needs constant care.
	Emergency and livelihood benefits	13.5.6	Allowance for a child under 16 years of age in need of permanent care.
		13.5.9	Annual cash benefits for honoured mothers.
Law on Social Security for Disabled People	N/A	5.1.1	Provide financial assistance once a year to pay for housing for a completely deaf and hard of hearing child, and to purchase fuel if you live in an unheated apartment or ger.
		5.1.2	Reimburse 100% of the cost of prosthetics for children with disabilities under the age of 18 once every two years.
		5.1.4	Reimburse 100% of the cost of special equipment such as orthopaedics and wheelchairs made and purchased domestically for children with disabilities under the age of 18, as well as for persons with disabilities who are not entitled to benefits from the Industrial Accident and Occupational Disease Insurance Fund.
		5.1.5	Discounts on transportation to and from kindergarten for children with disabilities and their guardians once a year, or bus service.
		5.1.7	Discount on kindergarten meals for children with disabilities and disabled people.
		5.1.12	If a child with a disability stays at a children's camp, 50 percent of the voucher price will be paid once a year.

Law	Provision	Article	Type/Description
Law on Allowances for Single Mothers and Fathers with Many Children	N/A	13.7	Benefits for pregnant and lactating mothers.
		N/A	Nutrition support services.
		N/A	Childcare allowance for children aged 0-3.
		13.5.5	A family or individual who is raising two or more twins alive.
		13.5.5	A family or individual raising three or more twins.
Programmes	N/A	N/A	Benefit for single mothers / fathers with three or more children under 18 years of age.
		N/A	Food voucher.
		N/A	Child money.
			Mother with salary.

## 2. NATIONAL ANALYSIS

Based on the disaggregation of child-specific SWS in Table 41, Figure 35 below shows the total and child-specific SWS expenditures as a percentage of GDP from 2016 to 2020. As can be seen, both the total and the child-specific SWS expenditure remained relatively stable from 2016 to 2017, then rose in 2018 before falling in 2019. Importantly, the figure clearly presents the role of SWS in 2020 as a response mechanism to the shocks induced by COVID-19, with both total and child-specific SWS expenditure increasing substantially in order to provide the necessary social support to households negatively impacted by COVID-19.

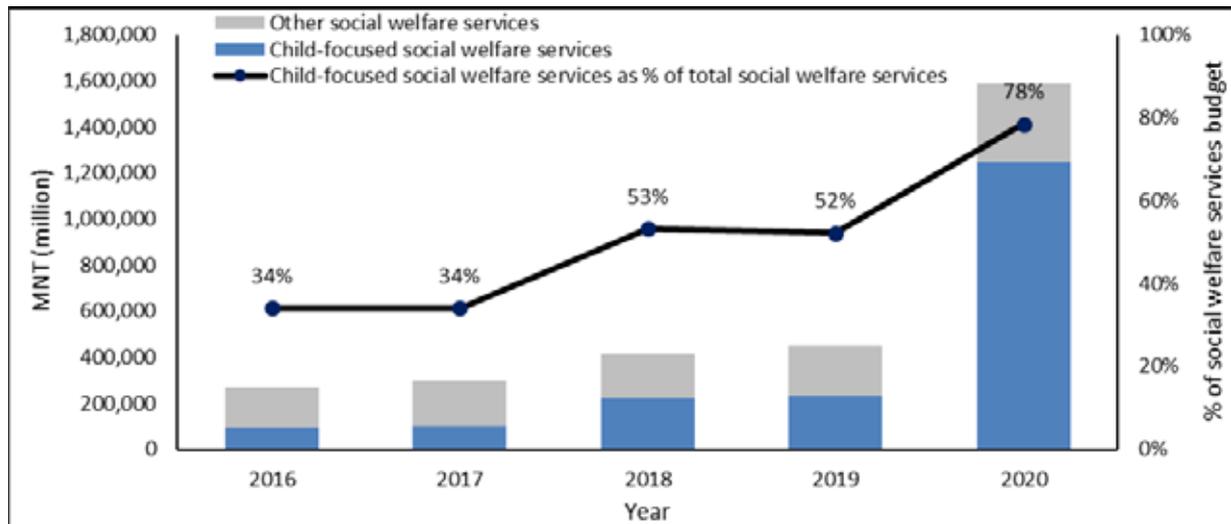
**Figure 35** Total and child-focused SWS as a % of GDP, 2016 to 2020



Source: MLSP, 2021

Figure 36 below presents the value of annual SWS expenditure disaggregated by child-specific SWS and the other SWS. The child-specific SWS grew gradually from 2016 to 2019 before the drastic jump in 2020 due to the COVID-19-related support measures. These increases represent an increase in the proportion of the total SWS budget that is dedicated to children from 34% in 2016 to 52% in 2019. This is an important development, as it illustrates the growing emphasis on children within SWS. Moreover, it is clear that children received a high proportion of the COVID-19 response measures, with child-focused SWS growing to 78% of the total SWS budget by 2020.

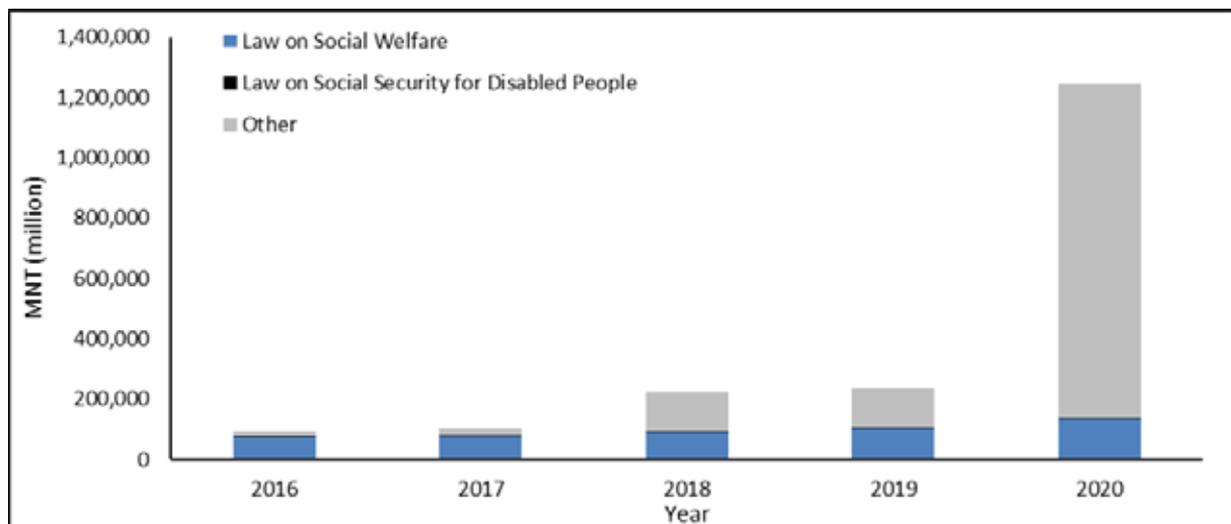
Figure 36 Child-focused SWS vs total SWS



Source: MLSP, 2021

Figure 37 below disaggregates the total child-focused SWS expenditures between the different Laws and programmes. In 2016 and 2017, the largest component of the expenditure was the Law on Social Welfare, with other programmes and the Law on Social Security for Disabled People receiving relatively small amounts. However, this changed in 2018 and 2019, when the other articles and programmes began to feature more prominently. This trend was further pronounced in 2020, with the COVID-19 response measures falling under other articles and programmes. The Law on Social Security for Disabled People is a relatively small expenditure item across the period.

Figure 37 Composition of child-focused SWS expenditures

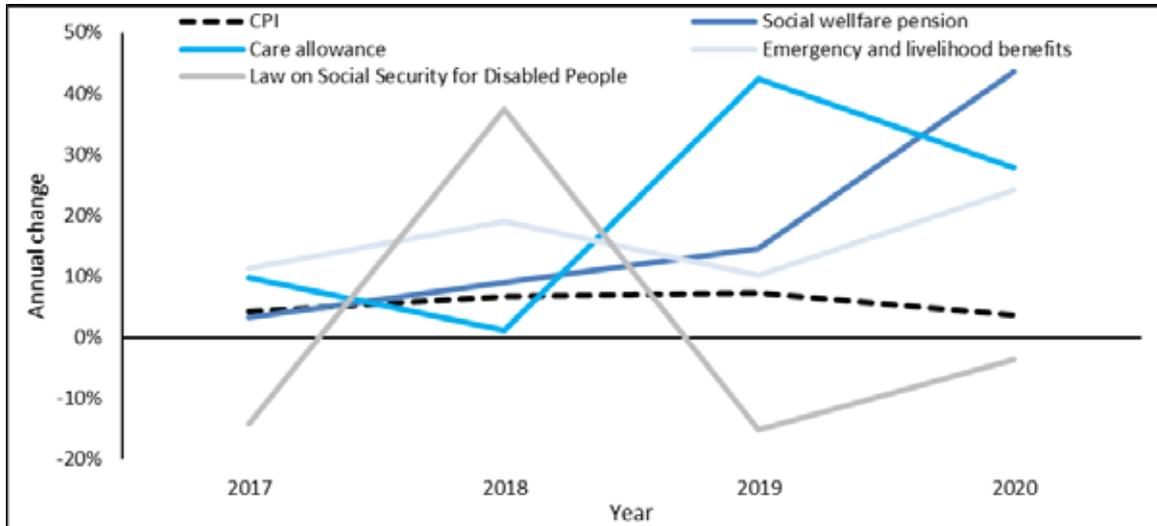


Source: MLSP, 2021

Figure 38 below compares the annual growth in the child-focused SWS with the CPI from 2017 to 2020. Although child-focused SWS expenditure has been volatile, there have generally been very high levels of real growth. Across the period, there were consistent real increases in *social welfare pension* and *emergency and livelihood benefits* expenditure. Except for 2018, the *care allowance* expenditures also grew. Of particular interest are the very high real increases in the *care allowance* and *social welfare pension* expenditures in 2019. The large increases in 2020 are due to the COVID-19 response measures.

Expenditures on the Law on Social Security for Disabled People, by contrast, have been extremely volatile, with negative real growth in 2017, 2019 and 2020.

**Figure 38** Growth in child-focused SWS compared to CPI



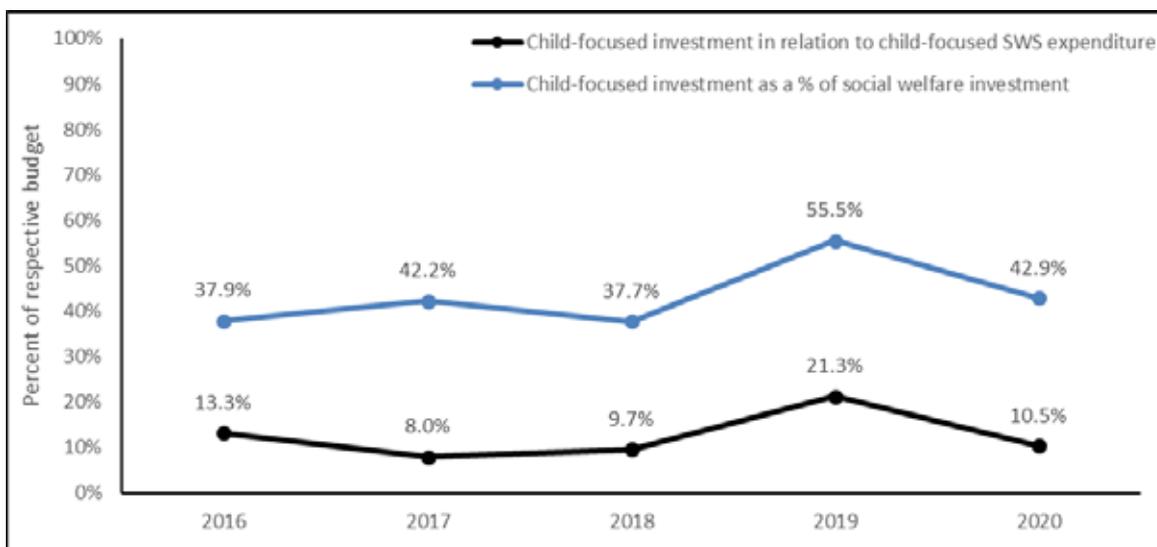
Source: MLSP, 2021

### 2.1 Capital expenditure

The MLSP undertakes a variety of important capital expenditures for children that support the grant system, over and above general capital expenditures that relate to the work premises for the ministry and equipment for daily operations. These expenditures include child protection service centres, shelters for abused women and children, kindergartens, and sports and recreation centres.

Figure 39 below presents the child-focused capital expenditures as a percentage of total capital expenditure, and as a percentage of the child-focused SWS expenditure. As can be seen, child-focused investments are a core component of the MLSP’s priorities, but are still relatively minor in relation to the service activities.

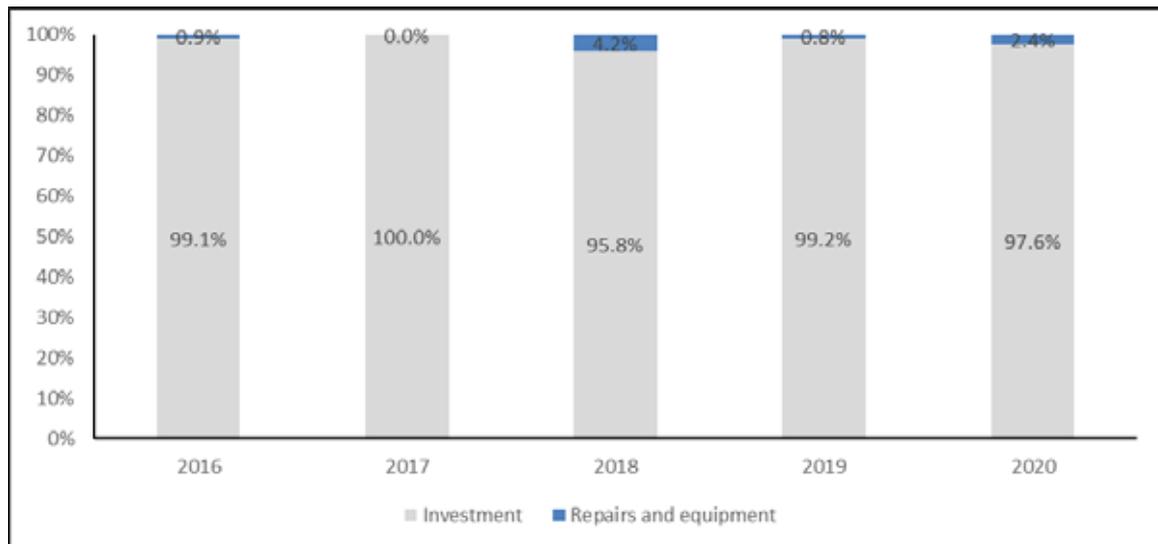
**Figure 39** Capital and child-focused SWS expenditure by MLSP



Source: MLSP, 2021

In terms of composition, Figure 40 below disaggregates the child-focused capital expenditures by *investments* and *repairs and equipment*. Investment obviously dominates the expenditure envelope, ranging from 95.8% to 100.0%. While these relatively high levels of investment are important, and expected, it is necessary to flag that maintenance (repair) expenditure has seemingly been deprioritised. In fact, maintenance expenditure does not feature at all, or barely, in some years. This could be problematic in terms of not realising the full asset life of certain child-focused facilities.

**Figure 40** Composition of capital expenditure by MLSP

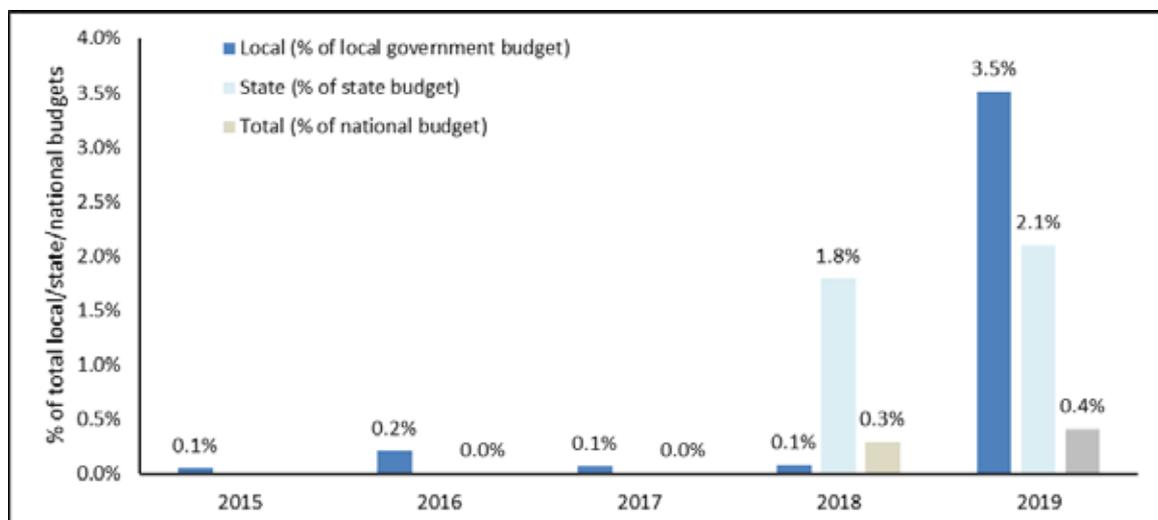


Source: MLSP, 2021

## 2.2 Social Security Administration

Social Security Administration (SSA) is a core enabling component of the SWS. As such, it is important to review how expenditure on this area has performed relative to the sector. Figure 41 below shows the relative size of the state and local government SSA budgets. From 2015 to 2017, the SSA budget only commands a small share at each level, but in 2018, the state and local governments dramatically increased expenditure on SSA.

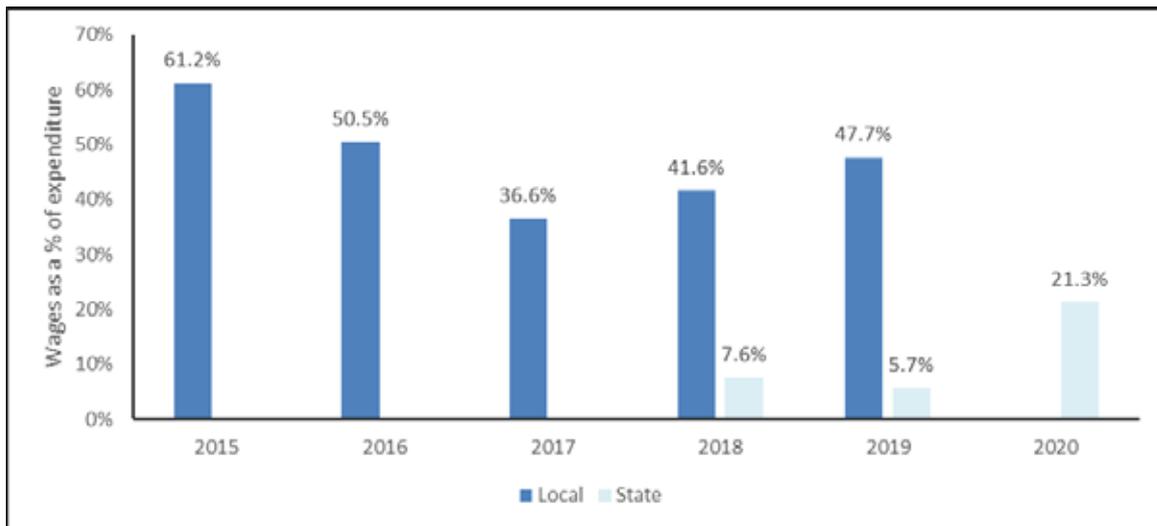
**Figure 41** Relative size of SSA budgets



Source: MLSP, 2021

When analysing reasons for the dramatic increase in the state and local government SSA budgets identified above, it is important to review the expenditure on wages. Local government wage expenditure fell from 61.2% of the local government SSA budget in 2015 to 36.6% in 2017. However, it then increased to 41.6% and 47.7% in 2018 and 2019 respectively. These increases come on top of the dramatically increased base, signalling significant growth in this component of expenditure. Similar is true for wage expenditure in the state SSA budget, which increased from 5.6% in 2019 to 21.3% in 2020.

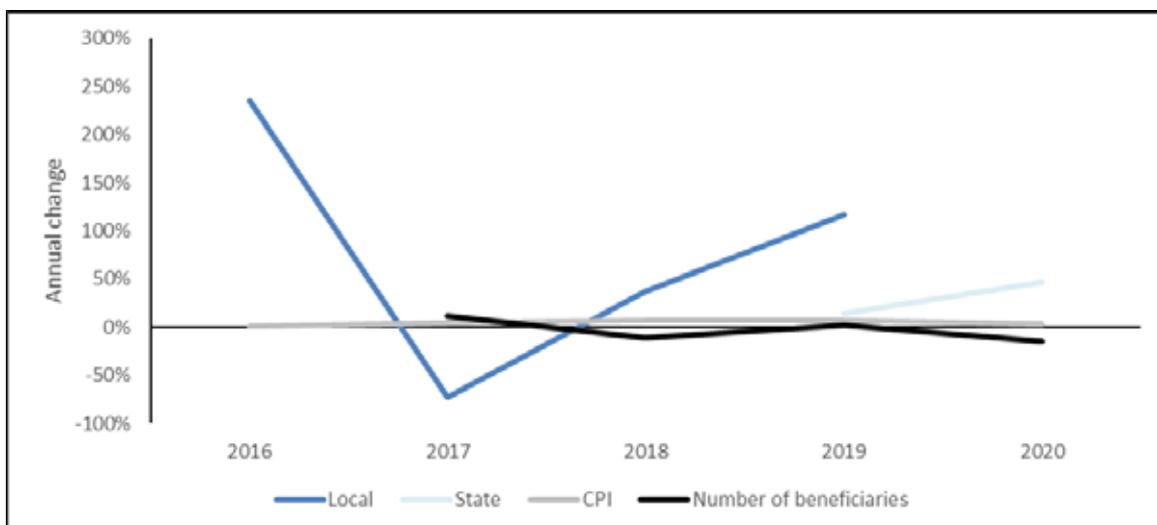
**Figure 42** Wages as a proportion of total SSA expenditure



Source: MLSP, 2021

These increases in the amounts spent on SSA wages are compared, in Figure 43 below, to the increases in CPI and the number of SWS beneficiaries. This is to determine whether the increases in wages were in line with inflation, or due to a greater beneficiary load. However, despite the dip in local government SSA wage expenditure in 2017, the growth in SSA wages at both the state and local government levels significantly outpaced CPI. Moreover, the growth in SSA wages at both levels is well in excess of the number of beneficiaries, which, in fact, fell. This indicates that the growth in the wages for SSA has been unsustainably high and is not aligned with key indicators for the sector.

**Figure 43** Growth in wage expenditure for SSA compared to CPI and SWS beneficiaries



Source: MLSP, 2021

### 3. SOCIAL WELFARE SERVICES ANALYSIS

In this section, the SWS listed in Table 41 are each assessed using four methods, where relevant and where possible. These assessments are each presented in a graph.

1. The first graph is a simple look at expenditure on the SWS and the number of people who benefited from the SWS over the period under consideration. From this, one can establish how much was paid out per beneficiary on the SWS.
2. The second graph presents the prescribed benefit for the SWS and the average expenditure on the SWS by aimags. If all beneficiaries received the transfer for the full 12 months, then average expenditure per beneficiary should equal the prescribed benefit. However, if recipients did not receive the transfer for the full 12 months, then average cash per beneficiary falls below the prescribed benefit. In such cases, the reported number of beneficiaries should be viewed as only a partial indicator of the access and impact of the article. More serious cases, where the average cash per beneficiary falls significantly below the prescribed benefit, likely point to issues with the underlying data and/or reporting processes.
3. The third graph is a more complex assessment of the impact of the prescribed benefit on recipients of the benefit, i.e. those in the lowest income quintile. To do this, the value of the transfer is hypothetically paid out to all households or individuals in the lowest income quintile, not just to beneficiaries, and the effect of the hypothetical increase in income is assessed against Mongolia's poverty line. In essence, the question that is being asked is: "What effect will this benefit have on any beneficiary who is in the lowest income quintile?" – because not all beneficiaries have the same level of income, and not all benefits have the same value. So, while some benefits may lift any household or individual in the lowest income quintile out of poverty, others may only lift a handful of beneficiaries out of poverty, and only if they are already receiving a relatively narrow range of income options.
4. The final assessment looks at the equity of the SWS. To do this, it compares total expenditure in each aimag with that aimag's poverty headcount. The data for the poverty headcount is from 2018 – the most recent poverty headcount data – while the total expenditure figures are from 2020 data. From a pro-poor perspective, the ideal is for the aimags with the highest poverty headcounts (which is an absolute measure) to spend the most on the article. While the number of beneficiaries depends on the number of people in each aimag who meet the qualification criteria, this analysis indicates whether there is an equity anomaly associated with the SWS, as the relative incidence of welfare demand is typically higher in poorer areas.

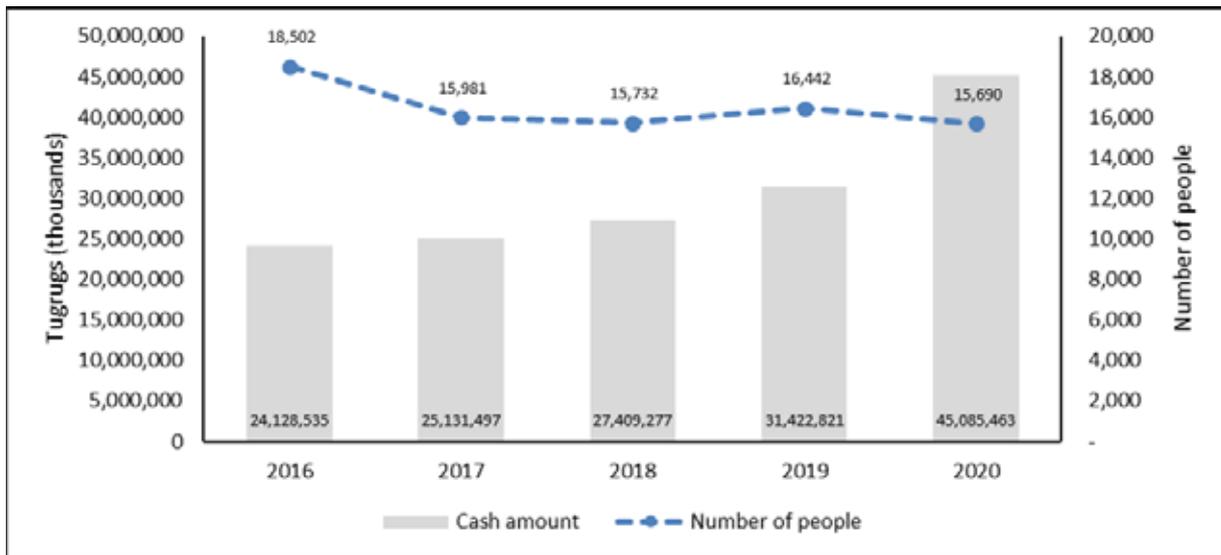
#### 3.1 Law on Social Welfare

##### 3.1.1 The breadwinner is a child under the age of 18 from the deceased family

Article 12.1.4 in the Law on Social Welfare provides a monthly benefit to children under 18 years old whose foster has died. In response to COVID-19, the Government Resolutions 126 and 248 of 2020 and Government Resolution 236 of 2021 increased the child allowance for every child under 18 years of age by MNT100 000 per month from 1 April 2020 to 1 January 1, 2022. This raised the prescribed monthly value of the transfer from MNT188 000 to MNT288 000 for this period.

As shown in Figure 44 below, this service had 18 502 beneficiaries in 2016, falling to 15 690 in 2020. However, the cash amount spent rose from MNT24.1 billion in 2016 to MNT45.1 billion in 2020. As a result, the average value of the benefit per beneficiary rose from MNT108 675 in 2016 to MNT239 460 in 2020. That represents growth of 120.3% in the value of the benefit over a 5-year period.

**Figure 44** Expenditure and beneficiaries

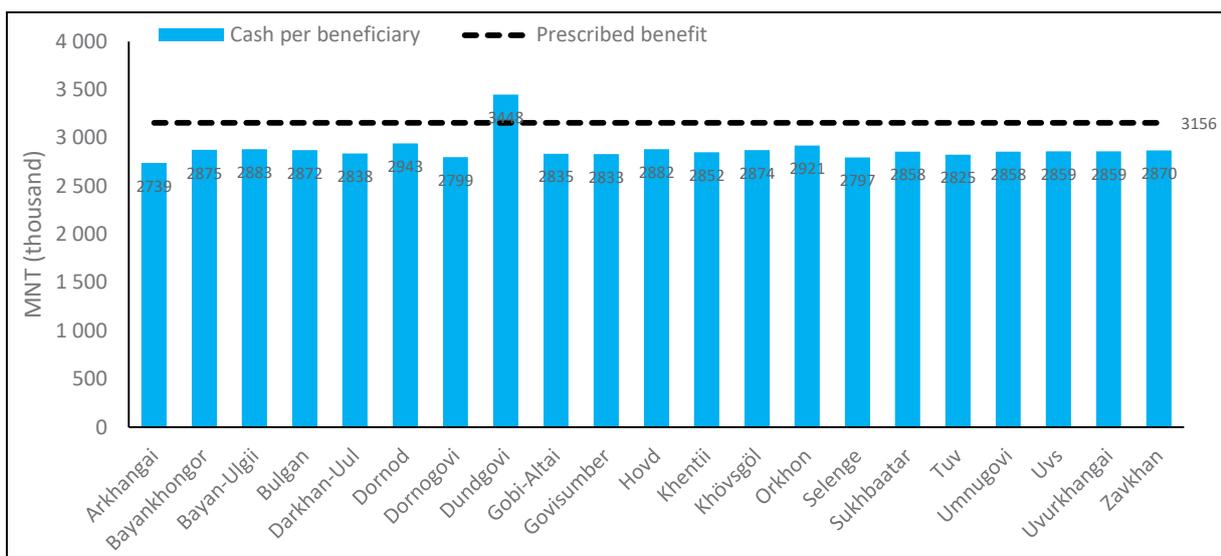


Source: MLSP, 2021

Figure 45 below presents annual average expenditure per beneficiary in 2020 for Article 12.1.4 compared to the prescribed benefit. That works out to an annualised value of MNT3.2 million per beneficiary, given the higher transfer applied from April due to Covid-19.

Figure 45 shows that all aimags spend less per beneficiary on average, with the exception of Dundgovi, which spent an average of MNT3.5 million per beneficiary. This is either an indication of overallocations, or, more likely, the number of beneficiaries is undercounted. The consistency in outcomes across all other aimags, with expenditures being below the prescribed value, likely reflects the fact that more beneficiaries were covered by the article during the year, which means that the number of beneficiaries in Dundgovi should be interpreted as being underreported when reviewing the M&E data.

**Figure 45** Cash per beneficiary vs prescribed benefit, by aimag, in 2020



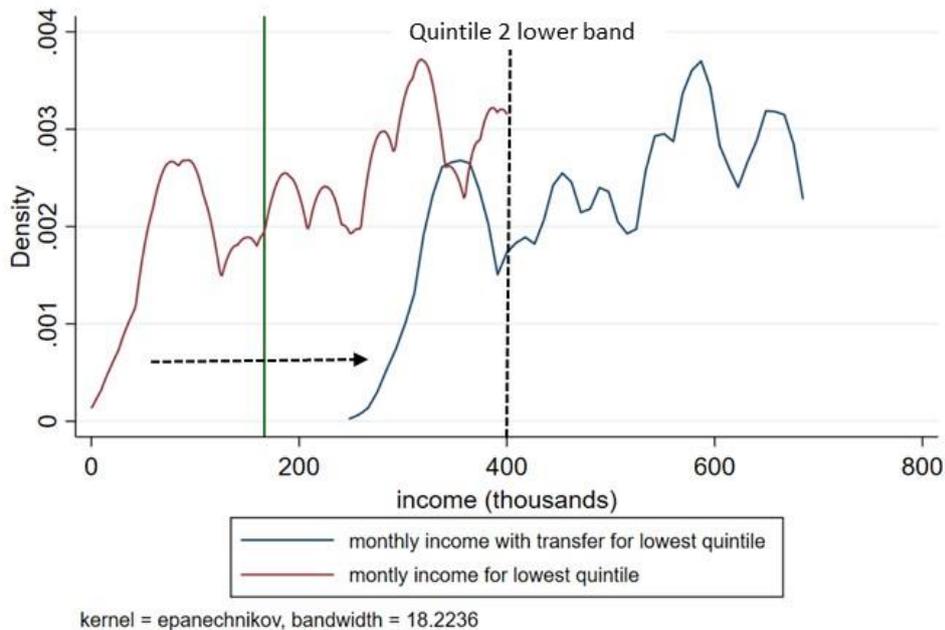
Source: MLSP, 2021

Figure 46 below shows the distribution of monthly income for the lowest income quintile, and what that distribution looks like with the addition of this transfer. The green line is the Mongolian poverty line,

which is MNT166 580. The value of the transfer used for this graph is the annualised value of the transfer (MNT3.2 million) divided by 12 to give the monthly value of MNT266 666.67.

As can be seen, any recipient of this transfer who is in the lowest income quintile will be lifted above the poverty line. In addition, the top 70% would move into the next income quintile which begins at MNT400 000.

**Figure 46** Impact of transfer on income distribution for lowest income quintile



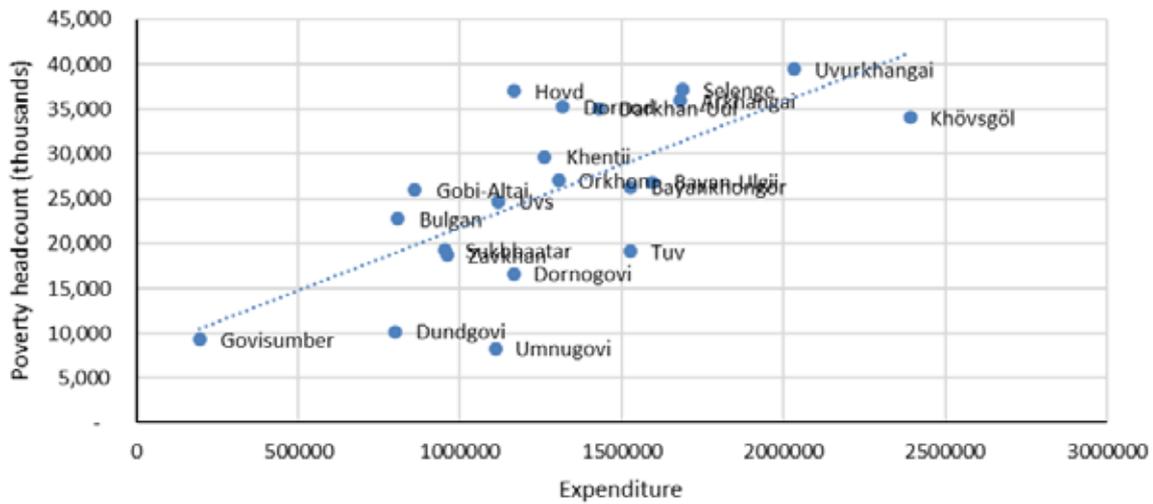
Source: Own calculations from Mongolia Labour Force Survey 2020

Note: weights have been applied and were provided by the Mongolian Statistical Service.

To evaluate the equity of this SWS, Figure 47 below compares the total expenditure on the article by each aimag in 2020 with their respective poverty headcounts from 2018.

The results indicate a strong positive relationship between the poverty headcount and expenditure against this article. Govisumber spent the least—noticeably less than Dundgovi and Umnugovi, which have relatively similar poverty headcounts. In fact, expenditure levels in Dundgovi and Umnugovi are comparable to aimags with much higher poverty headcounts. This trend, with certain aimags with similar poverty levels spend appreciably more than other aimags, can be found throughout the results.

**Figure 47** Total expenditure vs poverty headcount, by aimag, in 2020



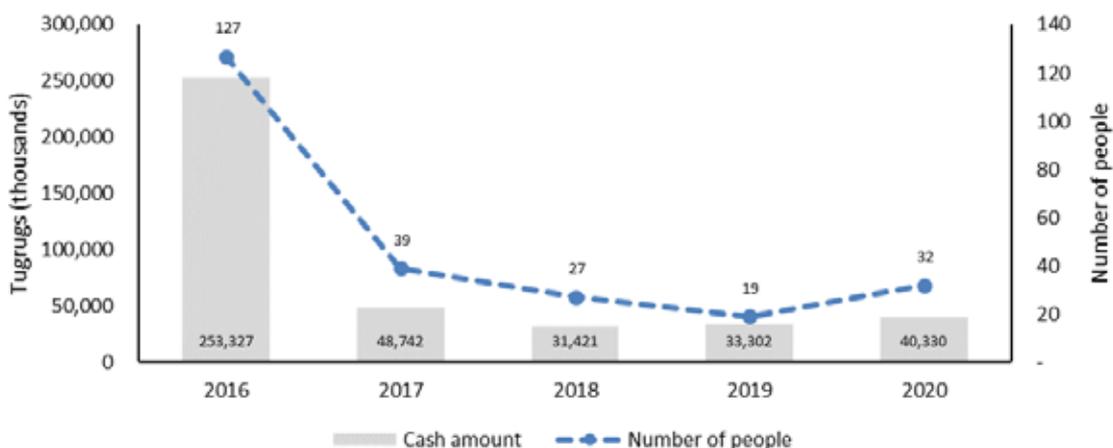
Source: MLSP, 2021

### 3.1.2 A 45-year-old single mother with 4 or more children under the age of 18 and a 50-year-old father

Article 12.1.5 in the Law on Social Welfare provides a monthly transfer to 45-year-old single mothers with 4 or more children under the age of 18 and a 50-year-old father. The prescribed value of this transfer is MNT3.156 million per annum.

Figure 48 below reveals that this SWS reaches very few beneficiaries. The number of beneficiaries reached a high of 127 in 2016, before falling to just 19 in 2019. In 2020, it rose again to just 32. As such, the rationale behind the article might be questioned, focusing on it being combined with another SWS. Due to these low beneficiary numbers, total expenditure on this SWS fell from a high of MNT253 million in 2016 to MNT40 million in 2020.

**Figure 48** Expenditure and beneficiaries



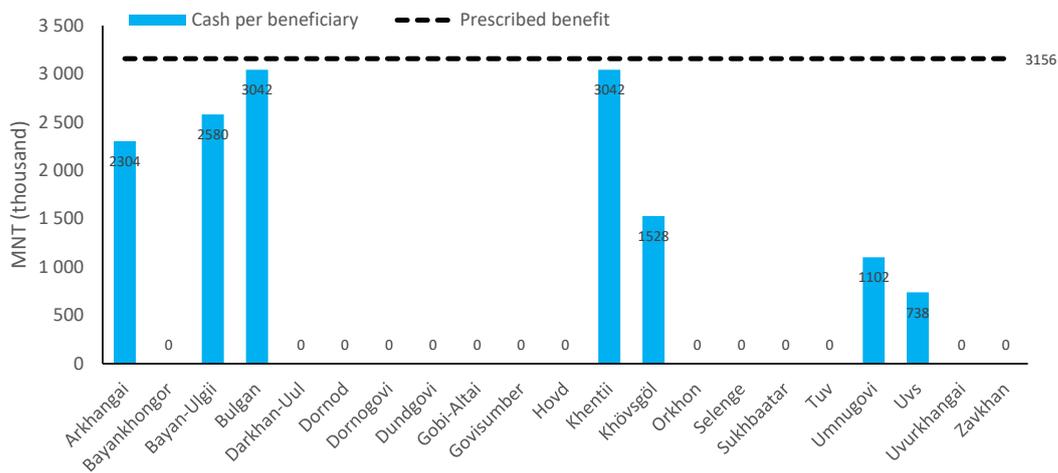
Source: MLSP, 2021

Figure 49 below shows the cash expenditure per beneficiary compared to for Article 12.1.5, by aimag. Many of the aimags did not report any expenditure on this article in 2020.

All aimags spent, on average, less per beneficiary than the prescribed benefit, though average expenditure per beneficiary came close in Bulgan and Khentii. However, the outcomes are surprisingly varied across the

remaining aimags. The lowest expenditure outcomes are in Umnugovi and Uvs, where the beneficiaries received an average cash benefit of MNT1.5 million and MNT738 000 respectively. These outcomes are so far below the prescribed benefits that either: (i) a large proportion of the beneficiaries were added late in the year, which means that simply referring to the number of beneficiaries as an outcome is misleadingly positive; or (ii) there are issues with the data.

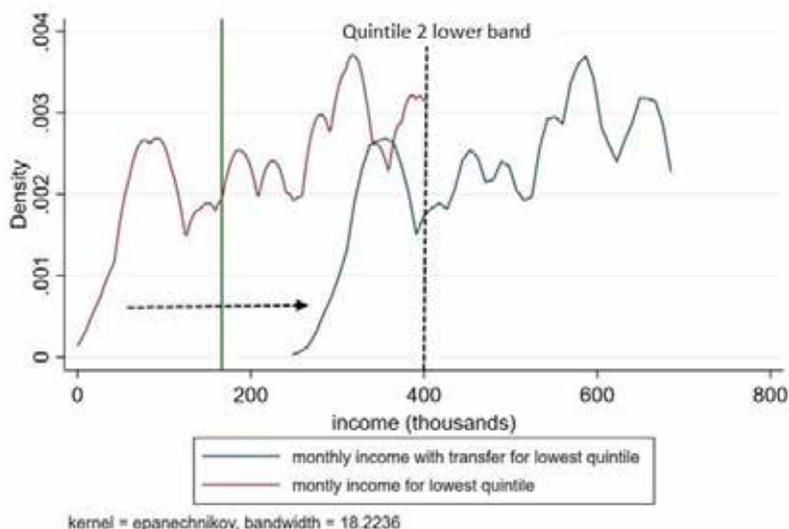
**Figure 49** Cash per beneficiary vs prescribed benefit, by aimag, in 2020



Source: MLSP, 2021

Figure 50 below shows the distribution of monthly income for the lowest income quintile and what that distribution looks like with the addition of this transfer. The green line is the Mongolian poverty line, which is MNT166 580. The distribution of income with the transfer was created by adding the monthly average value of the transfer (MNT266 666.67) to each individual’s monthly income. In 2020, the value of the transfer increased in April from MNT188 000 to MNT288 000 per month as a response to COVID-19. The value of the transfer used for this graph is the annualised value of the transfer (MNT3.2 million) divided by 12 to represent the monthly value of the transfer. This graph shows that this transfer is sufficient to ensure all those in the lowest income quintile live above the poverty line. This transfer amount is also able to move 70% of those whose income falls into the lowest quintile into the next income quintile.

**Figure 50** Impact of transfer on income distribution for lowest income quintile

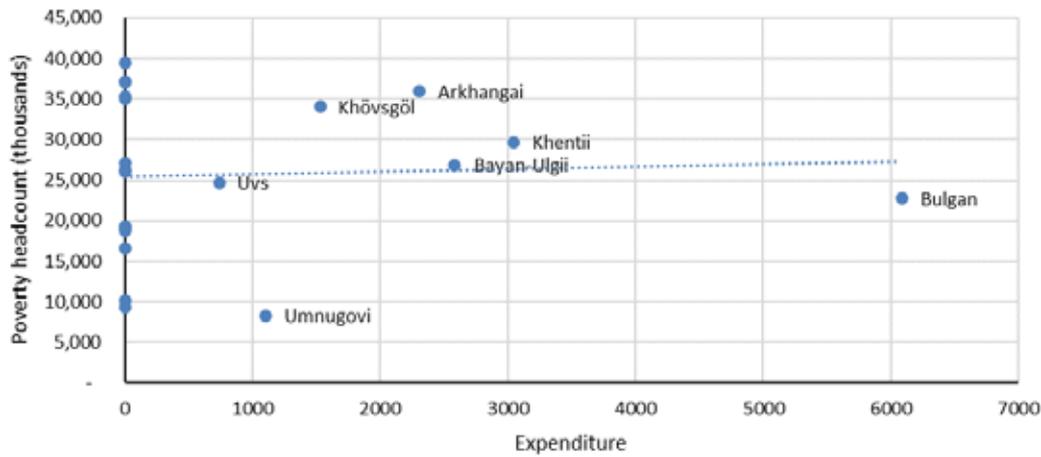


Source: Own calculations from Mongolia Labour Force Survey 2020

Note: weights have been applied and were provided by the Mongolian Statistical Service.

To evaluate the equity of this SWS, Figure 51 below compares the total expenditure on the article by each aimag in 2020 to their respective poverty headcounts from 2018. The results show a weak positive relationship between expenditure and poverty headcount, with higher expenditures in aimags with higher poverty headcounts. There are some interesting findings within the results. Chief amongst these is the very high expenditure in Bulgan, which is an outlier and significantly higher than aimags like Uvs and Bayan-Ulgii, which have similar poverty headcounts. Other than Bulgan and Umnugovi, the remaining aimags are relatively closely grouped.

**Figure 51** Total expenditure vs poverty headcount, by aimag, in 2020



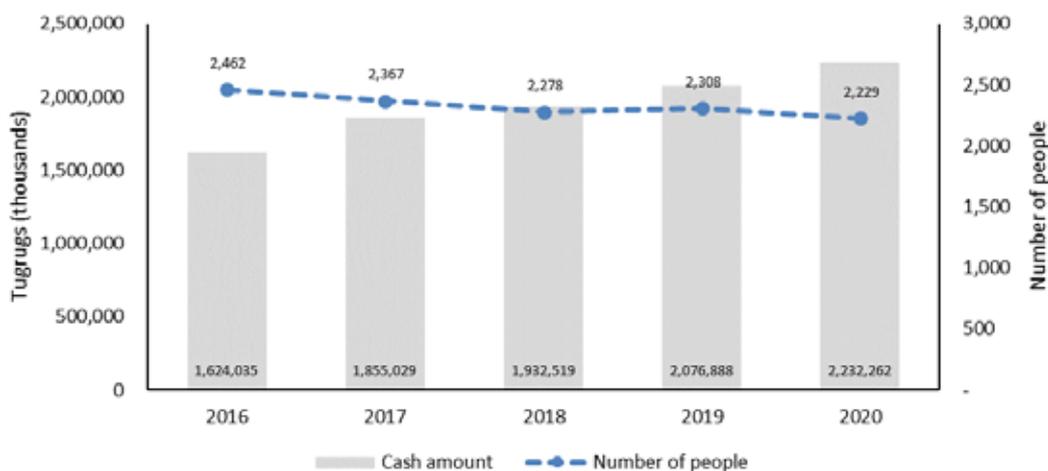
Source: MLSP, 2021

### 3.1.3 A citizen who has legally adopted or legally cared for and supported an orphan

Article 13.2.1 in the Law on Social Welfare provides a monthly transfer to a citizen who has legally adopted, or legally cared for and supported, an orphan. The prescribed value of this transfer was MNT84 500 per month in 2020.

The number of beneficiaries fell from 2 452 in 2016 to 2 229 in 2020. Despite this fall, increases in the value of the transfer have meant that expenditure on this SWS grew from MNT1.6 billion in 2016 to MNT2.2 billion in 2020. This trend indicates that citizens caring for orphans are receiving increasing levels of financial support.

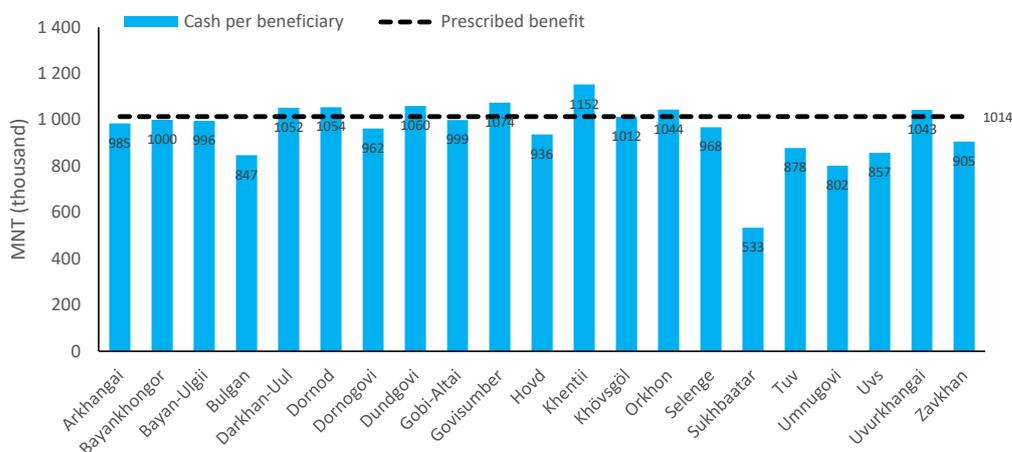
**Figure 52** Expenditure and beneficiaries



Source: MLSP, 2021

Figure 53 below presents the annual average expenditure per beneficiary in 2020 for Article 13.2.1 compared to the prescribed benefit. The results are varied, with some aimags with an average spend above the prescribed benefit, while others are below. The expenditure outcomes for the following aimags are above the prescribed benefit: Darkhan-Uul; Dornod; Dundgovi; Govisumber; Khentii; Orkhon; and Uvurkhangai. The largest is Khentii, which spent an average of MNT1.2 million per annum per beneficiary versus the prescribed MNT1.0 million. The remaining 14 aimags spend, on average, less than the prescribed value. This underspending is likely due to an increase in beneficiaries during the year, meaning that though they are counted as beneficiaries, they did not receive support for the whole year. However, the outcomes for several aimags are so low relative to the prescribed value to warrant a review of the data and, if relevant, the allocation process.

**Figure 53** Cash per beneficiary vs prescribed benefit, by aimag, in 2020

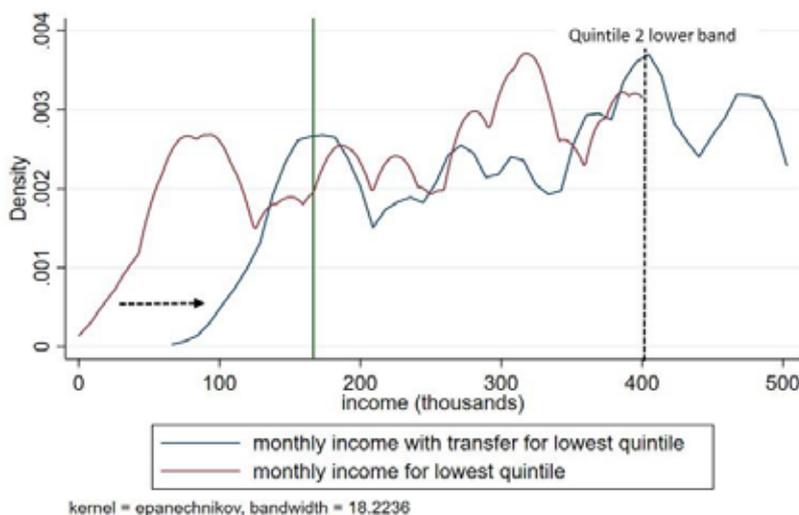


Source: MLSP, 2021

Figure 54 below shows the distribution of monthly income for the lowest income quintile, and what that distribution looks like with the addition of this transfer (MNT84 500 per month). The green line is the Mongolian poverty line, which is MNT166 580.

As can be seen, while the majority of recipients in this income quintile would be lifted above the poverty line, 9.36% would remain in poverty even with the addition of this transfer to their monthly income.

**Figure 54** Impact of transfer on income distribution for lowest income quintile

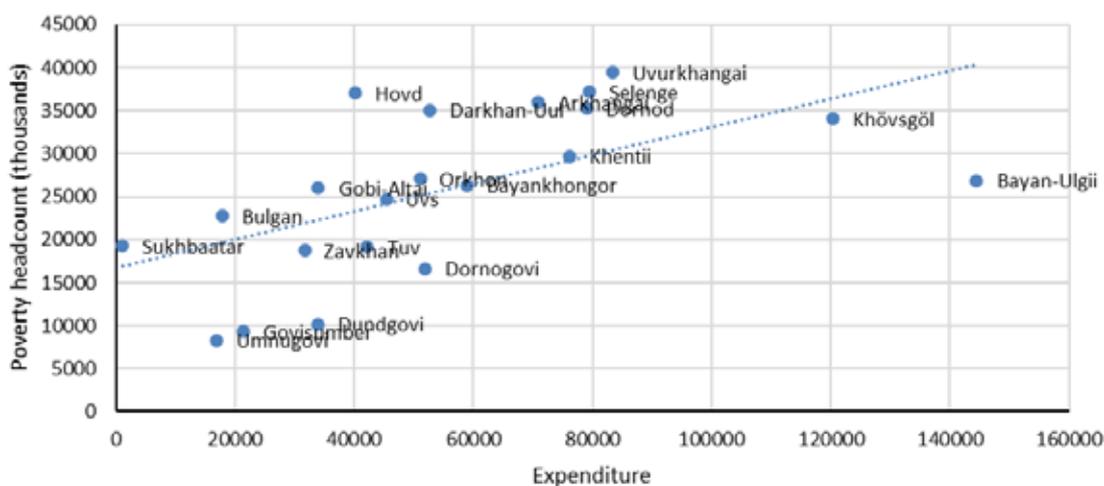


Source: Own calculations from Mongolia Labour Force Survey 2020

Note: weights have been applied and were provided by the Mongolian Statistical Service.

To evaluate the equity of this SWS, Figure 55 below compares total expenditure on the article by each aimag in 2020 to their respective poverty headcounts from 2018. The results show a positive relationship between the poverty headcount and expenditure for this article. Amongst the notable results is Sukhbaatar, which spent very little on this article despite having an average poverty headcount. Umnugovi, Govisumber and Dundgovi, with similar poverty headcounts, spent similar amounts on this article, while Bayan-Ulgii and Khovsgol spent significantly more on this article than the other aimags.

**Figure 55** Total expenditure vs poverty headcount, by aimag, in 2020

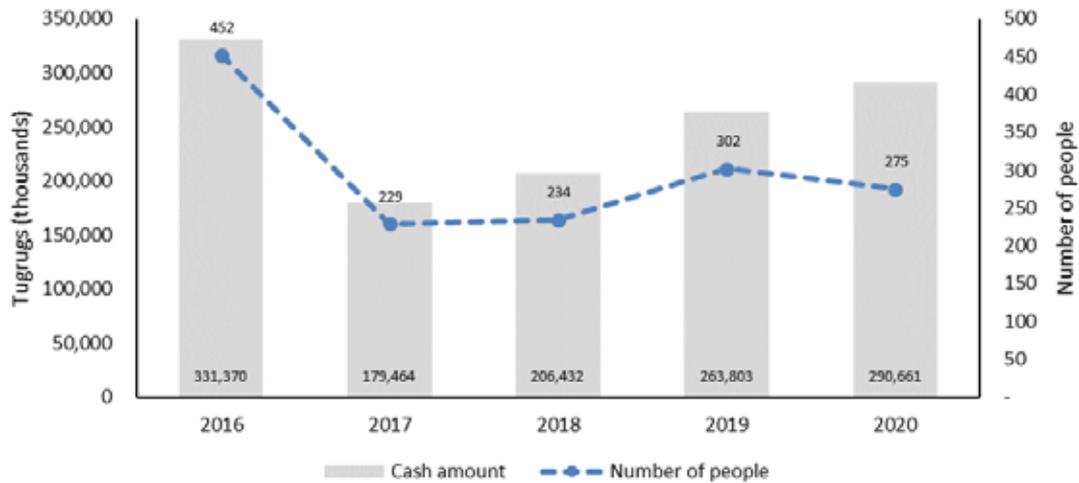


Source: MLSP, 2021

### 3.1.4 A citizen who takes care of a child specified in Article 25.5 of the Family Law or who needs emotional and physical protection due to violence in accordance with Article 74 of the Family Law

Article 13.2.2 in the Law on Social Welfare provides a monthly transfer to a citizen who takes care of a child specified in Article 25.5 of the Family Law or who needs emotional and physical protection due to violence in accordance with Article 74 of the Family Law. The value of this transfer was MNT84 500 per month in 2020. The number of beneficiaries fell from 452 in 2016 to 229 in 2017, then rose to 302 in 2019 before falling to 275 in 2020. In line with the overall growth in beneficiary numbers since 2017, the expenditure on this SWS increased annually from 2017 to 2019. Despite the fall in beneficiary numbers from 2019 to 2020, expenditure nevertheless increased. This demonstrates that citizens caring for children who require protection are receiving additional financial support.

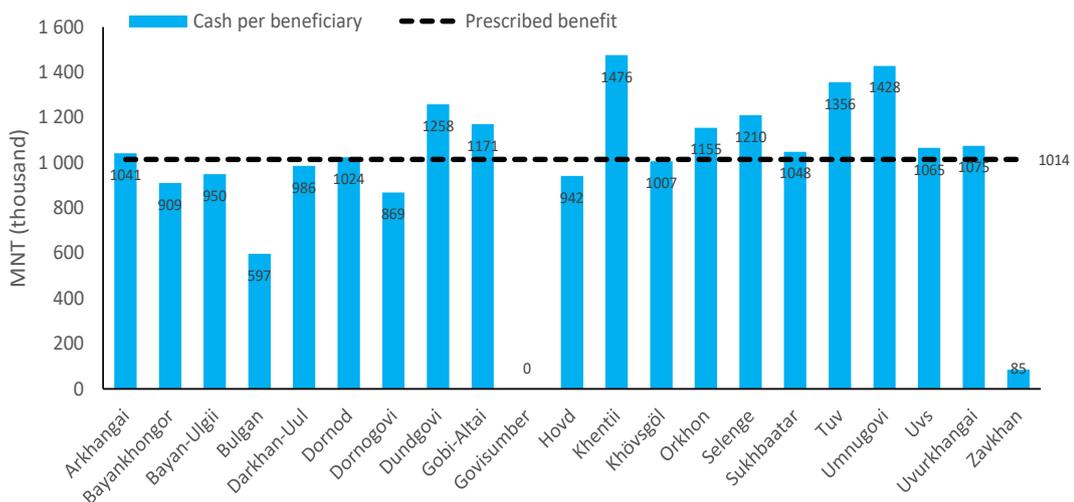
Figure 56 Expenditure and beneficiaries



Source: MLSP, 2021

Figure 57 below presents annual average expenditure per beneficiary in 2020 for Article 13.2.2 compared to the prescribed benefit. In relation to the annual average expenditure, there are notable differences across the aimags. Arkhangai, Dundgovi, Gobi-Altai, Khentii, Orkhon, Selenge, Sukhbaatar, Tuv, Umnugovi, Uvs, and Uvurkhangai all spent more than the prescribed benefit per beneficiary. With certain of the aimags spending significantly more – which calls into question either their allocation processes or the reliability of the data. The remaining aimags spent less than the prescribed benefit on average. The very low level of average expenditure in Zavkhan, and none in Govisumber, are serious causes for concern. As an example, the average value of the benefit received by recipients in Zavkhan was so low as to seriously impact, or even negate, the potential positive impact of the article.

Figure 57 Cash per beneficiary vs prescribed benefit, by aimag, in 2020

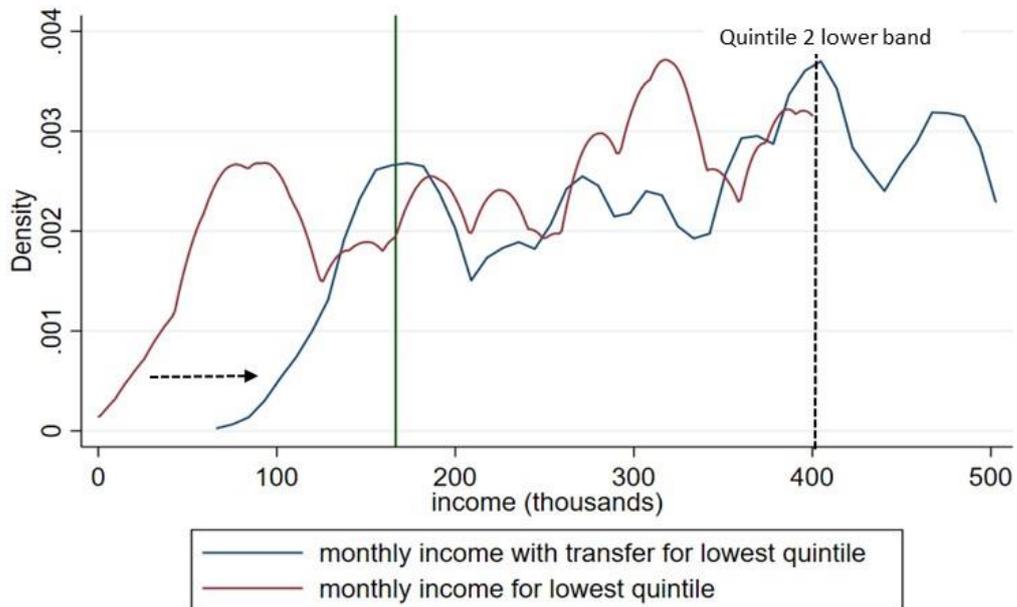


Source: MLSP, 2021

Figure 58 below shows the distribution of monthly income for the lowest income quintile and what that distribution looks like with the addition of this transfer (MNT84,500 per month). The green line is the Mongolian poverty line, which is MNT166 580.

While the majority of recipients in this income quintile would their incomes raised above the poverty line, 9.36% remain below the poverty line despite the transfer.

**Figure 58** Impact of transfer on income distribution for lowest income quintile



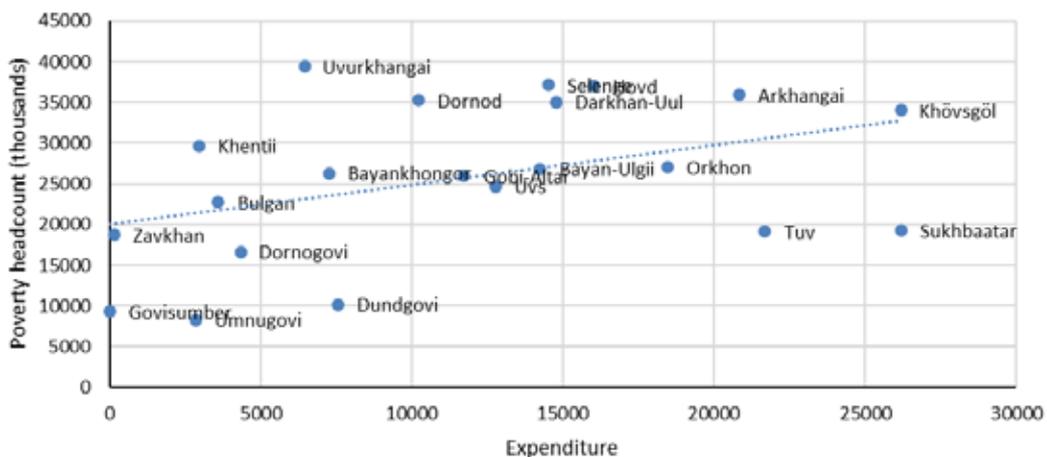
kernel = epanechnikov, bandwidth = 18.2236

Source: Own calculations from Mongolia Labour Force Survey 2020

Note: weights have been applied and were provided by the Mongolian Statistical Service.

To evaluate the equity of this SWS, Figure 59 below compares total expenditure on the article by each aimag in 2020 to their respective poverty headcounts from 2018. The results demonstrate a positive relationship between the poverty headcount and expenditure on this article. Zavkhan and Govisumber spent very little, while Sukhbaatar and Khovsgol spent relatively high amounts. In general, there is wide variation in expenditures between aimags with similar poverty headcounts.

**Figure 59** Total expenditure vs poverty headcount, by aimag, in 2020



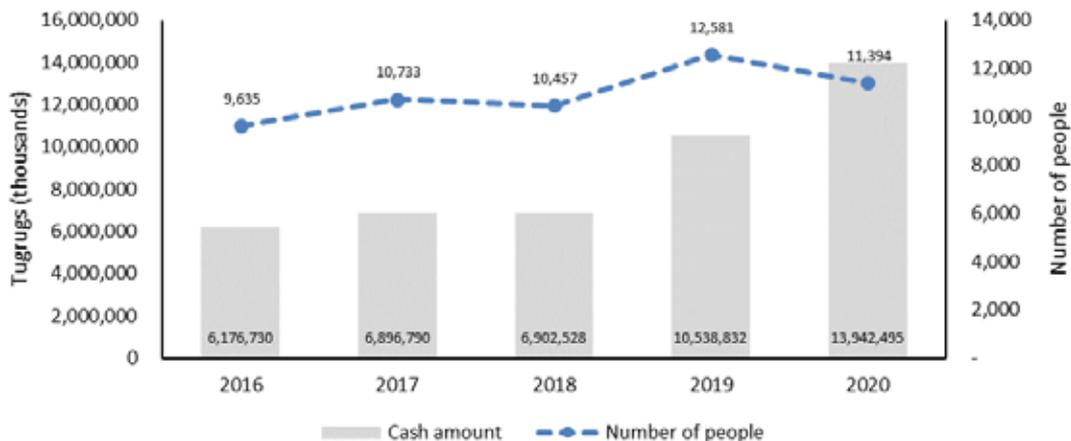
Source: MLSP, 2021

### 3.1.5 A citizen who takes care of a child with a disability who is under medical supervision and needs constant care

Article 13.2.4 in the Law on Social Welfare provides a monthly transfer to a citizen who takes care of a child with a disability who is under medical supervision and needs constant care. The value of this transfer was MNT123 000 per month in 2020. As shown in Figure 60 below, the number of beneficiaries of this SWS has

been inconsistent over the period, but rose from 9 635 recipients in 2016 to 11 394 in 2020. Despite the volatility in recipient numbers, expenditure on this SWS has risen steadily over the period, from MNT6.2 billion in 2016 to MNT13.9 billion in 2020. This illustrates that citizens providing constant care for children with disabilities are being given increasing financial assistance.

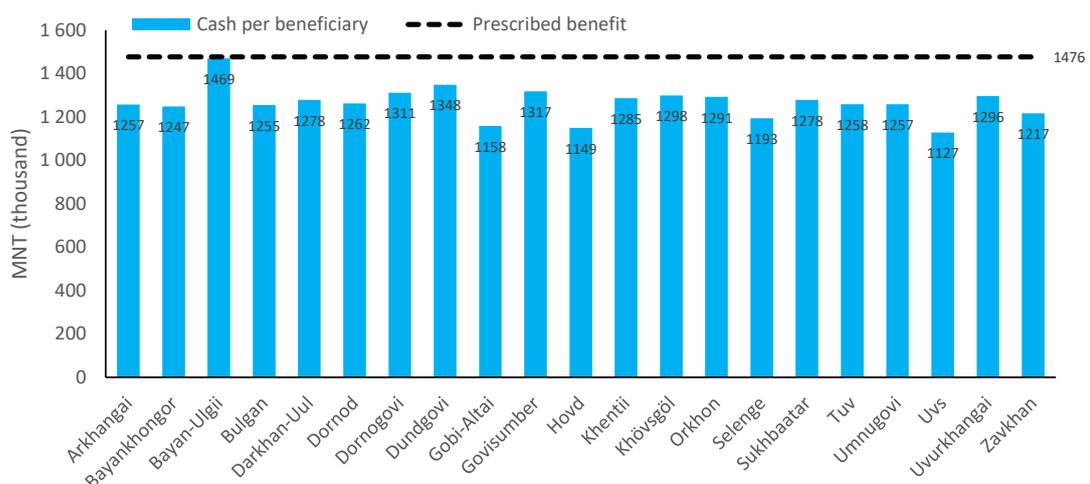
**Figure 60** Expenditure and beneficiaries



Source: MLSP, 2021

Figure 61 below presents annual average expenditure per beneficiary in 2020 for Article 13.2.4 compared to the prescribed benefit. None of the aimags spent more per beneficiary than the prescribed benefit on average, with only Bayan-Ulgii getting close to the prescribed benefit. In fact, almost all aimags spent, on average, similar amounts per beneficiary. This consistency suggests that there was likely a high number of beneficiaries during the course of the year. The total beneficiary numbers presented as part of the budget outcomes should be interpreted as such, with a portion of these beneficiaries not receiving support for the whole year.

**Figure 61** Cash per beneficiary vs prescribed benefit, by aimag, in 2020



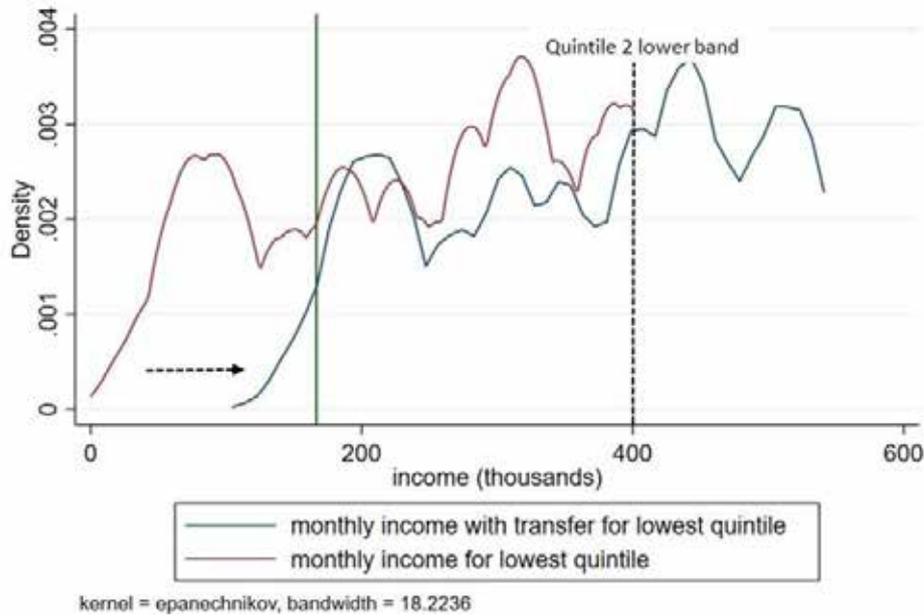
Source: MLSP, 2021

Figure 62 below shows the distribution of monthly income for the lowest income quintile and what that distribution looks like with the addition of this transfer (MNT123 000 per month). The green line is the Mongolian poverty line, which is MNT166 580.

As can be seen, while 87.45% of recipients in the lowest income quintile can expect to have their incomes

raised above the poverty line, not all recipients will be lifted out of poverty despite the presence of the transfer.

**Figure 62** Impact of transfer on income distribution for lowest income quintile

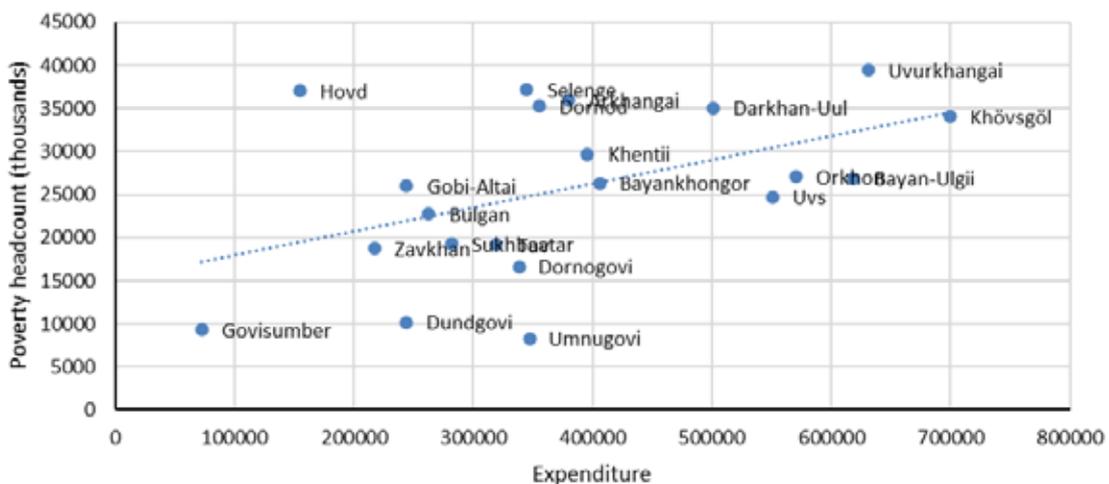


Source: Own calculations from Mongolia Labour Force Survey 2020

Note: weights have been applied and were provided by the Mongolian Statistical Service

To evaluate the equity of this SWS, Figure 63 below compares total expenditure on the article by each aimag in 2020 to their respective poverty headcounts from 2018. The results from the analysis demonstrate a positive relationship between the poverty headcount and expenditure for this article. Importantly, all aimags reported significant expenditure for this article, with the lowest being Govisumber. Unfortunately, the next lowest was Hovd, which has one of the highest poverty headcounts. In general, though, the highest expenditure levels were in the aimags with the highest poverty headcounts, such as Uvurkhangai and Khovsgol.

**Figure 63** Total expenditure vs poverty headcount, by aimag, in 2020

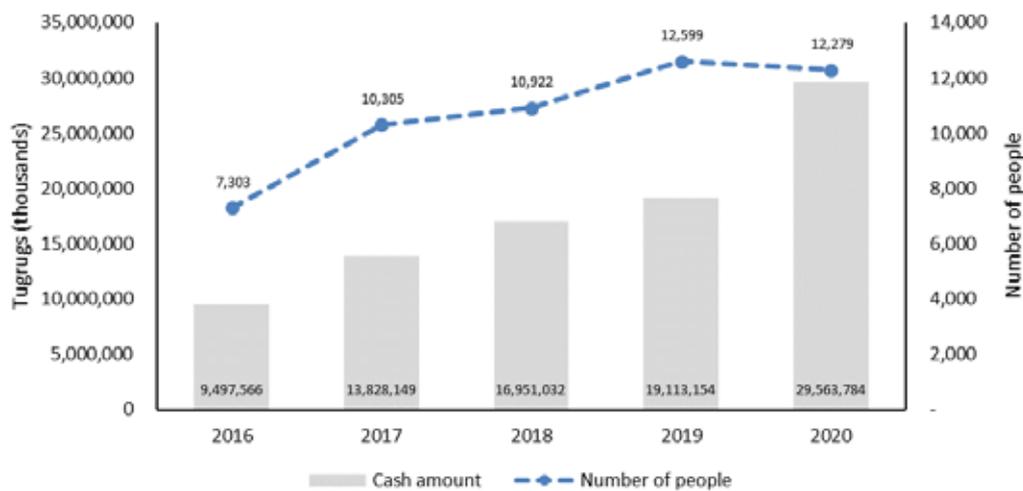


Source: MLSP, 2021

### 3.1.6 Allowance for a child under 16 years of age in need of permanent care

Article 13.5.6 in the Law on Social Welfare provides a monthly allowance for a child under 16 years of age in need of permanent care. The monthly value of this transfer was MNT188 000, rising to MNT288 000 in April 2020 due to the government's Covid-19 response measures. Figure 64 below shows consistent growth in the number of beneficiaries between 2016 to 2019, falling slightly in 2020 to 12 279 recipients. The value of the expenditure similarly increased over the period from 2016 to 2019, reaching MNT19.1 billion. The significant increase to MNT29.6 billion in 2020 is explained by the COVID-19 response measures. Overall, this trend shows consistently growing financial support for children in need of permanent care.

**Figure 64** Expenditure and beneficiaries

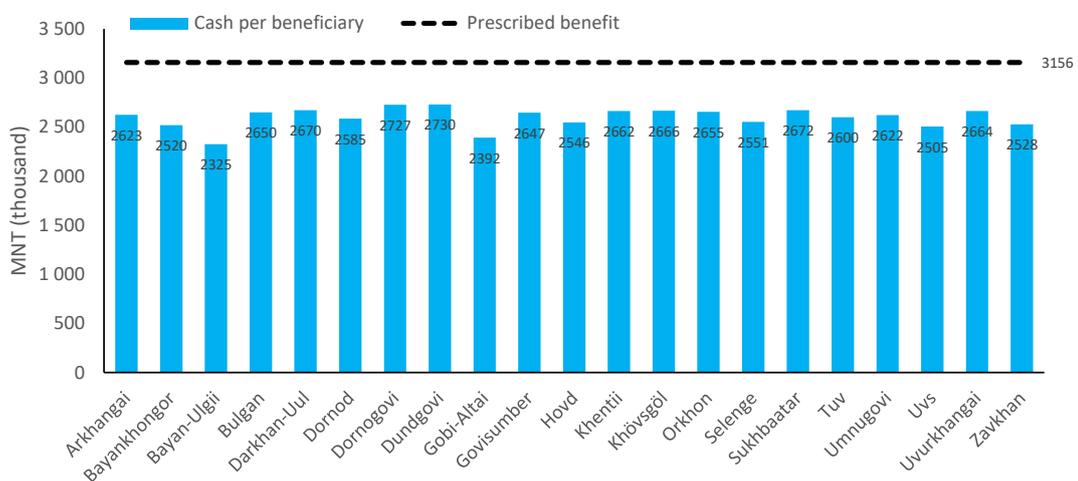


Source: MLSP, 2021

Figure 65 below presents annual average expenditure per beneficiary in 2020 for Article 13.5.6 compared to the prescribed benefit. The revised value of the benefit works at MNT3.2 million for 2020, given that the increase was applied from April.

None of the aimags spent, on average, above, or even close to, the prescribed benefit. Despite this, there is a high level of consistency in the average expenditure per beneficiary across the aimags. The fact that the average expenditure is below the prescribed benefit for all aimags likely reflects the fact that many beneficiaries were added during the year, and therefore did not receive support for the whole year.

**Figure 65** Cash per beneficiary vs prescribed benefit, by aimag, in 2020

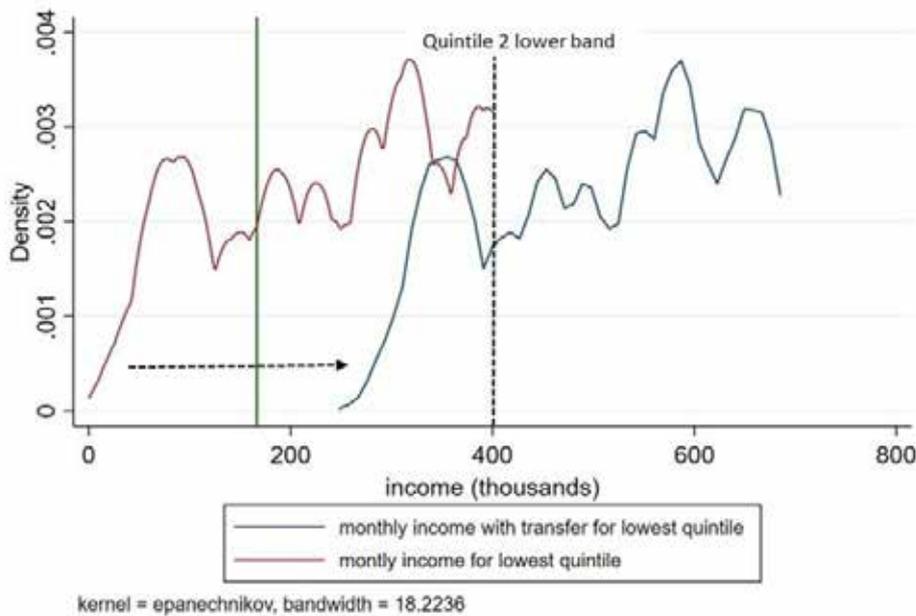


Source: MLSP, 2021

Figure 66 below shows the distribution of monthly income for the lowest income quintile and what that distribution looks like with the addition of this transfer (MNT266 666.67 per month). The green line is the Mongolian poverty line, which is MNT166 580.

As can be seen, any recipient of this transfer who is in the lowest income quintile will be lifted above the poverty line. In addition, the top 70% would move into the next income quintile.

**Figure 66** Impact of transfer on income distribution for lowest income quintile



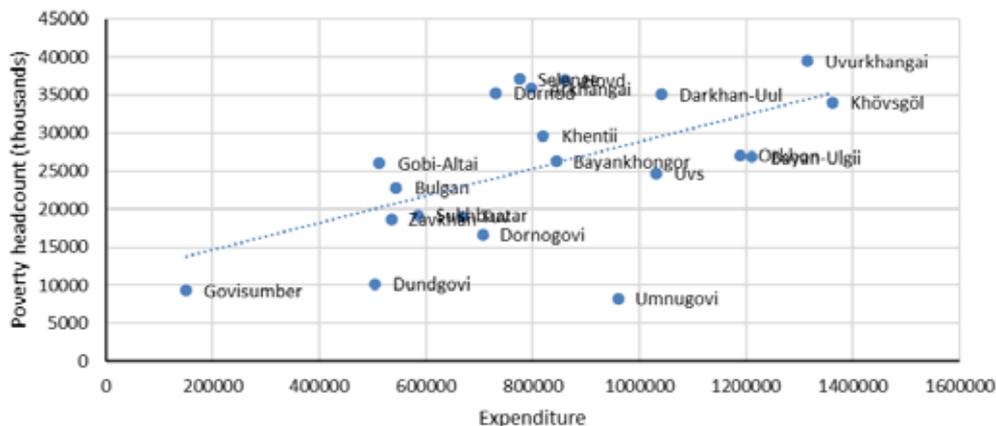
Source: Own calculations from Mongolia Labour Force Survey 2020

Note: weights have been applied and were provided by the Mongolian Statistical Service

To evaluate the equity of this SWS, Figure 67 below compares the total expenditure on the article by each aimag in 2020 to their respective poverty headcounts from 2018.

The graph shows a positive relationship between the poverty headcount and expenditure for this article. It is interesting to note the markedly higher expenditures in Dundgovi and Umnugovi compared to Govisumber, which have similar poverty headcounts. On the other end of the spectrum, the highest expenditures are in Khovsgol and Uvurkhangai, which have relatively high poverty headcounts.

**Figure 67** Total expenditure vs poverty headcount, by aimag, in 2020

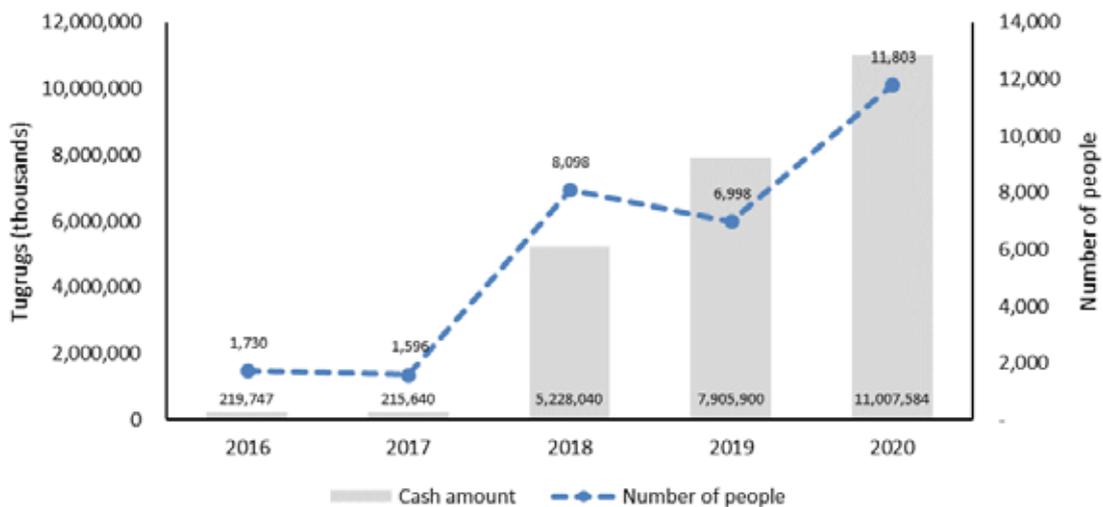


Source: MLSP, 2021

### 3.1.7 Benefit for single parents with three or more children under 18 years of age

Article 13.5.8 in the Law on Social Welfare provides a monthly benefit for single parents with three or more children under 18 years of age. This article was moved from this Law in 2020 to sit under the Law on Allowances for Single Mothers and Fathers with Many Children. Figure 68 below shows the growth, albeit sporadic, in the number of beneficiaries of this SWS from 2016 to 2020. There was a step change in the access, and thereby expenditure on this article in 2018, when the number of beneficiaries increased to approximately 5 times the 2017 level. And then, despite the number of beneficiaries falling in 2019 from 2018, expenditure still increased significantly. This trend reveals growing financial support for single parents raising multiple children.

Figure 68 Expenditure and beneficiaries

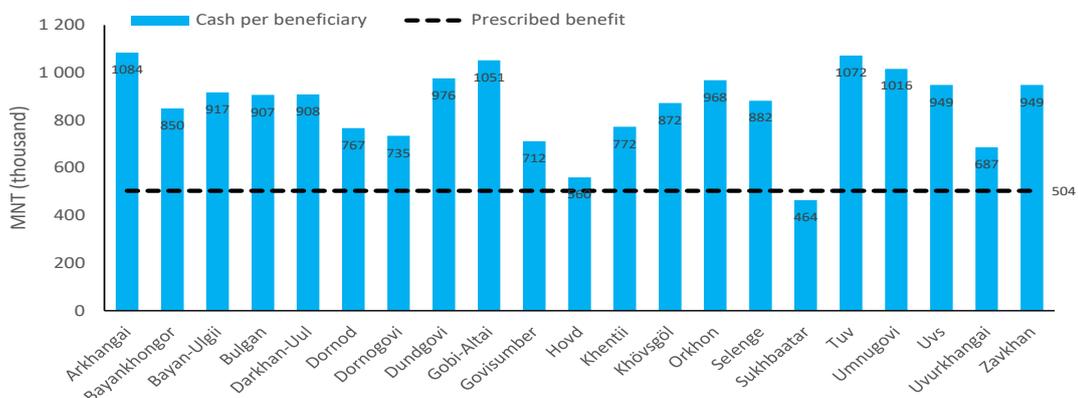


Source: MLSP, 2021

Figure 69 below presents annual average expenditure per beneficiary in 2020 for Article 13.5.8 compared to the prescribed benefit. The value of the benefit was MNT42 000 per month in 2020.

The outcomes reveal an interesting picture, with most aimags spending significantly more than the prescribed benefit. In fact, the only aimag to spend less than the prescribed benefit was Sukhbaatar. Given the consistency in this trend, the likely conclusion is that the aimags have used other sources boost the value of these benefits, thereby providing more relief to the affected households.

Figure 69 Cash per beneficiary vs prescribed benefit, by aimag, in 2020

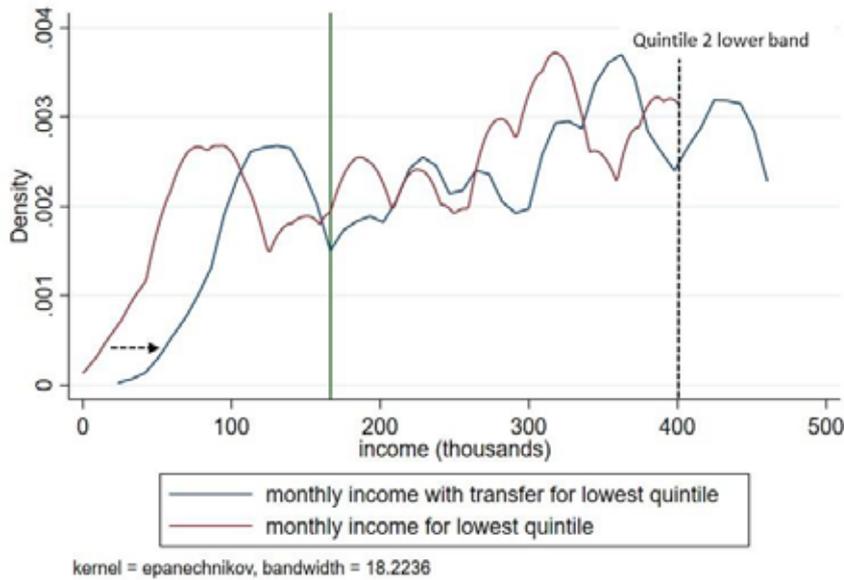


Source: MLSP, 2021

Figure 70 below shows the distribution of monthly income for the lowest income quintile and what that distribution looks like with the addition of this transfer (MNT42 000 per month). The green line is the Mongolian poverty line, which is MNT166 580.

The value of this transfer is not sufficient to raise the income of any recipient in the lowest income quintile above the poverty line. Indeed, 20.64% remain below the poverty line even with the addition of the transfer to their monthly income.

**Figure 70** Impact of transfer on income distribution for lowest income quintile



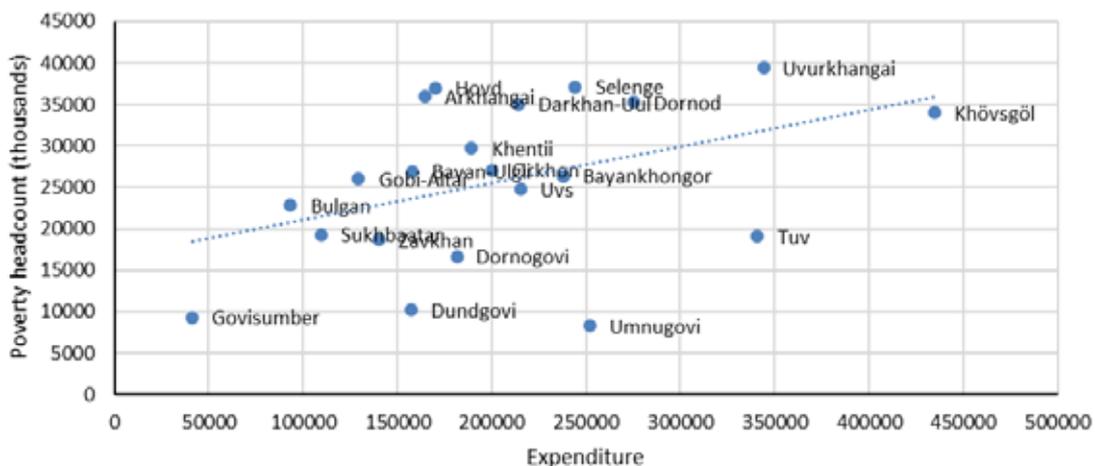
Source: Own calculations from Mongolia Labour Force Survey 2020

Note: weights have been applied and are provided by the Mongolian Statistical Service.

To evaluate the equity of this SWS, Figure 71 below compares the total expenditure on the article by each aimag in 2020 with their respective poverty headcounts from 2018.

The graph shows a positive relationship between the poverty headcount and expenditure for this article. Again, there are much higher expenditures in Dundgovi and Umnugovi compared to Govisumber, which have similar poverty headcounts. At the other end of the spectrum, the highest expenditures are in Khovsgol and Uvurkhangai, which have relatively high poverty headcounts.

**Figure 71** Total expenditure vs poverty headcount, by aimag, in 2020

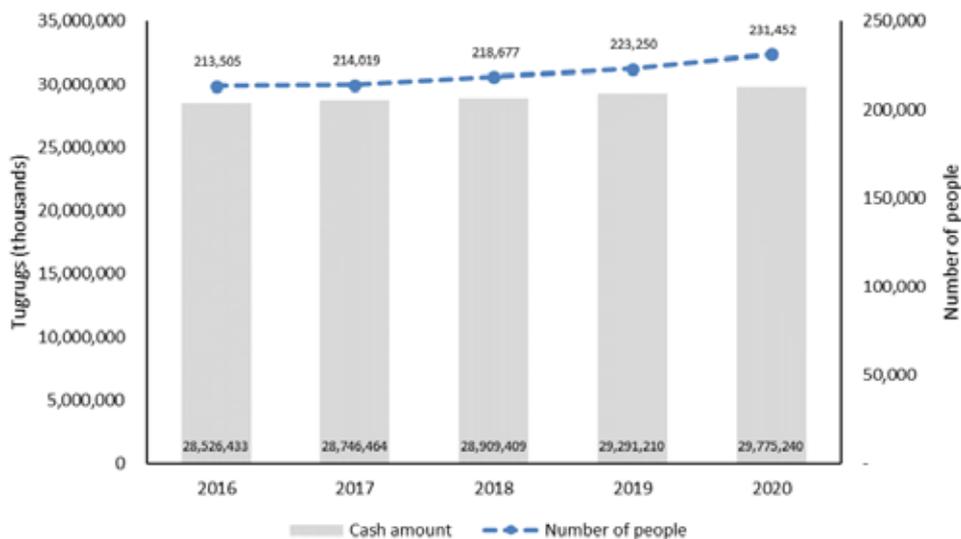


Source: MLSP, 2021

### 3.1.8 Annual cash benefits for honoured mothers

Article 13.5.9 in the Law on Social Welfare provides annual cash benefits for honoured mothers. The value of this transfer was MNT100 000 and MNT200 000 in 2020. As shown in Figure 72 below, the number of beneficiaries grew steadily over the period, increasing from 213 505 recipients in 2016 to 231 452 recipients in 2020. In line with this growth in recipient numbers, expenditure rose over the period, from MNT28.5 billion in 2016 to MNT29.8 billion in 2020. This situation indicates that a constant and growing level of financial support for the honoured mothers.

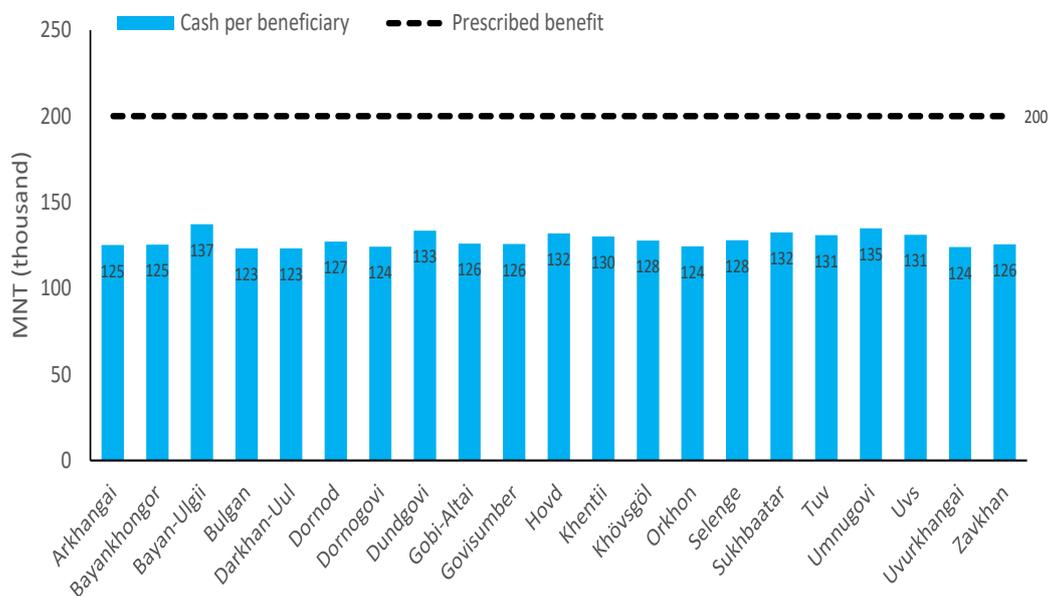
**Figure 72** Expenditure and beneficiaries



Source: MLSP, 2021

Figure 73 below presents annual average expenditure per beneficiary in 2020 for Article 13.5.9 compared to the prescribed benefit. The value of the benefit was between MNT100 000 and MNT200 000 in 2020. There is clear consistency across the aimags, with all of them spending an average of MNT128 000 per beneficiary, which is above the prescribed lower bound of MNT100 000.

**Figure 73** Cash per beneficiary vs prescribed benefit, by aimag, in 2020

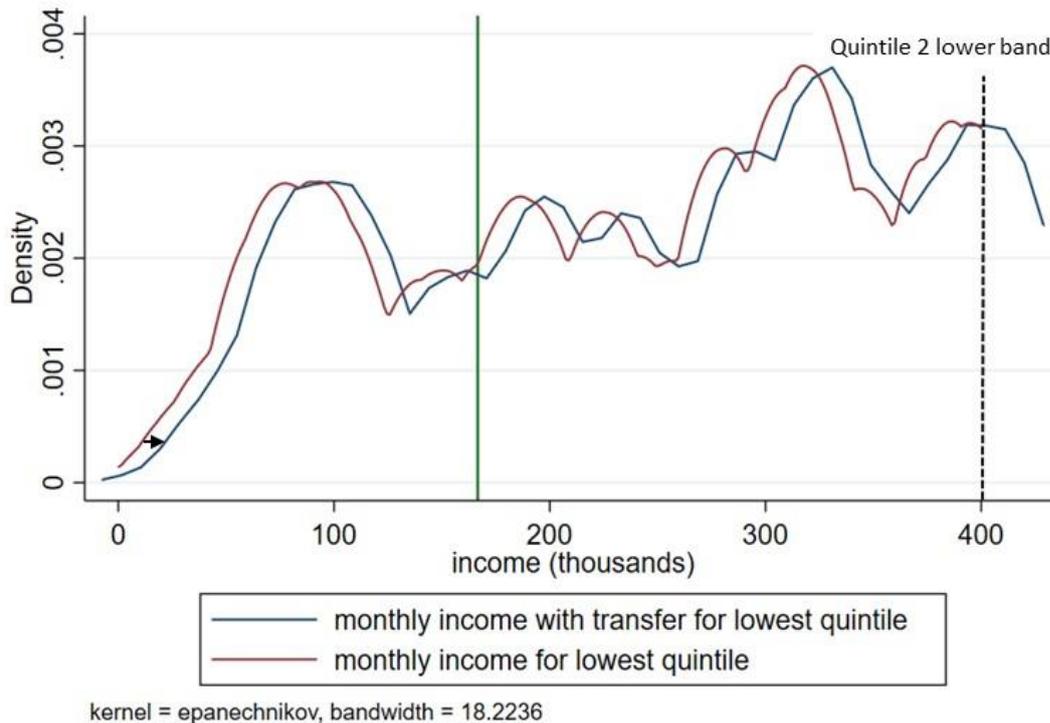


Source: MLSP, 2021

Figure 74 below shows the distribution of monthly income for the lowest income quintile, and what that distribution looks like with the addition of this transfer (MNT10 720.40 per month). The green line is the Mongolian poverty line, which is MNT166 580.

It is clear that there is no guarantee that recipients of this transfer in the lowest income quintile will move out of poverty, as 98.75% of those below the poverty line remain below the poverty line after the addition of the transfer.

**Figure 74** Impact of transfer on income distribution for lowest income quintile



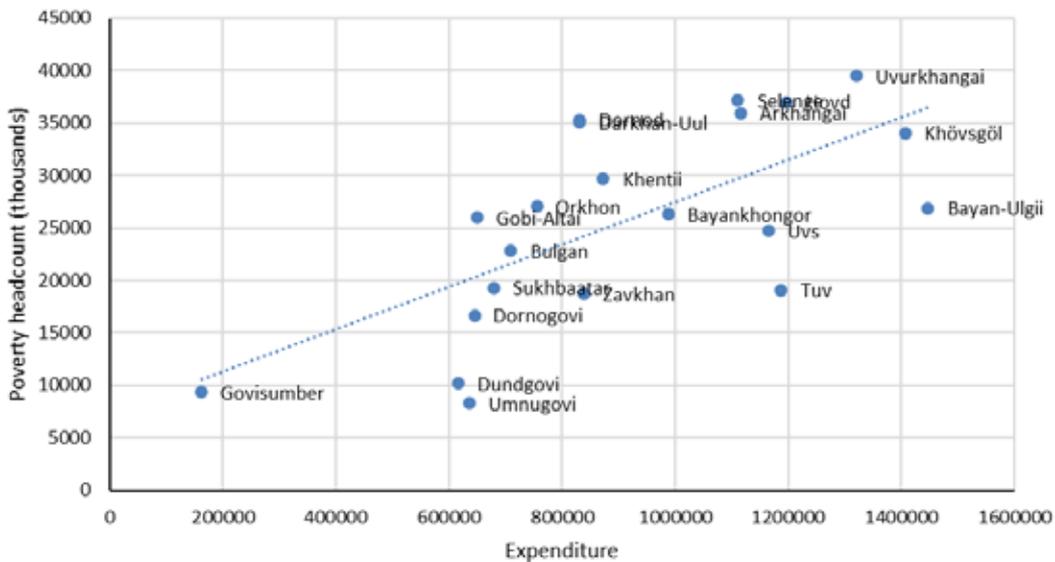
Source: Own calculations from Mongolia Labour Force Survey 2020

Note: weights have been applied and are provided by the Mongolian Statistical Service

To evaluate the equity of this SWS, Figure 75 below compares total expenditure on the article by each aimag in 2020 with their respective poverty headcounts from 2018.

The graph indicates a positive relationship between poverty headcount and expenditure for this article. As with several of the other articles, Dundgovi and Umnugovi have relatively high expenditure compared to Govisumber. In fact, Govisumber appears to be an outlier in this dataset, spending proportionally much less than the other aimags.

**Figure 75** Total expenditure vs poverty headcount, by aimag, in 2020



Source: MLSP, 2021

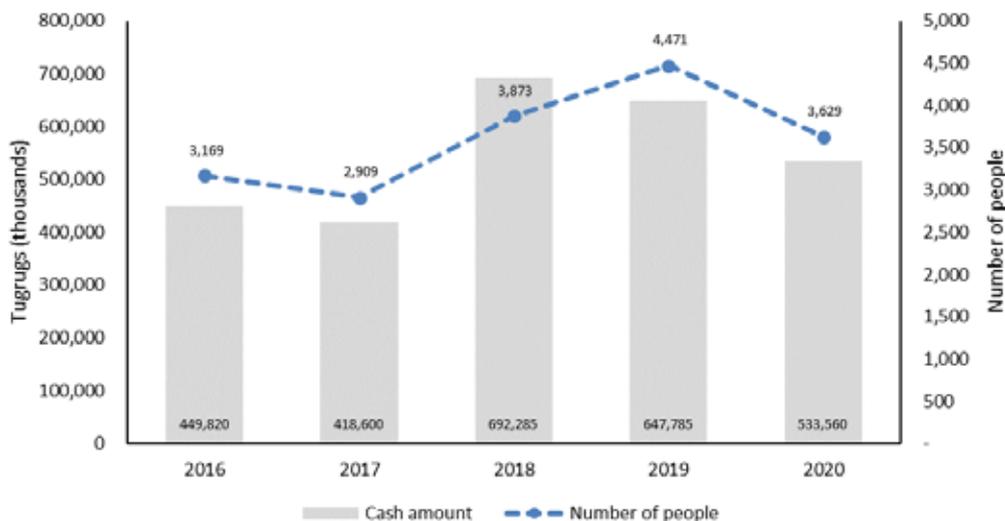
## 3.2 LAW ON SOCIAL SECURITY FOR DISABLED PEOPLE

### 3.2.1 Provide financial assistance once a year to pay for housing for a completely deaf and hard of hearing child, and to purchase fuel if you live in an unheated apartment or ger

Article 5.1.1 in the Law on Social Security of Disabled People provides financial assistance once a year to pay for housing for a completely deaf and hard-of-hearing child, and to purchase fuel if you live in an unheated apartment or ger. The value of this transfer was MNT140 000 in 2020.

Figure 76 below illustrates that the number of beneficiaries of this SWS has been variable over the period, but increased overall from 3 169 children in 2016 to 3 629 children in 2020. For the most part, the level of expenditure followed the recipient numbers, rising from MNT450.0 million in 2016 to MNT533.6 million in 2020. This demonstrates an increase in the level of financial support for children with hearing difficulties.

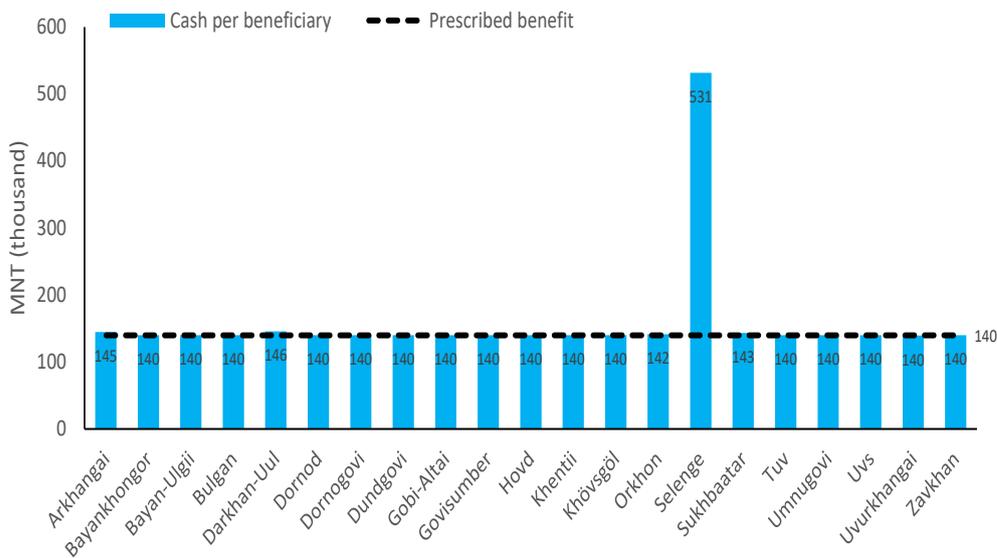
**Figure 76** Expenditure and beneficiaries



Source: MLSP, 2021

Figure 77 below presents annual average expenditure per beneficiary in 2020 for Article 5.1.1 compared to the prescribed benefit. The findings reveal that most of the aimags spent almost exactly the prescribed benefit, with slight overspending by Arkhangai, Darkhan-Uul, Orkhon, and Sukhbaatar. However, most worrying is the expenditure reported by Selenge, which is out of line with the other aimags and significantly above the prescribed benefit.

**Figure 77** Cash per beneficiary vs prescribed benefit, by aimag, in 2020

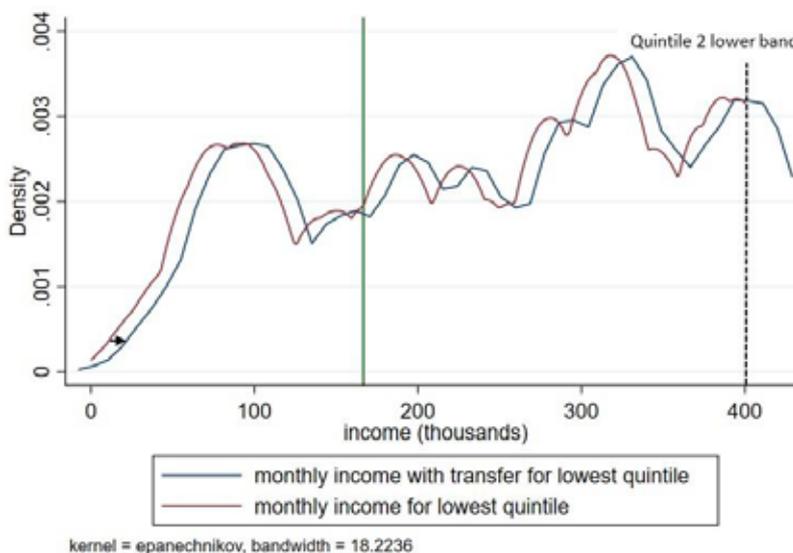


Source: MLSP, 2021

Figure 78 below shows the distribution of monthly income for the lowest income quintile and what that distribution looks like with the addition of this transfer (MNT11 666.67 per month). The green line is the Mongolian poverty line, which is MNT166 580.

This transfer has negligible impact on the status of any recipient in the lowest income quintile, with only less than 1% of those below the poverty line able to move out of poverty – but only just – with the addition of this transfer to their income.

**Figure 78** Impact of transfer on income distribution for lowest income quintile

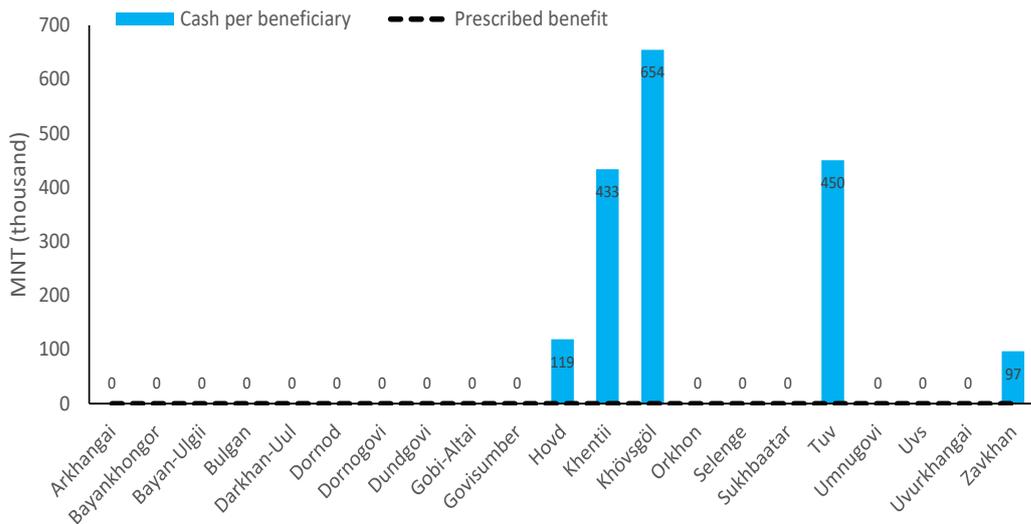


Source: Own calculations from Mongolia Labour Force Survey 2020



Figure 81 below presents annual average expenditure per beneficiary in 2020 for Article 5.1.2. There is no prescribed benefit level for this article, as it is demand-specific. Interesting to note is that many aimags spent nothing against this article, which suggests suppressed demand in those aimags – and even in the aimags with expenditure data – as it is only logical that some children are in need of this SWS. For those aimags that did register expenditure, the outcomes are varied, with average expenditure per beneficiary ranging from MNT97 000 in Zavkhan to MNT654 000 in Khovsgol.

**Figure 81** Cash per beneficiary, by aimag, in 2020

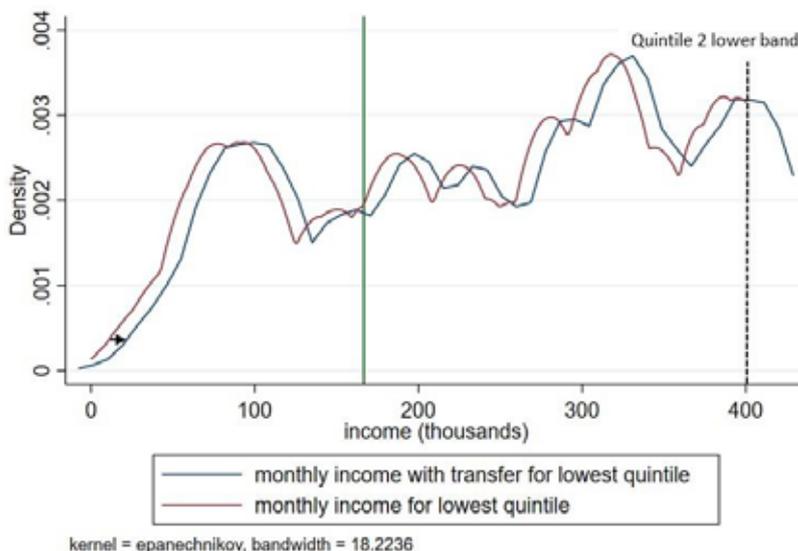


Source: MLSP, 2021

Figure 82 below shows the distribution of monthly income for the lowest income quintile and what that distribution looks like with the addition of this transfer (MNT11 318.24 per month). The green line is the Mongolian poverty line, which is MNT166 580.

This transfer has negligible impact on the status of any recipient in the lowest income quintile, with only less than 1% of those below the poverty line able to move out of poverty – but only just – with the addition of this transfer to their income.

**Figure 82** Impact of transfer on income distribution for lowest income quintile

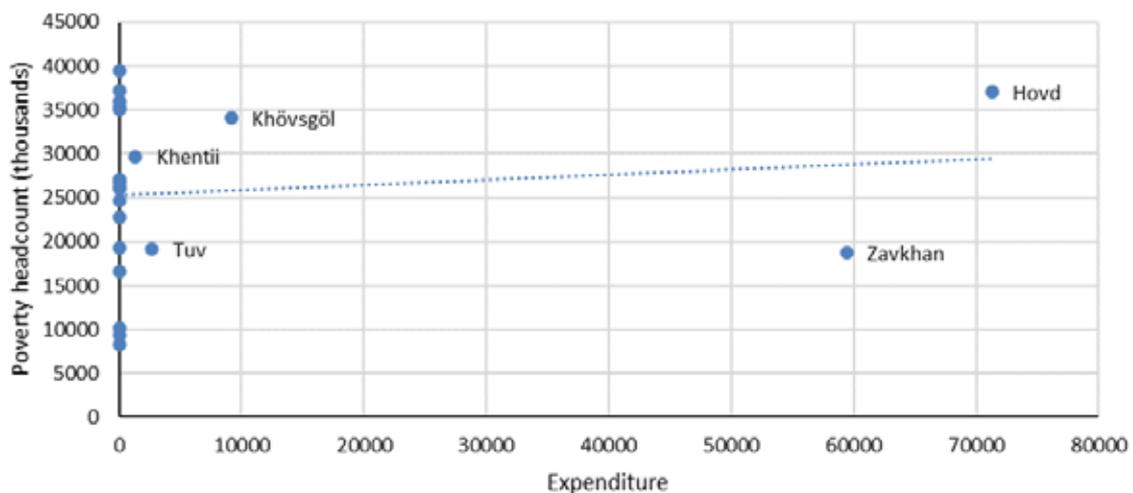


Source: Own calculations from Mongolia Labour Force Survey 2020

Note: weights have been applied and are provided by the Mongolian Statistical Service

To evaluate the equity of this SWS, Figure 83 below compares total expenditure on the article by each aimag in 2020 with their respective poverty headcounts from 2018. Given that many of the aimags did not register expenditure for this article, it is difficult to identify any trend. What can be seen is a positive relationship between poverty headcount and expenditure for this article. The expenditure outcomes were particularly good for Zavkhan and Hovd, which spent the most on this article, and significantly more than the other aimags.

**Figure 83** Total expenditure vs poverty headcount, by aimag, in 2020



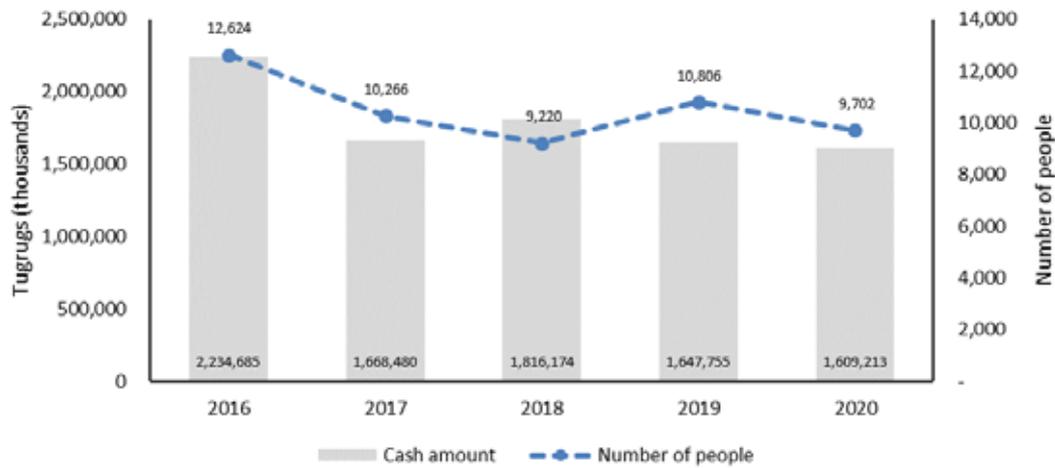
Source: MLSP, 2021

### 3.2.3 Reimburse 100% of the cost of special equipment such as orthopaedics and wheelchairs made and purchased domestically for children with disabilities under the age of 18, as well as for persons with disabilities who are not entitled to benefits from the Industrial Accident and Occupational Disease Insurance Fund

Article 5.1.4 in the Law on Social Security of Disabled People reimburses 100% of the cost of special equipment such as orthopaedics and wheelchairs made and purchased domestically for children with disabilities under the age of 18, as well as for persons with disabilities who are not entitled to benefits from the Industrial Accident and Occupational Disease Insurance Fund. Again, the value of this transfer is variable and follows the published list and standard price of prosthetics, orthopaedics, and special equipment provided by the Social Welfare Fund.

Figure 84 below shows a decline in the number of beneficiaries, from 12 624 children in 2016 to 9 702 children in 2020. As noted, annual expenditure depends on the specific needs in that year. The expenditure was at its highest in 2016 at MNT2.2 billion, and at its lowest in 2020, at MNT1.6 billion.

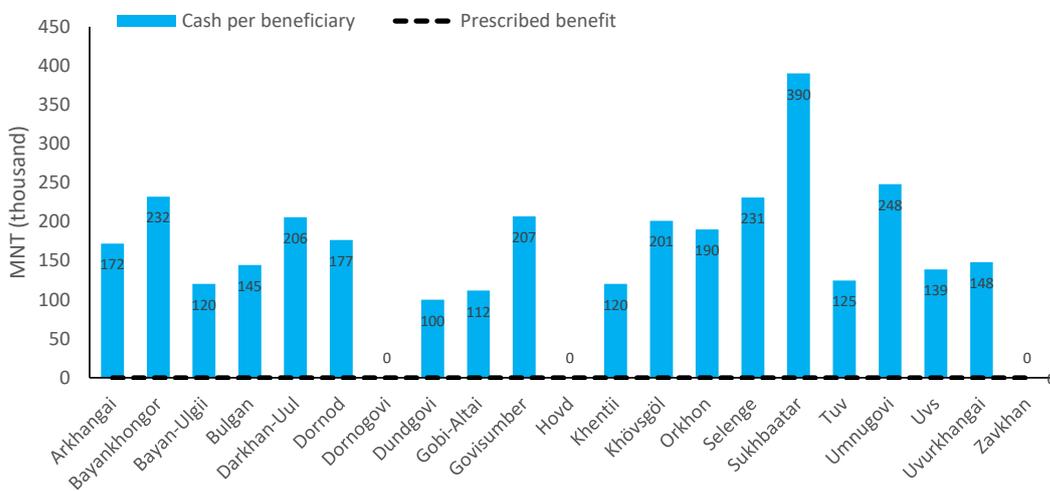
**Figure 84** Expenditure and beneficiaries



Source: MLSP, 2021

Figure 85 below presents annual average expenditure per beneficiary in 2020 for Article 5.1.4. There is no prescribed benefit level for this article since it is demand-specific. It is positive to note that, compared to Article 5.1.2, all aimags registered expenditure against this article, with the exception of Dornogovi, Hovd and Zavkhan. This likely suggests suppressed demand within these aimags. For those aimags that did register expenditure, the outcomes are varied, with average expenditure per beneficiary ranging from MNT100 000 in Dundgovi to MNT390 000 in Sukhbaatar.

**Figure 85** Cash per beneficiary, by aimag, in 2020

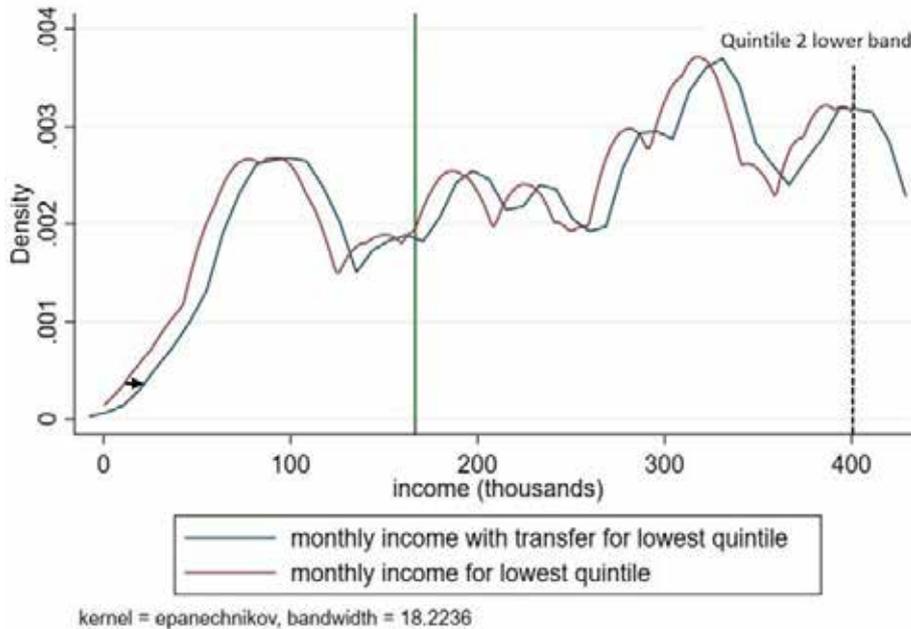


Source: MLSP, 2021

Figure 86 below shows the distribution of monthly income for the lowest income quintile and what that distribution looks like with the addition of this transfer (MNT13 822 per month). The green line is the Mongolian poverty line, which is MNT166 580. Since there isn't a consistent value for this transfer, the total annual expenditure on the transfer for 2020 (MNT1.6 billion) was divided by the number of individuals/households that received this transfer. Then this amount was divided by 12 to produce a monthly value.

This transfer has negligible impact on the status of any recipient in the lowest income quintile, with only less than 1% of those below the poverty line able to move out of poverty – but only just – with the addition of this transfer to their income.

**Figure 86** Impact of transfer on income distribution for lowest income quintile

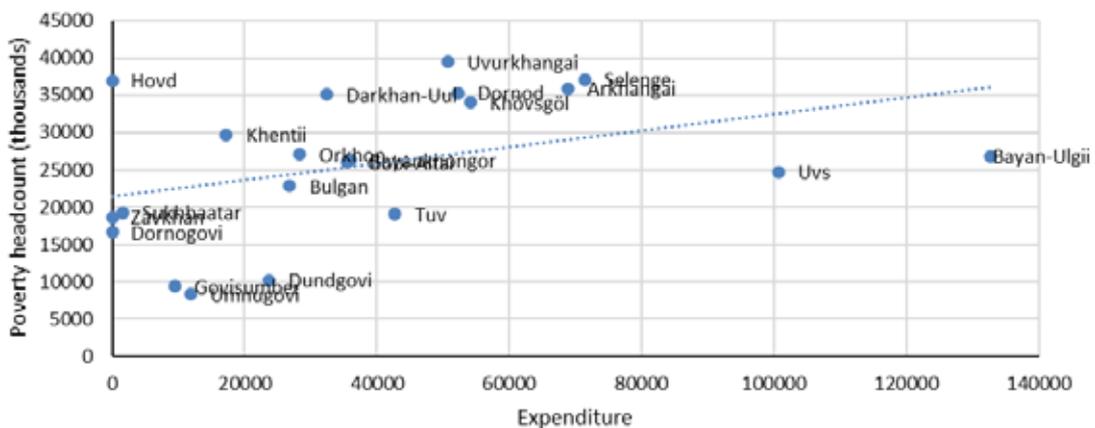


Source: Own calculations from Mongolia Labour Force Survey 2020.

Note: weights have been applied and are provided by the Mongolian Statistical Service.

To evaluate the equity of this SWS, Figure 87 below compares total expenditure on the article by each aimag in 2020 with their respective poverty headcounts from 2018. There is a positive relationship between the poverty headcount and expenditure against this article. Again, a few aimags recorded no spending on this Article. For those that did, the most equitable outcomes were in Uvs and Bayan-Ulgii, which spent significantly more than other aimags with similar poverty headcounts.

**Figure 87** Total expenditure vs poverty headcount, by aimag, in 2020



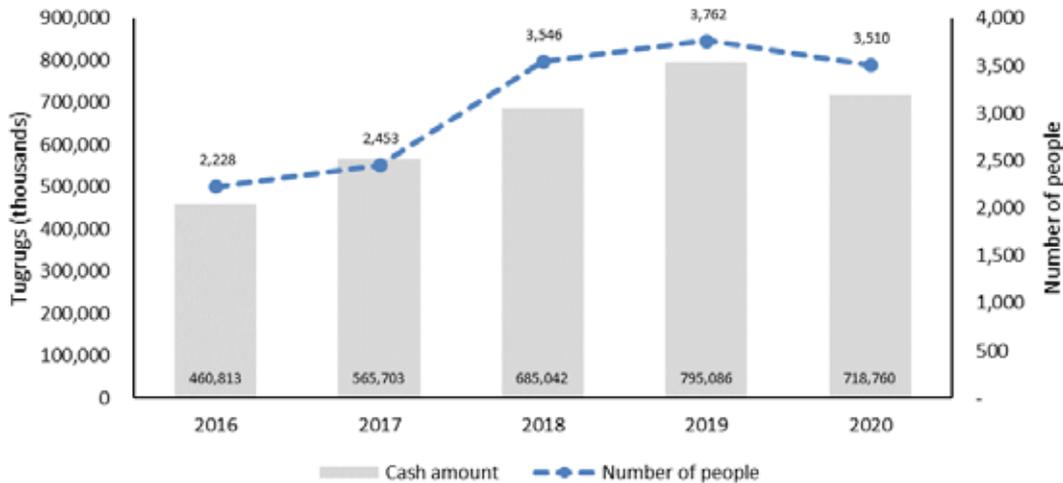
Source: MLSP, 2021

### 3.2.4 Discounts on transportation to and from kindergarten for children with disabilities and their guardians once a year, or bus service

Article 5.1.5 in the Law on Social Security of Disabled People provides discounts on transportation to and from kindergarten for children with disabilities and their guardians once a year, or bus service. The value of this transfer was MNT200 000 in 2020. Figure 88 below illustrates that the number of beneficiaries of this SWS has grown over the period, increasing from 2 238 in 2016 to 3 762 in 2019, before dipping to

3 510 in 2020. Given the value of these transfers, the expenditure on this SWS has tracked the recipient numbers and grown from MNT460.8 million in 2016 to MNT718.8 million in 2020. Overall, there has been steady growth in this SWS for children over the period.

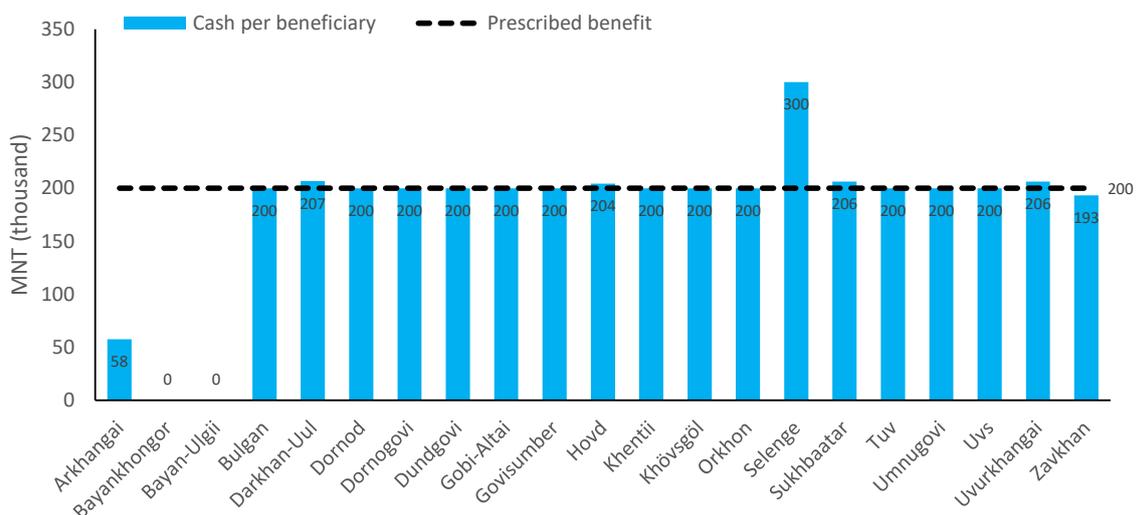
**Figure 88** Expenditure and beneficiaries



Source: MLSP, 2021

Figure 89 below presents annual average expenditure per beneficiary in 2020 for Article 5.1.5 compared to the prescribed benefit. As is clear, most of the aimags' spending was in line with the prescribed benefit. However, there was a very low level of average expenditure in Arkhangai, and none in Bayankhongor and Bayan-Ulgii. Moreover, there was significantly higher than average spending, and higher than the prescribed benefit itself, in Selenge. This outcome in Selenge mirrors the findings for Article 5.1.1.

**Figure 89** Cash per beneficiary vs prescribed benefit, by aimag, in 2020

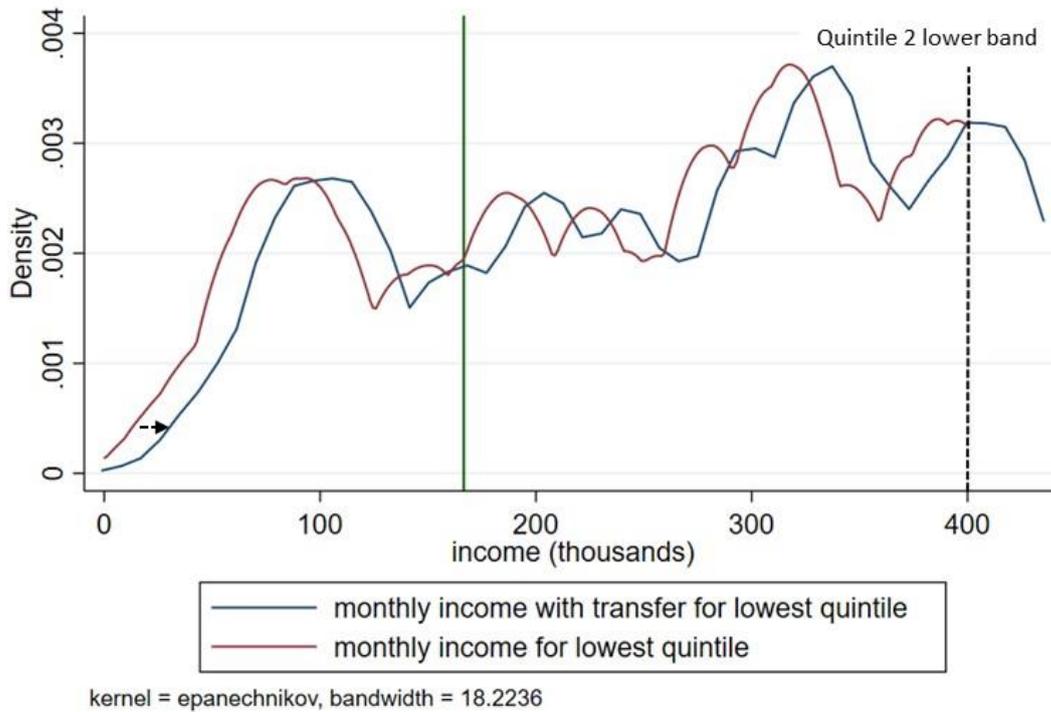


Source: MLSP, 2021

Figure 90 below shows the distribution of monthly income for the lowest income quintile and what that distribution looks like with the addition of this transfer (MNT17 064.58 per month). The green line is the Mongolian poverty line, which is MNT166 580. Since there isn't a consistent value for this transfer, the total annual expenditure on the transfer for 2020 (MNT718 million) was divided by the number of individuals/households that received this transfer. This amount was then divided by 12 to produce a monthly value.

This transfer has negligible impact on the status of any recipient in the lowest income quintile, with about 2% of those below the poverty line able to move out of poverty – but only just – with the addition of this transfer to their income.

**Figure 90** Impact of transfer on income distribution for lowest income quintile

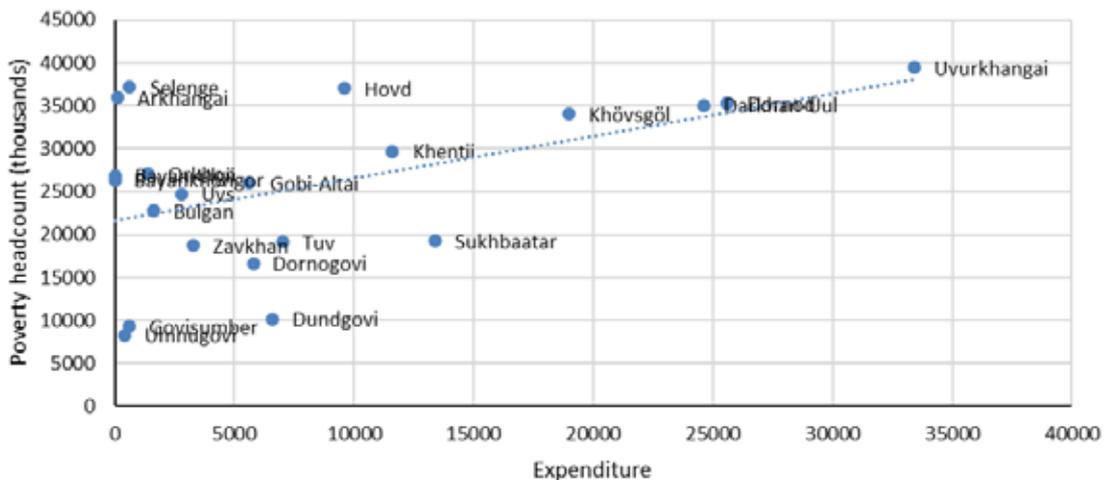


Source: Own calculations from Mongolia Labour Force Survey 2020

Note: weights have been applied and are provided by the Mongolian Statistical Service.

To evaluate the equity of this SWS, Figure 91 below compares total expenditure on the article by each aimag in 2020 with their respective poverty headcounts from 2018. The results indicate a positive relationship between the poverty headcount and expenditure against this article. Arkhangai had low expenditure, and Bayankhongor and Bayan-Ulgii failed to record any expenditure against this article. The highest expenditure was in Uvurkhangai, which also has the highest poverty headcount.

**Figure 91** Total expenditure vs poverty headcount, by aimag, in 2020

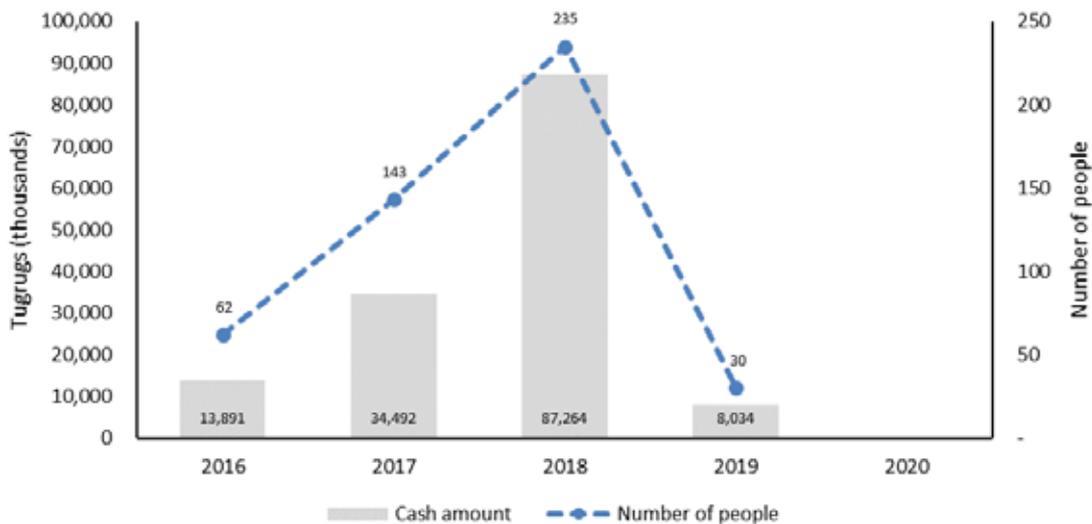


Source: MLSP, 2021

### 3.2.5 Discounts on kindergarten meals for children with disabilities and disabled people

Article 5.1.7 in the Law on Social Security of Disabled People provides discounts on kindergarten meals for children with disabilities and disabled people. The value of this transfer is variable and depends on the local tariff. Figure 92 below reveals that the number of beneficiaries of this SWS has been very low, growing from 62 children in 2016 to 235 children in 2018 before falling to just 30 children in 2019. Given these very low numbers of beneficiaries, expenditure on this SWS was relatively low, reaching a high of MNT87.3 million in 2018 and a low of MNT8.0 million in 2019. As such, this is a marginal, albeit critical, SWS.

Figure 92 Expenditure and beneficiaries

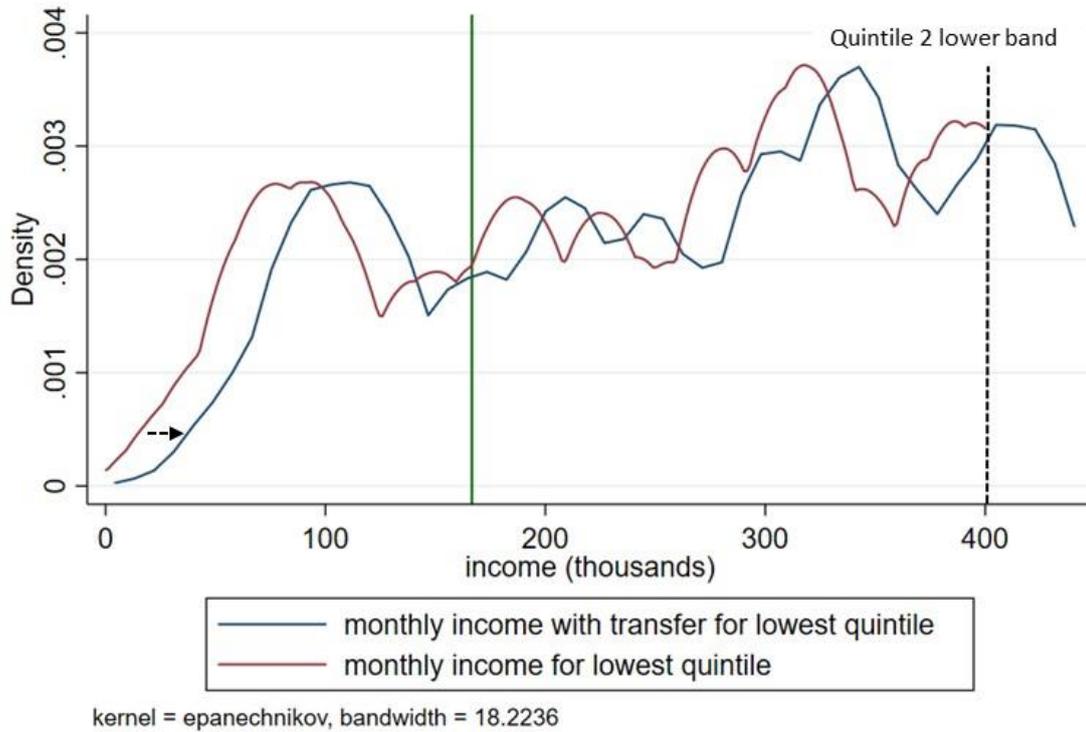


Source: MLSP, 2021

Figure 93 below shows the distribution of monthly income for the lowest income quintile, and what that distribution looks like with the addition of this transfer (MNT22 316.67 per month). The green line is the Mongolian poverty line, which is MNT166 580. The value of the transfer is based on 2019 data as the 2020 values were unavailable. Since this transfer is dependent on need, the value used for this graph is average monthly spending on the transfer per beneficiary. In order to calculate this, the total annual expenditure on the transfer for 2019 (MNT8 million) was divided by the number of individuals/households that received this transfer. This amount was then divided by 12 to produce a monthly value.

This transfer has negligible impact on the status of any recipient in the lowest income quintile, with only less than 1% of those below the poverty line able to move out of poverty – but only just – with the addition of this transfer to their income.

**Figure 93** Impact of transfer on income distribution for lowest income quintile



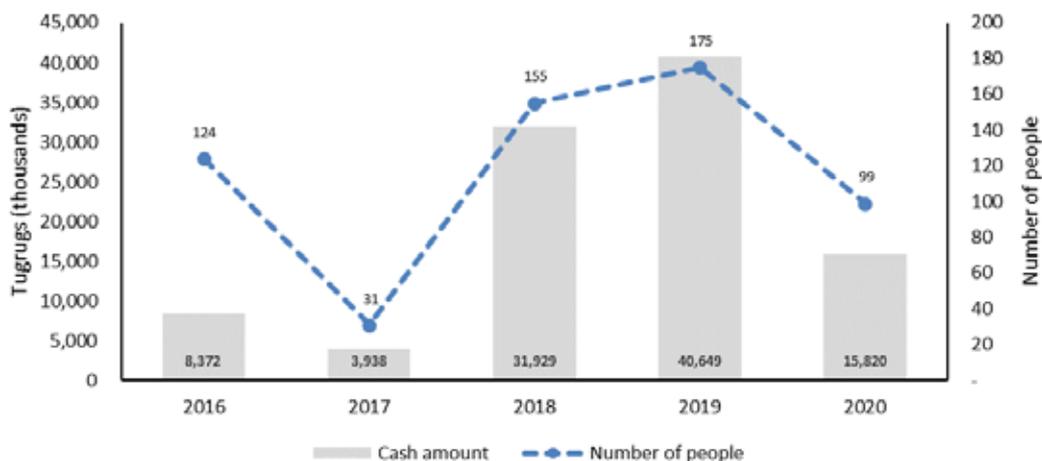
Source: Own calculations from Mongolia Labour Force Survey 2020

Note: weights have been applied and are provided by the Mongolian Statistical Service.

**3.2.6 If a child with a disability stays at a children’s camp, 50% of the voucher price will be paid once a year**

Article 5.1.12 in the Law on Social Security of Disabled People covers 50% of the voucher price once a year if a child with a disability stays at a children’s camp. The value of this transfer is variable and depends on the local tariff. Figure 94 below reveals that the number of beneficiaries of this SWS has been low and volatile, initially dropping from 124 children in 2016 to just 31 children in 2017, before rising to 175 children in 2019 and then dropping again to 99 children in 2020. In line with these low and volatile numbers, expenditure on this SWS grew from MNT8.4 million in 2016 to MNT15.8 million in 2020. This is another marginal SWS.

**Figure 94** Expenditure and beneficiaries

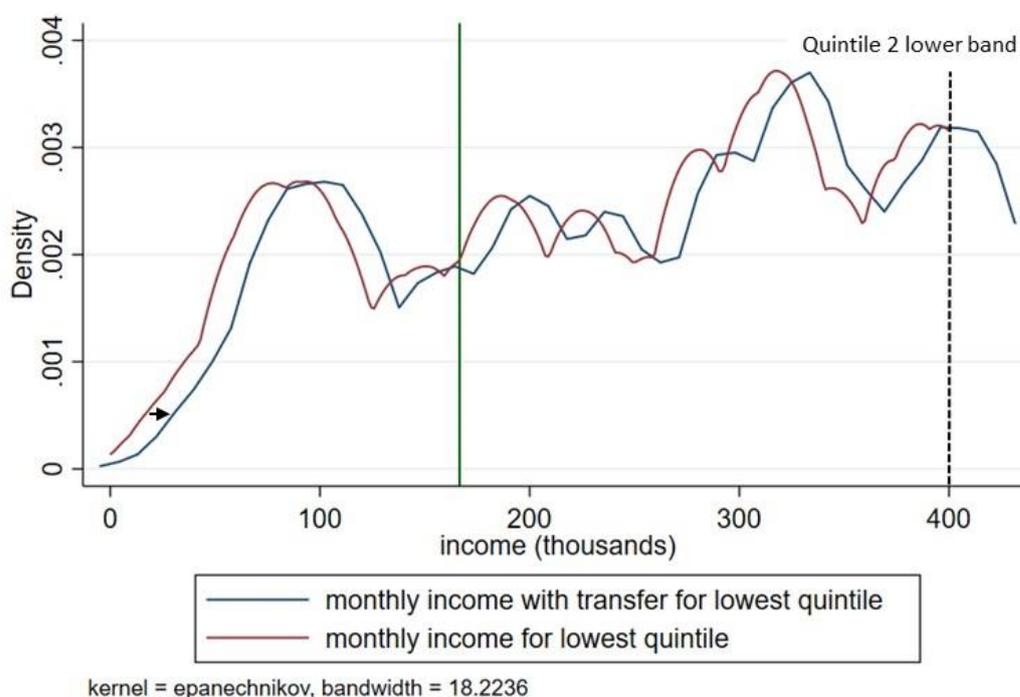


Source: MLSP, 2021

Figure 95 below shows the distribution of monthly income for the lowest income quintile and what that distribution looks like with the addition of this transfer (MNT13 316.50 per month). The green line is the Mongolian poverty line, which is MNT166 580. Since this transfer is dependent on demand, the monthly value of the transfer was calculated by taking the total annual expenditure on the transfer for 2020 (MNT15.8 million) and dividing it by the number of individuals/households that received this transfer. This amount was then divided by 12 to produce a monthly value.

This transfer has negligible impact on the status of any recipient in the lowest income quintile, with only less than 1% of those below the poverty line able to move out of poverty – but only just – with the addition of this transfer to their income.

**Figure 95** Impact of transfer on income distribution for lowest income quintile



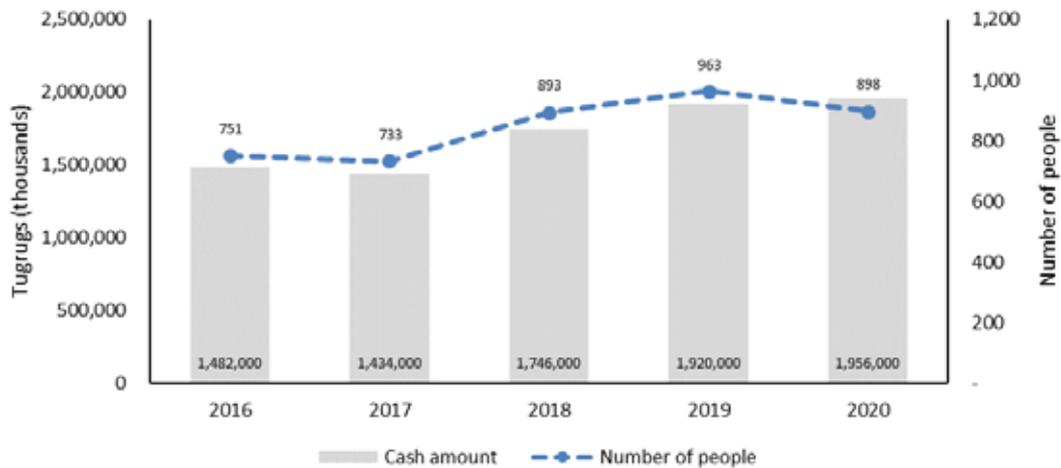
Source: Own calculations from Mongolia Labour Force Survey 2020

Note: weights have been applied and are provided by the Mongolian Statistical Service.

### 3.3 LAW ON ALLOWANCES FOR SINGLE MOTHERS AND FATHER WITH MANY CHILDREN

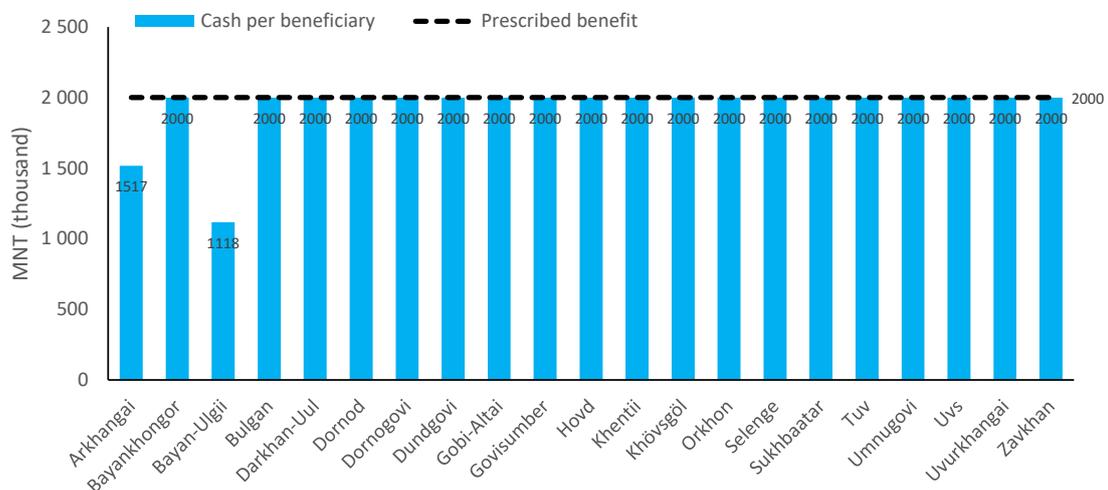
#### 3.3.1 A family or individual who is raising two or more twins alive

Article 13.5.5 in the Law on Social Welfare provides a monthly transfer to a family or individual who is raising two or more twins alive. This article was moved from this Law in 2020 to sit under the Law on Allowances for Single Mothers and Fathers with Many Children. The value of this transfer was MNT3 000 000 per child in 2020. As shown in Figure 96 below, the number of beneficiaries has been low, but has grown from 751 households/individuals in 2016 to 898 in 2020. In addition, the expenditure allocation has risen from MNT1.5 billion in 2016 to MNT2.0 billion in 2020. This reveals that citizens raising twins are being given increasing financial support.

**Figure 96** Expenditure and beneficiaries

Source: MLSP, 2021

Figure 97 below presents annual average expenditure per beneficiary in 2020 for Article 13.5.5 compared to the prescribed benefit. Overall, the outcomes are in line with the expectations, with all but two aimags' average spend per beneficiary in line with the prescribed benefit. Arkhangai and Bayan-Ulgii spent significantly less. In fact, the expenditure level in Bayan-Ulgii was approximately half the prescribed benefit. This signals problems with the allocation of this article in these two aimags, or an issue with the data and/or reporting processes.

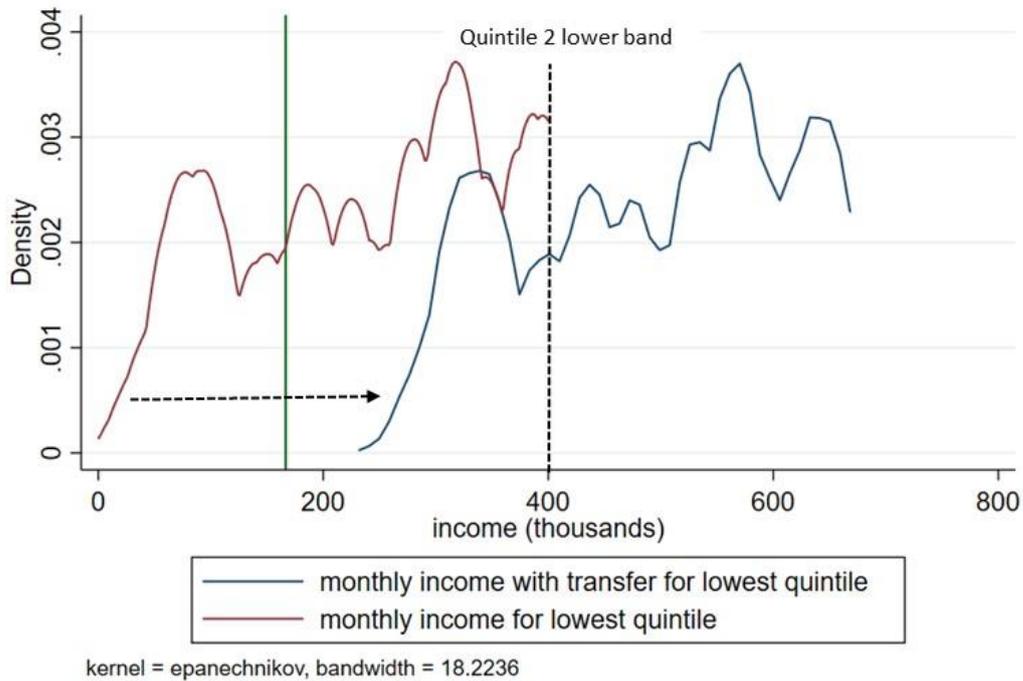
**Figure 97** Cash per beneficiary vs prescribed benefit, by aimag, in 2020

Source: MLSP, 2021

Figure 98 below shows the distribution of monthly income for the lowest income quintile and what that distribution looks like with the addition of this transfer (MNT250 000 per month). The green line is the Mongolian poverty line, which is MNT166 580.

As can be seen, any recipient of this transfer who is in the lowest income quintile will be lifted above the poverty line. In addition, the top 73.23% would move into the next income quintile.

**Figure 98** Impact of transfer on income distribution for lowest income quintile

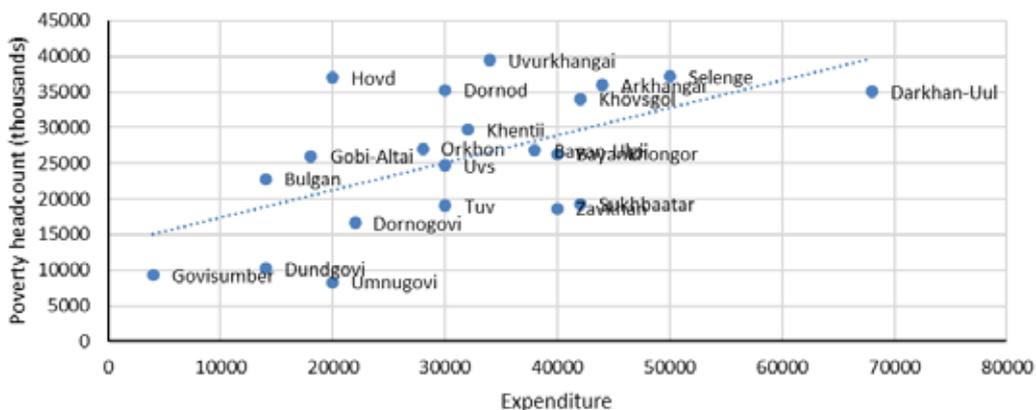


Source: Own calculations from Mongolia Labour Force Survey 2020

Note: weights have been applied and are provided by the Mongolian Statistical Service.

To evaluate the equity of this SWS, Figure 99 below compares total expenditure on the article by each aimag in 2020 with their respective poverty headcounts from 2018. There is a strong positive relationship between poverty headcount and expenditure for this article. The most notable outlier is Darkhan-Uul, which spent significantly more on this article than any of the other aimags.

**Figure 99** Total expenditure vs poverty headcount, by aimag, in 2020



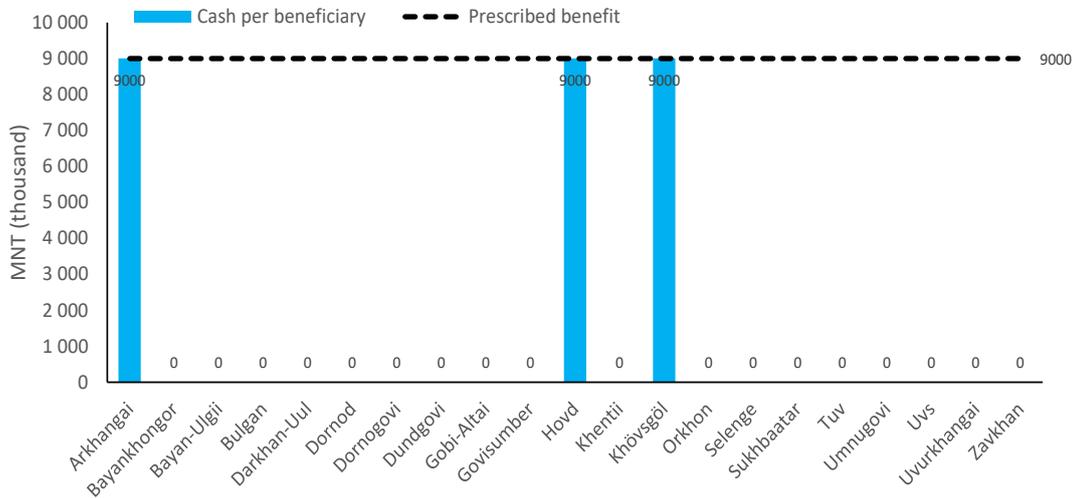
Source: MLSP, 2021

### 3.3.2 A family or individual raising three or more twins

Article 13.5.5 in the Law on Social Welfare provides a monthly transfer to a family or individual raising three or more twins. This article was moved from this Law in 2020 to sit under the Law on Allowances for Single Mothers and Fathers with Many Children. The value of this transfer was MNT3 000 000 per child in 2020.

The data in Figure 100 below present annual average expenditure per beneficiary in 2020 for Article 13.5.5 compared to the prescribed benefit. Only three aimags recorded expenditure against this article: Arkhangai, Hovd and Khovsgol. The outcomes were as expected for all aimags, with average expenditure per individual/household in line with the prescribed benefit.

**Figure 100** Cash per beneficiary vs prescribed benefit, by aimag, in 2020

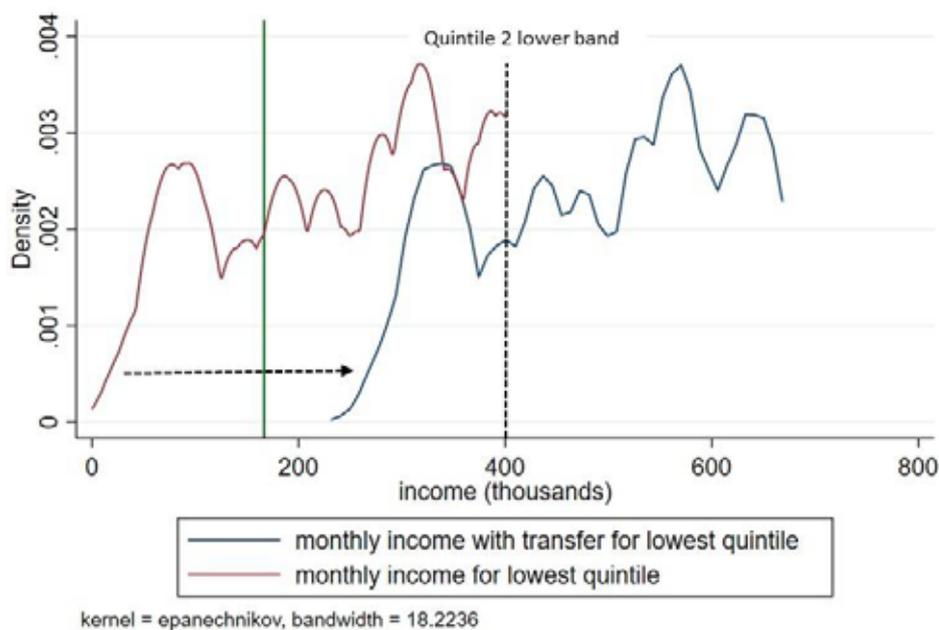


Source: MLSP, 2021

Figure 101 below shows the distribution of monthly income for the lowest income quintile and what that distribution looks like with the addition of this transfer (MNT250 000 per month). The green line is the Mongolian poverty line, which is MNT166 580. The distribution of income with the transfer was created by adding the average value of the transfer (MNT250 000) to each beneficiary’s monthly income.

As can be seen, any recipient of this transfer who is in the lowest income quintile will be lifted above the poverty line. In addition, the top 73.23% would move into the next income quintile.

**Figure 101** Impact of transfer on income distribution for lowest income quintile

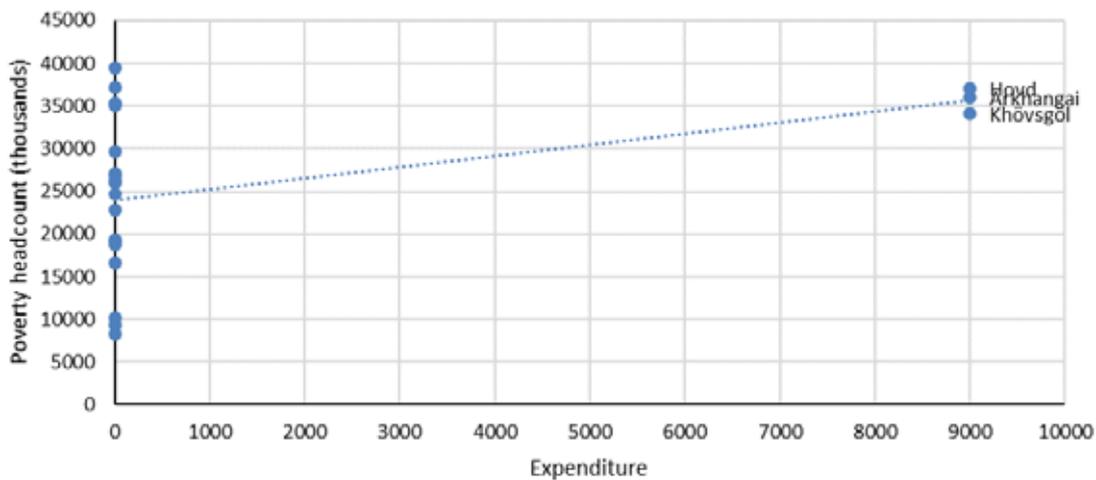


Source: Own calculations from Mongolia Labour Force Survey 2020

Note: weights have been applied and are provided by the Mongolian Statistical Service.

To evaluate the equity of this SWS, Figure 102 below compares the total expenditure on the article by each aimag in 2020 with their respective poverty headcounts from 2018. Given that there is such a low incidence of three or more twins, it is difficult to draw a meaningful trend from the data. Nevertheless, the data does reveal that the three aimags that did spend on this article (Hovd, Arkhangai and Khovsgol) had amongst the highest poverty headcounts.

**Figure 102** Total expenditure vs poverty headcount, by aimag, in 2020

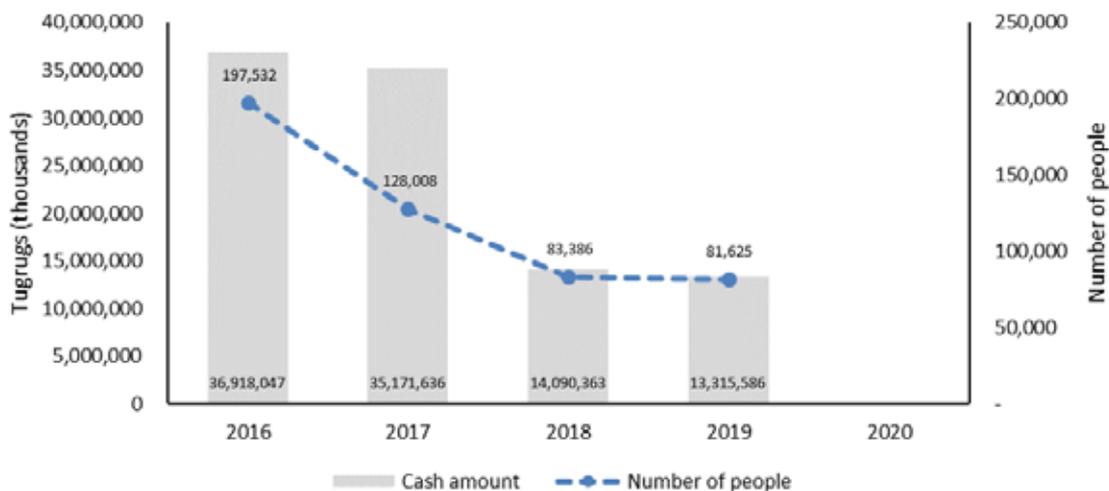


Source: MLSP, 2021

### 3.3.3 Benefits for pregnant and lactating mothers

Article 13.7 in the Law on Allowances for Single Mothers and Fathers with Many Children, where this article has been moved in 2020, provides a monthly benefit for pregnant and lactating mothers. The value of this transfer was MNT400 000 in 2020. Figure 103 below shows that the number of mothers receiving this benefit fell significantly from 197 532 in 2016 to 81 625 in 2019. There was a significant decrease in expenditure on this article in line with this decrease in beneficiaries. This suggests that this benefit has been deprioritised within the SWS net.

**Figure 103** Expenditure and beneficiaries



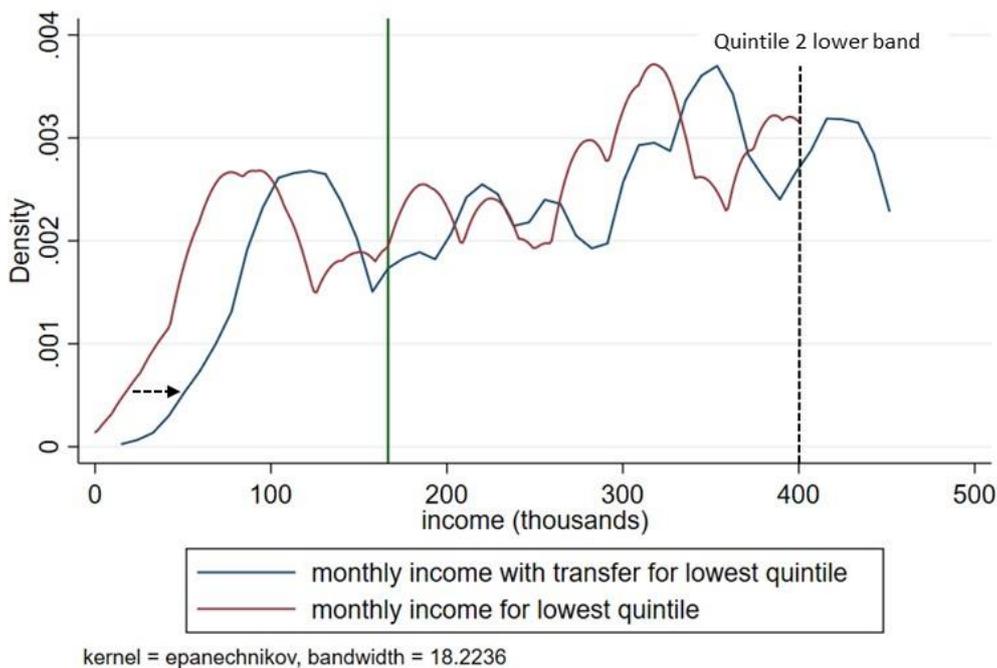
Source: MLSP, 2021

Figure 104 below shows the distribution of monthly income for the lowest income quintile and what that distribution looks like with the addition of this transfer (MNT33 333.33 per month). The green line is the

Mongolian poverty line, which is MNT166 580. The distribution of income with the transfer was created by adding the average value of the transfer (MNT33 333.33) to each individual's monthly income.

As can be seen, only a few recipients of this transfer who are in the lowest income quintile will be lifted above the poverty line. Indeed, 25.39% of those in this income quintile would remain below the poverty line even after the addition of the transfer amount to their income.

**Figure 104** Impact of transfer on income distribution for lowest income quintile



Source: Own calculations from Mongolia Labour Force Survey 2020

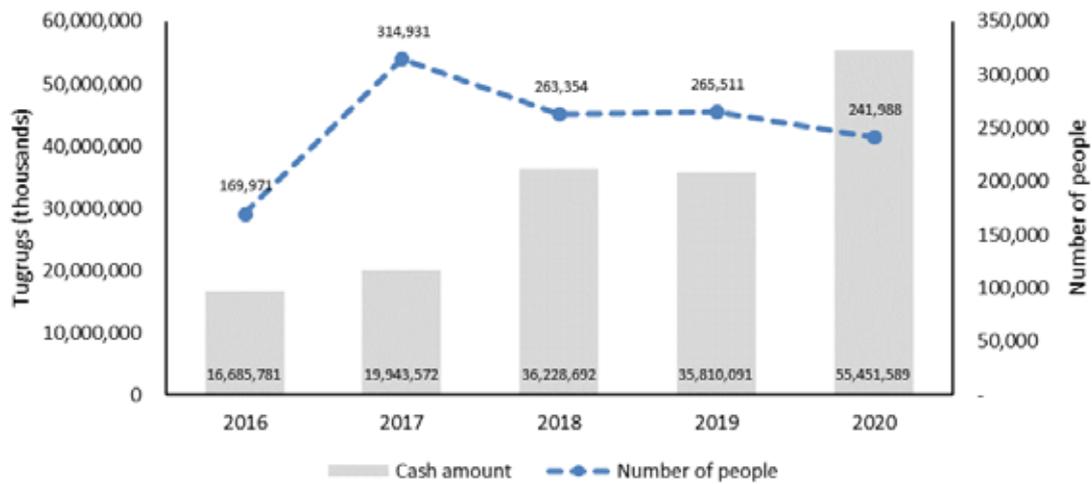
Note: Weights have been applied and are provided by the Mongolian Statistical Service.

## 3.4 PROGRAMMES

### 3.4.1 Nutrition support sub-programme for vulnerable groups

This programme provides nutrition support to vulnerable groups, which includes children classified as vulnerable. As such, children form only a component of this SWS. The value of this transfer was MNT16 000 per month for children in 2020, which equates to MNT192 000 per annum. Figure 105 below indicates that the total number of beneficiaries of this SWS initially increased from 169 971 in 2016 to 314 931 in 2017, before falling to 241 988 in 2020. However, expenditure against this programme increased significantly in 2020 in response to the demand imposed by the COVID-19 pandemic.

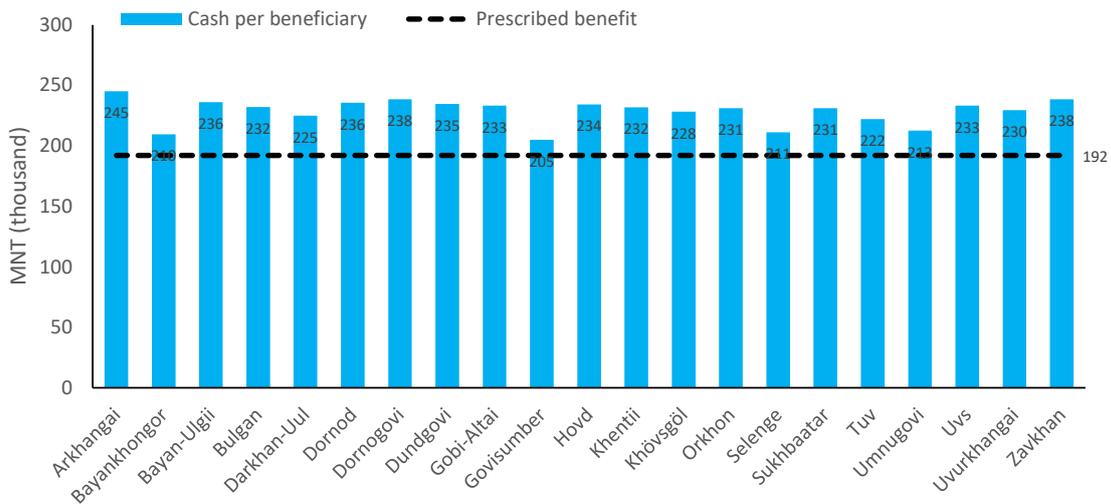
**Figure 105** Expenditure and beneficiaries



Source: MLSP, 2021

Figure 106 below presents annual average expenditure per beneficiary in 2020 compared to the prescribed benefit. There is a high degree of consistency in average expenditure outcomes across the aimags. All aimags spent above the prescribed benefit, meaning that additional funds were allocated to this SWS.

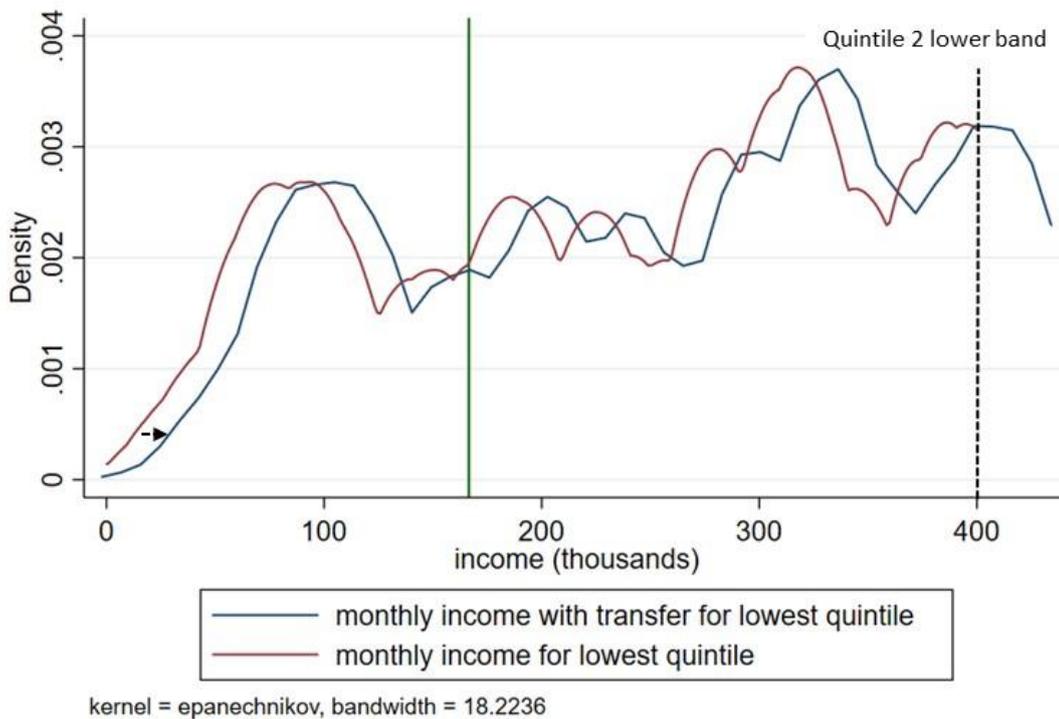
**Figure 106** Cash per beneficiary vs prescribed benefit, by aimag, in 2020



Source: MLSP, 2021

Figure 107 below shows the distribution of monthly income for the lowest income quintile and what that distribution looks like with the addition of this transfer. The green line is the Mongolian poverty line, which is MNT166 580. The distribution of income with the transfer was created by adding the monthly value of the transfer (MNT16 000) to each individual’s monthly income.

This transfer has negligible impact on the status of any recipient in the lowest income quintile, with only 0.4% of those below the poverty line able to move out of poverty – but only just – with the addition of this transfer to their income.

**Figure 107** Impact of transfer on income distribution for lowest income quintile

Source: Own calculations from Mongolia Labour Force Survey 2020

Note: weights have been applied and are provided by the Mongolian Statistical Service.

### 3.4.2 Child Money Program

The Child Money Program has undergone considerable changes over the course of its history. It was initially introduced in 2005 as a conditional cash transfer that targeted poor households, which were identified through means testing. The targeting was largely found to be unsuccessful, with many examples of the transfer being given to more affluent households and not to poorer households. As such, the targeting was abandoned in 2006. The overall value of the transfer also increased as a quarterly amount for all children, and a new benefit for newborns was introduced (Hodges et al., 2007). Following an overhaul of the entire social welfare system in 2010, the Child Money Program was abolished. Then, in 2012, it was reinstated as a universal transfer of MNT20 000 for all children under 18 years of age. This followed the development of the Government Action Plan (2012-2016) introduced by a newly elected parliament. This changed again in July 2016 when targeting was reintroduced and coverage limited to 60% of children. This move back to targeting was due to the conditions associated with a three-year loan arrangement with the IMF as well as a condition introduced by the Asian Development Bank, which likewise insisted that targeting be reintroduced for the Child Money Program (United Nations International Children's Emergency Fund (UNICEF), 2019).

In July 2017, two changes occurred that still govern the functioning of the programme. The government moved the programme to be regulated under Article 13.1.5 of the Law on Social Welfare and Government Resolution No. 18 of January 2017. This government resolution mandated that all children must register with the proxy means testing (PMT) database and open an account at any commercial bank. At the same time, an improvement in fiscal indicators led to the government making the programme universal once again, by extending eligibility to all children on the PMT database. The Mongolian government also provided retroactive payments to the 40% who had been excluded by the targeting in the first seven months of the 2017.

However, this change was short-lived as, from January to March 2018, the Child Money Program was restricted to children with a livelihood score below 554 – due to the loan condition referred to above. This meant that the Child Money Program was once again only available to 60% of children. In April 2018, targeting of the Child Money Program was eased to include all children with a livelihood score of below 670. Initially this change led to the Child Money Program reaching 80% of children but, with improvements in information and general awareness of the programme, the Child Money Program coverage was extended to 85% by July 2018 (UNICEF, 2019). By 2019, the Child Money Program had reached 90% of all children in Mongolia.

The Child Money Program formed a key part of Mongolia's response to COVID-19, increasing from MNT20 000 to MNT100 000 between April and October 2020. Prior to this change, the benefit had remained at the same value since 2012. The coverage of the Child Money Program also increased to near-universal levels in 2020, reaching 96.6% of children (Nasan-Ulzii, 2021).

The change to universal eligibility of the Child Money Program in 2020 is likely to prove beneficial in improving the efficacy and equity of the programme, as universal benefits have many advantages over their targeted counterparts (Nasan-Ulzii, 2021). In general, universal benefits are associated with reductions in type I or exclusion errors, reductions to stigma, lower social and political costs, fewer opportunities for corruption, and administrative simplicity (Mkandawire, 2005). Mongolia has already seen many of these advantages first hand as, for two significant periods of the programme's history, it has been universal – namely between 2007 and 2010 and between 2012 and 2016 (UNICEF, 2019). Evidence from the 2014 HSES showed that the universal Child Money Program lowered national poverty headcounts by 12%, and the poverty gap by 21% (International Labour Organisation (ILO), 2016). Moreover, when the Child Money Program was initially introduced as a targeted benefit, the perception among the citizens of Mongolia was that the targeting was unfair. This perception produced political costs that hindered the programme (Hodges et al., 2007). There is also some recent evidence from a study that looked at the effect of the COVID-19-related increase in the Child Money Program on poverty levels in Mongolia. This study used data from the 2018 HSES, when the Child Money Program was not universal. However, the authors assumed that the Child Money Program was universal in their simulations. They found that the topped-up version of the Child Money Program alone could compensate for the poverty increases related to the pandemic (Carraro and Tserennadmid, 2020).

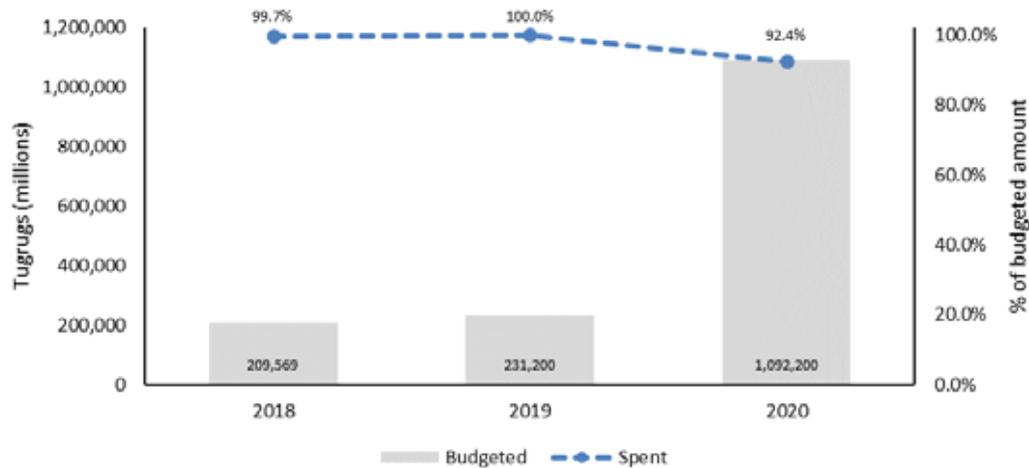
While there are many examples of the benefits of a universal rather than a targeted programme, the benefit design and implementation are vital to ensuring the programme is able to achieve its overall goals. Some important considerations to explore when more current data is available include: the coverage of the child population, the value of the benefit, and the degree to which the programme has links with complementary services. These have all been identified, in the literature on universal child benefits, as critical to the success of these benefits. The coverage of the child population, for example, is important, as the degree to which universal benefits lower exclusion errors is a vital part of ensuring their success. The question of child population coverage is also complex because it is not as simple as ensuring that the coverage reaches 100%, but rather involves looking at why children are not receiving the benefit. Some exclusion may be voluntary, as some richer households may choose to exclude themselves from the benefit. Therefore, a nuanced approach is required to assess the coverage of the Child Money Program (Bastagli et al., 2020).

Another consideration that is specific to the Child Money Program is the administrative challenges associated with the PMT database. One challenge is whether all children are captured on the database. In 2019, approximately 30 000 children did not appear on the PMT database, but were willing to be included (ILO, 2016). This highlights just one of many important questions that need to be asked moving forward regarding the administrative capacity and efficacy of the PMT system. Others may concern the timing of

payments, as well as the accuracy of the information on the database.

Figure 108 below presents the expenditure performance of the Child Money Program over the last three years, relative to the budgets. As expected, the expenditure performance was close to 100% (99.7%) in 2018 and 2019, when the Child Money Program was targeting a stable base of the population using the proxy means test. This changed in 2020, when it was used a shock-responsive mechanism to support vulnerable households and children. The level of expenditure increased dramatically, since as the value of the transfer rose from MNT20 000 to MNT100 000 per month. With this rapid upscaling of the programme came a slight underperformance in expenditure, with the actual expenditure at 92.4% of the budgeted amount.

**Figure 108** Child Money Program expenditure performance relative to budget



Source: MLSP, 2021

Initially, it was planned that the Child Money Program would remain at the higher level until the end of July 2021, but this has been extended to the end of 2021.

### 3.4.3 Food Stamp Program

The Food Stamp Program was introduced in 2008 on a pilot basis, and funded through loans from the Asian Development Bank. The programme is an unconditional cash transfer involving the distribution of allowances that can be used to buy food. The food stamps are distributed in the form of electronic debit cards in urban areas and paper vouchers in rural areas (International Policy Centre for Inclusive Growth (IPC-IG) and UNICEF, 2019). The programme is means tested using a PMT methodology. Household surveys are conducted every three years, and the data collected is used to populate the PMT database. Households are then classified according to a scale from 1 (poorest) to 20 (richest). The food stamps are distributed to those households that fall into the poorest category. Rules govern the use of the food stamps. They may not be used to buy luxury or imported items, cigarettes or alcohol. A list of those receiving food stamps is pinned up in the administrator's office and recipients are required to come every month to sign next to their name to collect their stamps. There are two allowance amounts associated with the Food Stamp Program. One is awarded per adult, and the other per child (Fox, 2021).

Initially, the Food Stamp Program was piloted in 2008/9 to support the poorest families during a period of food crisis in the country. At that time, data was collected through the 2007/2008 HSES. After analysing data from this survey, seven variables and a constant were chosen to make up the PMT algorithm. This algorithm was approved for use in 2010, and targeting began. The targeting formula was updated in 2013 in three ways. More variables were included, such as employment, land ownership and disability.

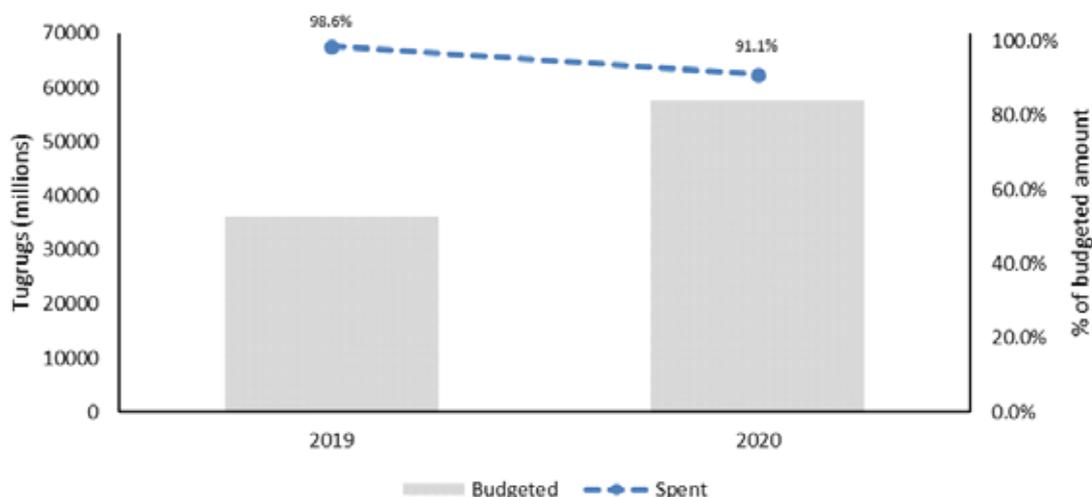
Per capita estimation of consumption was replaced by estimation of consumption per adult-equivalent. And all rural areas were merged to reduce the strata in the survey from four to three (World Bank, 2015).

Prior to the onset of the COVID-19 pandemic, the Food Stamp Program was set at MNT16 000 per month for adults and MNT8 000 per month for children. In response to the pandemic, the Government of Mongolia temporarily increased these allowances to MNT32 000 for adults and MNT16 000 for children, which was set to end on 1 October 2020. For the last five months of 2020, the allowance for adults remained at MNT32 000, while the child allowance was lowered back down to its pre-COVID-19 level. As of 2020, the programme reached 242 000 people (UNICEF, 2021).

Carraro and Tserennadmid (2020) found that the COVID-19 response level of the Food Stamp Program played an important role in reducing poverty and inequality. They also found that it was the most redistributive policy of all those put in place to respond to COVID-19, including the increases to the Child Money Program. Despite this success, the programme benefits very few recipients, and has a small budget. The reason for the low coverage is its targeting, and the fact the system used to target it is generally considered to be problematic. One of the major problems is the inaccuracy of the HSES, as it is unable to capture complexity in many households' living situations. Not only is this inaccuracy likely to cause exclusion errors, but it also undermines public perception of the targeting process (Fox, 2021). In 2017, UNICEF helped to hold a workshop for government social workers. They indicated issues they faced with implementing the PMT process that they felt indicated the PMT system was unable to accurately determine the relative poverty of households. Moreover, they reported that it was fairly easy to misrepresent oneself in the survey, so individuals could determine what score they received (UNICEF, 2019). Given the Food Stamp Program's reliance on the PMT system to accurately target the poorest in the country, it seems that an investigation of the efficacy of the PMT process warrants consideration.

Figure 109 below presents the expenditure performance of the Food Stamp Program relative to the budgets for 2019 and 2020. Similar to the Child Money Program, the value of the Food Stamp Program increased dramatically in 2020 due to the COVID-19 pandemic. Along with this large increase in expenditure came a reduction in the expenditure performance of the programme, with expenditure as a percentage of the budgeted amount falling from 98.6% in 2019 to 91.1% in 2020.

**Figure 109** Food Stamp Program expenditure performance relative to budget



Source: MLSP, 2021

# Annexure D – Education: Budget and Expenditure Analysis

## 1. INTRODUCTION

### 1.1 Overview of the sector

The MOES leads the education sector and implements, regulates and coordinates education sector policy, laws and regulations. The governors of aimags and Ulaanbaatar oversee the delivery of education services. Soum governors agree performance-based contracts with aimags or city governors to provide state educational services. Bagh- and khoroo-level governors are responsible for enrolling children of households in their area for pre-school and basic educational services. The aimag and bagh governors coordinate to collect and verify data on the number of children of pre-school age, agree on the location and timing of mobile kindergartens, and establish the expenses of services to be included into the annual budget plan.

#### 1.1.1 Legislation governing the sector

The key legislation and policy documents that relate to the sector are shown in Table 42 below.

**Table 42** Key laws and policy documents for the education sector

Strategic Document	Objectives
<b>The Law on Education (2002)</b>	<p>The overarching legal framework for education in the country, and requires that there is further legislation for pre-school education, elementary and secondary education, and higher education to deal with the sub-sector specific arrangements.</p> <p>Extended the education system to 11 years by changing the age of entry from 8 to 7 years. In 2006, the law was amended to provide free access to education and extend general education from 11 to 12 years by lowering the school-entry age from 7 to 6 years, which took effect from the 2008/09 school year.</p> <p>The details regarding how the different levels of the education system should be financed were written into the law through amendments in 2003 and 2006, which include:</p> <ul style="list-style-type: none"> <li>▪ Not less than 20% of state revenue shall be allocated to education.</li> <li>▪ Education institutions are entitled to a range of funding sources, including the state budget and development funds.</li> <li>▪ Kindergartens will receive funding from the state budget, parents and guardians, and own operations.</li> <li>▪ Primary and secondary schools will receive funding from the local budget and operational income.</li> <li>▪ Vocational training schools should receive funding from the state budget and operational income.</li> </ul> <p>The law created the framework for funding education institutions at regular and normative (per child) levels, and in 2016 government approved the average normative and variable cost financing methodology for schools. This methodology is used to estimate the normative cost per child paid to schools.</p>
<b>Law on Primary and Secondary Education (2002)</b>	<p>This governs regulations related to primary, basic and complete secondary education, describes the purpose and content of general education, and the roles and responsibilities of the central administration, aimags and capital city, and the schools. It also describes the requirements, responsibilities, and rights of teachers. It also created the legal framework to enforce standards in primary and secondary schools.</p>

Strategic Document	Objectives
<b>The Law on Pre-school Education (2008)</b>	This law governs the regulations related to supporting the development of young children and obtaining pre-school education from the “age of two to the time of enrolment in school”, and defines the different types of pre-school, responsibilities of the central administration for education, and the education content and standards of pre-school education. The law requires government to cover a percentage of the cost of meals, and to cover the cost of books, manuals and toys, and a normative cost per child regardless of the ownership the kindergarten.
<b>1995 – Government Policy on Education</b>	This was the first policy related to education after Mongolia’s secession from Russia in 1992. It highlights education as a priority sector, a resource of the nation’s security, proof of independence and wealth, and the significance of education in individual life and social development. Following the introduction of this policy, the education laws were introduced and amended to respond to the changing needs of individuals and social development.
<b>2000 – Education sector strategy (2000-2005)</b>	This focused on interventions required to improve teacher quality through pre-service and in-service training; improve school facilities, classrooms and laboratories; refine curriculum and teaching materials; and develop a quality assurance system.
<b>Education Development Master Plan (2006-2015)</b>	<p>The master plan aimed to reduce disparities in access to education, create environments conducive to providing quality primary and secondary education, and improve and develop policy and management to support schools. During this period, significant policies and programmes were introduced, such as the National Programme of Mongolian Scripts II (2008), National Programme of Education (2010), Right Mongolian Child (2013) and Government Policy on Education (2015).</p> <p>The schooling system was extended from 11 to 12 years when the age of entry was reduced to 6 years; a 12-year schooling curriculum and related textbooks were developed and provided, and in-service teacher training was institutionalised.</p>
<b>Annex to the Resolution No. 31 of the Government of Mongolia of 2010 National Programme “Education” (2010-2021)</b>	<p>This lays out the following strategic objectives for the education system:</p> <ul style="list-style-type: none"> <li>■ Create equal opportunities for students to receive accessible, high-quality education that meets their needs.</li> <li>■ Improve educational standards and curricula at all levels in accordance with the needs of students and social development.</li> <li>■ Comprehensively address the issues of teacher professional and methodological development, salary, bonuses and social protection, and increase the amount and efficiency of investment.</li> <li>■ Increase the role of the state and social responsibility in improving the education system and bringing it closer to international standards.</li> <li>■ Create an open content and flexible method of education that provides real opportunities for citizens to improve their education and convert to their profession.</li> <li>■ Develop school-centred management and update the structure, type and location of educational institutions.</li> </ul>
<b>State Policy on Education 2014-2024</b>	<p>The policy aims to provide all citizens with opportunities to acquire knowledge, skills and competencies to develop their talents, work productively, increase their well-being, and respect humanity and national values.</p> <p>This policy set out the following objectives for the sector:</p> <ul style="list-style-type: none"> <li>■ Pre-primary education: enable access to all children; promote alternative services; implement core curricula; opportunities for all children to develop through creative actions based on individual characteristics; share the cost of food with parents and caretakers.</li> <li>■ Primary and secondary education: internationally recognised progression pathways and structures; learning through flexible curricula; implementing core curricula.</li> </ul>

### 1.1.2 Funding arrangements

The school-based financial policy framework was agreed upon and implemented in the MECS 2015–2016 budget.<sup>72</sup> Figure 110 below describes the funding arrangements in the sector:

**Figure 110** Funding for Education Services

*Source: Own figure, based on information from documents and interviews*

The aimags and Ulaanbaatar receive funding for the provision of education services in the form of special purpose transfers. These are allocated on the MOES budget and recorded against the general education, pre-school education and special needs budget programmes. Between 94% and 98% (depending on the year) of the expenditures recorded against these programmes are transferred to local government. The balance is spent mostly on salaries and wages, benefits and allowances, and on the economic classification “work service fee performed by others”. Analyses of these items do not show any notable trends.

The special purpose transfers allocated to each local government are based on a normative cost estimate that takes various factors, presented and analysed in detail below, into account. This funding is transferred to local governments, which are responsible for the provision of services.

The funding of capital projects is project based rather than normative based. The decision-making process around where and when to build, expand or rehabilitate schools is opaque and involves discussions between the MOES and the MOF, local governments and State Khural Members of Parliament (World Bank (Public expenditure review, 2018)). Capital projects are implemented by the Infrastructure State Agency.<sup>73</sup>

## 2. DATA USED

Data requests were made to the MOES through UNICEF Mongolia. Data from the Education Sector Information System (ESIS) and other sources, with the following per aimag, which were seen as sufficient for the purposes of this analysis, was provided by the MOES:

- General education enrolment by grade for grades 1 to 11 for 2015/16, 2018/19 and 2019/20
- Numbers of children in dormitories in each aimag in 2015/16 and 2019/20
- Numbers of staff working at schools in each aimag in 2015/16, 2018/19 and 2019/20
- Performance in Grade 5, 9 and 12 assessments from 2015 to 2020.
- Number of schools (2015/16, 2018/19 and 2019/20) and number of classrooms (2015/16 to 2019/20).
- Learner (or student) to teacher ratios in primary, secondary and high school.
- A list of education investment projects financed off the Mongolian budget for 2015 to 2021. The source of this is not known.

Wherever enrolment or other performance-related data is used to estimate unit expenditures, expenditure from the 2015 budget year was compared to school data for 2015/16, expenditure data for 2018 was compared to school data for 2018/19, and 2019 expenditure data to school data from 2019/20.

UNICEF Mongolia provided data with the following:

- Poverty severity and poverty headcount in each aimag for 2016 and 2018;
- Population estimates and population forecasts by four-year age cohorts per aimag.

72 2020. Mongolia: Education Sector Reform Project Asian Development Bank, Performance Evaluation Report, May 2020.

73 Personal communication with the MOES.

### 3. EDUCATION EXPENDITURES IN LOCAL GOVERNMENT BUDGETS

The local government education expenditures that relate to children are recorded against the following budget programmes:

- General education, which includes expenditures on all education services provided by aimags from Grade 1 to Grade 12, including dormitory services.
- Pre-school education, which includes all expenditures on education services provided by aimags to children at kindergartens, include mobile (ger) kindergartens and mobile teacher services.
- Special needs education, which includes expenditures on special needs education. However, only a small number of aimags report against it.

#### 3.1 High-level trends

Table 43 below compares education expenditures in local government budgets to total local government expenditures.

**Table 43** Local government education expenditures

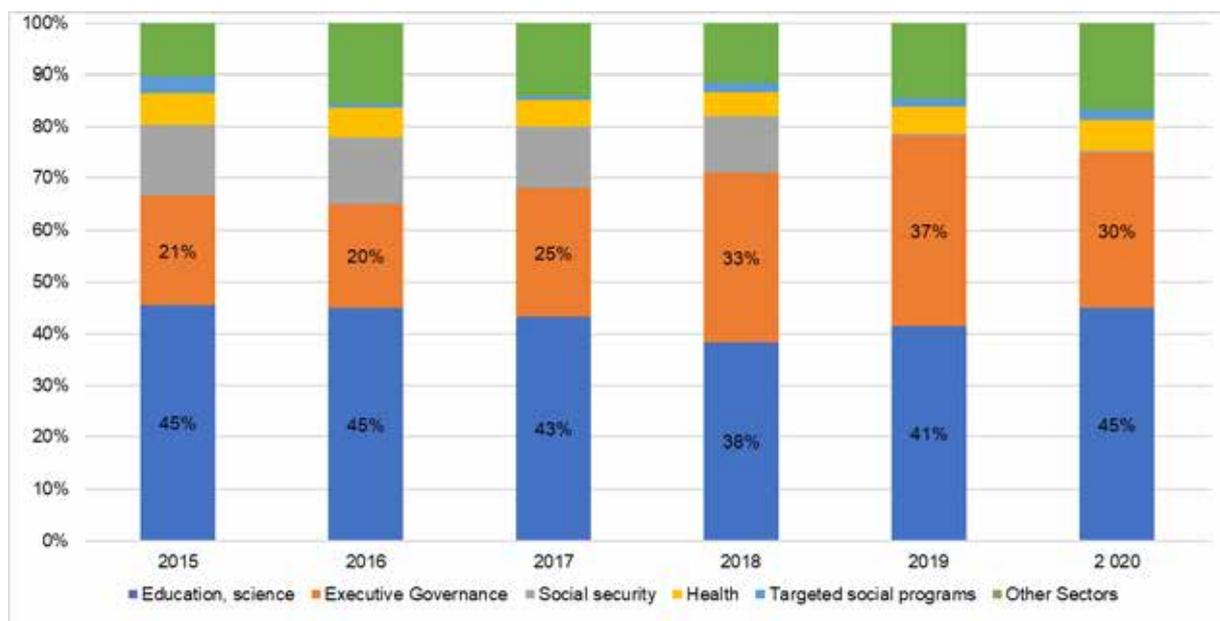
Amounts in millions of MNT	2015	2016	2017	2018	2019	2020	Annual Average Growth
<b>Total Local Government</b>	1 641 951	1 849 457	2 078 870	2 439 407	2 705 774	2 879 563	11.9%
<b>Education and Science Sector</b>	746 668	829 017	897 784	936 537	1 122 406	1 292 729	11.6%
<i>education sector as % of local government</i>	45.5%	44.8%	43.2%	38.4%	41.5%	44.9%	
<b>Education services for children</b>	<b>743 432</b>	<b>825 343</b>	<b>894 010</b>	<b>928 169</b>	<b>1 113 879</b>	<b>1 287 494</b>	<b>14.7%</b>
General education	506 215	560 960	606 506	617 855	737 961	848 604	10.9%
Pre-school education	237 217	264 349	287 329	310 133	375 624	438 519	16.6%
Special education	-	35	174	181	294	371	
<i>education services for children as a % of local government</i>	45.3%	44.6%	43.0%	38.0%	41.2%	44.7%	

Source: Own calculations based on Budget and Expenditure Data provided by the Ministry of Finance, 2021

Local government expenditures grew at an annual average of 11.9% per year between 2015 and 2020. In comparison, expenditures on the education sector grew at 11.6%, suggesting that other sectors are given slight priority over education.

The higher annual average growth rate in expenditures on pre-school education compared to general education show that pre-school education is being given a slightly higher priority, in line with government policy directives. Allocations against the special education budget programme have only been recorded since 2016 by Arkhangai, Uvurkhagai, Khövsgöl and Darkhan-Uul. No expenditure against this programme is recorded in Ulaanbaatar, even though there are special schools in the capital city.

Figure 111 below shows the five, out of a total of 20, local government sectors with the largest shares of the local government budget.

**Figure 111** Sectoral shares of local government expenditures 2015/16 to 2019/20

Source: Budget and Expenditure Data provided by the Ministry of Finance, 2021

The education sector's share of local government expenditure has grown strongly, but not as rapidly as growth in the executive governance budget program. Education as a share of total expenditure fluctuated during the period, falling below 45% from 2017 to 2019 before returning to 45% in 2020.

Table 44 below compares budget allocations to expenditures. Expenditure is expressed as a share of the budget allocation, showing that, at an aggregate level, there are very low levels of under-expenditure, and that budget execution is good, but dipped sharply in 2020.

**Table 44** Expenditure as a share of budgets

	2015	2016	2017	2018	2019	2020
General education	98%	98%	100%	99%	99%	95%
Pre-school education	98%	99%	100%	99%	98%	93%
Special education		100%	100%	100%	100%	98%

Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

Table 45 below shows expenditure as share of budget allocations for the general and pre-school education programmes by aimag. Note that a figure below 100% means there is under-expenditure on the budget.

**Table 45** Expenditure as a share of budgets for general and pre-school education

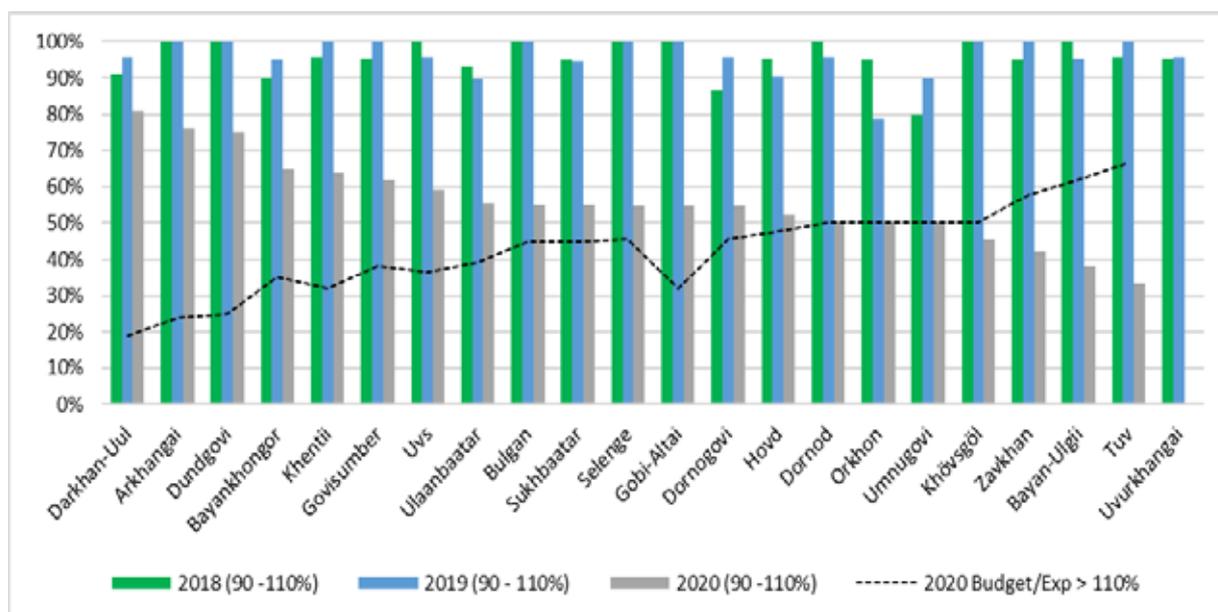
	General Education			PreSchool Education		
	2018	2019	2020	2018	2019	2020
Bayan-Ulgii	100%	100%	94%	100%	99%	94%
Gobi-Altai	100%	100%	95%	99%	99%	88%
Zavkhan	99%	100%	93%	99%	100%	88%
Uvs	99%	99%	94%	100%	98%	93%
Hovd	100%	100%	96%	100%	98%	95%
Arkhangai	100%	100%	97%	100%	100%	94%
Bayankhongor	100%	99%	95%	100%	100%	98%
Bulgan	99%	99%	93%	99%	99%	88%
Orkhon	100%	99%	97%	100%	98%	97%
Uvurkhangai	100%	98%		99%	99%	
Khövsgöl	100%	100%	95%	100%	100%	99%
Govisumber	100%	100%	98%	99%	99%	91%
Darkhan-Uul	99%	97%	98%	100%	100%	96%
Dornogovi	91%	98%	96%	99%	98%	91%
Dundgovi	100%	100%	96%	99%	99%	92%
Umnugovi	96%	98%	95%	97%	97%	90%
Selenge	100%	99%	93%	100%	100%	91%
Tuv	98%	99%	91%	99%	98%	82%
Dornod	100%	100%	93%	100%	99%	97%
Sukhbaatar	100%	100%	96%	98%	99%	97%
Khentii	100%	100%	95%	99%	99%	90%
Ulaanbaatar	98%	98%	96%	98%	98%	93%

Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

In most aimags, expenditure was high in 2018 and 2019, with the lowest level across both programmes and aimags at 97%. However, in 2020 the picture changes sharply, and the highest level of expenditure is 97% of budget allocations.

Comparing budgets and expenditure at economic classification level four, for both general education and pre-school education, reveals low levels of under-expenditure in 2018 and 2019, which changes significantly in 2020.

Figure 112 below shows a comparison between budgets and expenditure in the general education and pre-school budget programmes. Separate analyses for general education and pre-school education were run when this was prepared. Disaggregating the analysis by budget programme does not reveal anything additional to the consolidated analysis presented below.

**Figure 112** Budget vs expenditure in local government education budgets

Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

A rating of 100% in the bar chart means that, in that year, budget allocations as a share of expenditures for all economic classifications were between 90% and 110%, or that under- or over-expenditure is no more than 10%. The line shows the percentage of level 4 economic classifications where the budget was more than 110% of expenditure in 2020, which signals under-expenditure greater than 10%.

So, in 2020, expenditure in Tuv was in the 90-110% range in only 33% of the level 4 economic classifications (grey bar), and 67% of items (black line) were under-spent by more than 10% (budget is more than 110% of expenditure).

Table 46 below shows the percentage of instances where the budget to expenditure ratio for the economic classifications listed is within 95% to 105%.

**Table 46** Expenditures by economic classification within 95% to 105% of budget

Economic classification	2018	2019	2020
Wages and salaries, bonuses	100%	100%	98%
Social insurance contributions paid by employers	100%	100%	85%
Office supplies and inventory	100%	95%	76%
Furniture, current repair expenses	100%	86%	46%
Government transfer	100%	100%	50%
Fixed expenses related to office building	93%	77%	66%
Other current transfers	93%	97%	36%
Subsidy to private sector	94%	86%	75%
Standard cost	91%	93%	12%
Purchase of other goods and services	91%	93%	78%
Work, service payment, fee performed by others	81%	88%	46%
Travel and guest expenses	51%	74%	0%

Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

In 2018 and 2019, the budget to expenditure ratio for wages and salaries was between 95% and 105% in all aimags, and in 98% of them in 2020. The economic classifications with ratios below 90% in 2018 and 2019

account for a very small proportion of expenditures, and that they do not warrant further investigation. However, in 2020, the figures support other analyses above – that expenditure patterns changed significantly in 2020. This change in 2020 is because of disruptions caused by the COVID 19 pandemic. The item “Standard cost” in the above table includes expenditures on the school lunch program. The figure of 12% related to this item shows that expenditure was within 95% of the budget in 12% of aimags (it does not mean that only 12% of what was budgeted for this was spent). However, this change in performance is a direct result of children not attending school for part of the year due to Covid-19 restrictions.

### 3.2 SALARIES AND WAGES

Table 47 below shows expenditures on salary and related payments made in education budgets.

**Table 47** *Salaries and wages in total local government and education budgets*

<i>Amounts in MNT Millions</i>	2015	2016	2017	2018	2019	2020	Annual Average Growth 2015-2019	Annual Growth 2019-2020
Total Local Government	1 144 524	1 191 402	1 265 776	1 294 068	1 213 172	1 430 355	1%	18%
Education, science	582 342	623 853	681 624	696 605	847 364	989 335	10%	17%
<i>Education as a share of total</i>	<i>51%</i>	<i>52%</i>	<i>54%</i>	<i>54%</i>	<i>70%</i>	<i>69%</i>		
Salary and wages per program								
General education	418 001	452 802	494 019	493 508	598 738	689 107	9%	15%
Pre-school education	161 368	168 386	184 713	195 239	244 712	296 125	11%	21%
Special education	-	28	163	159	261	335		
<b>Salaries and wages as a share of:</b>								
<i>Education Sector</i>	<i>78%</i>	<i>75%</i>	<i>76%</i>	<i>74%</i>	<i>75%</i>	<i>77%</i>		
<i>Local Government Expenditures</i>	<i>70%</i>	<i>64%</i>	<i>61%</i>	<i>53%</i>	<i>45%</i>	<i>50%</i>		

Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

The above expenditures include *salaries and wages, social contributions and other current transfers*. Normally *other current transfers* would be excluded, but in Mongolia these include allowances paid by government, so it is important to include them. Salaries and wages in the education sector as a share of local government salaries and wages increased from 51% in 2015 to 70% in 2019, a result of social security programmes being shifted off the local government budgets.

Annual average growth in salaries in local government was 1% over the period. However, if social security expenditures were excluded from the above analysis, then salaries and wages grew at an annual average of 7% per year. This is still below the growth in these expenditures in the education sector where, on aggregate, expenditures on salaries grew at 10% per year, with the fastest growth in the pre-school education programme at an annual average rate of 11% per year. If the data from 2020 is reliable, the growth rates from 2015 to 2020 are one percentage point higher, though education’s share of total local government salaries falls by a percentage point.

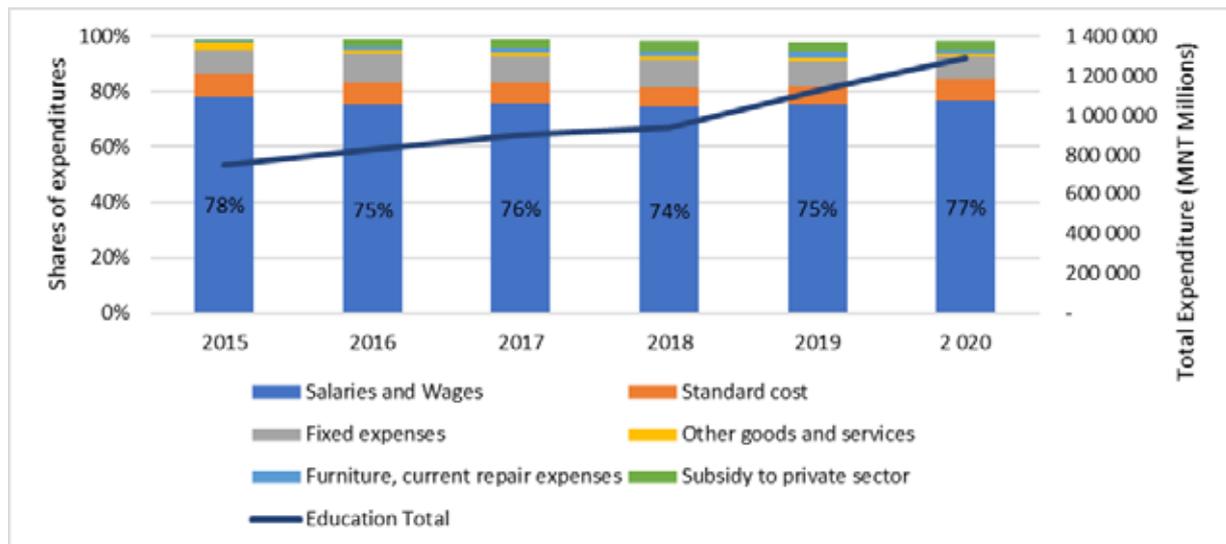
## 4. COMPOSITION OF LOCAL GOVERNMENT EDUCATION EXPENDITURES

In this section, we consider total local government expenditure on education, broken down by economic classification level 4, followed by an analysis of the same information broken down by the local government education budget programmes, namely general education, pre-school education and special education.

### 4.1 LOCAL GOVERNMENT EDUCATION EXPENDITURES

The composition of total local government education expenditures is presented in Figure 113 below.

**Figure 113** Composition of total local government education expenditures



Source: Budget and Expenditure Data provided by the Ministry of Finance, 2021

In 2019 and 2020, these economic classifications accounted for 98% of education-related expenditures on the local government budget.

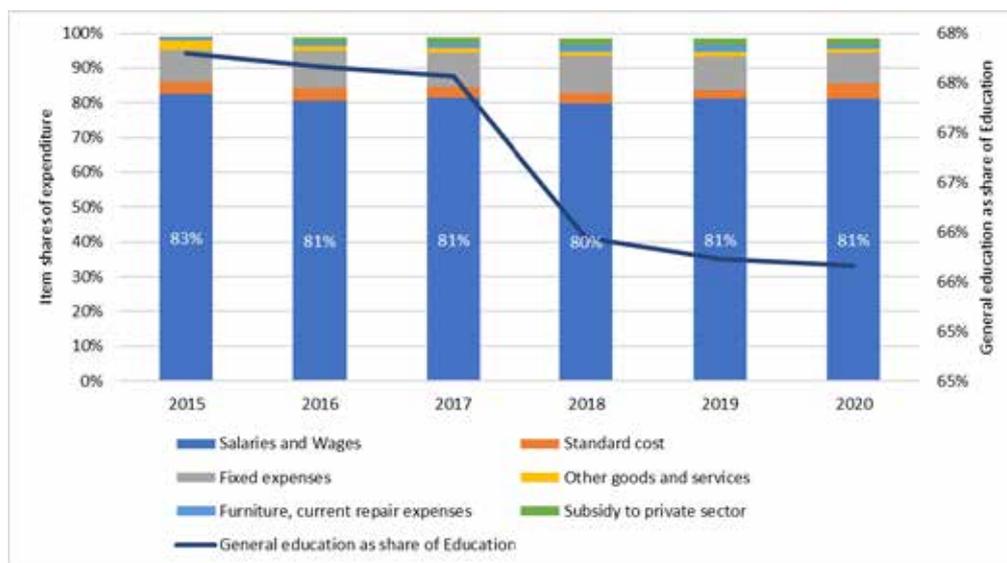
As with Table 47, *salaries and wages* combines salaries, social contributions and allowances. Together, these account for the majority of education expenditures. The full name for *Other goods and Services* is "Purchase of other goods and services", which includes training and practice as a sub-item. This sub-item accounts for 82% of the *Other Goods and services* expenditure in the education budget, compared to 11% for the whole of local government. *Standard cost* includes the items "clothing, meal, medicines", and 97% of the expenditure against these items in local government budgets is against the education budget, and over 90% is on "meals". *Fixed expenses* includes electricity, heating and water. This item accounts for 9% of education expenditures, 80% of which is heating.

The other two items, *Furniture, current repair expenses* and *Subsidy to private sector*, accounted for 6% of education expenditure in 2019, but are the fastest growing items on the education budget.

### 4.2 General education

Figure 114 below shows the composition of expenditures in the local government general education budget programme.

Figure 114 Composition of general education expenditures



Source: Budget and Expenditure Data provided by the Ministry of Finance, 2021

The above items account for over 99% of general education expenditures. The composition of expenditures is steady throughout the period. The only notable changes are:

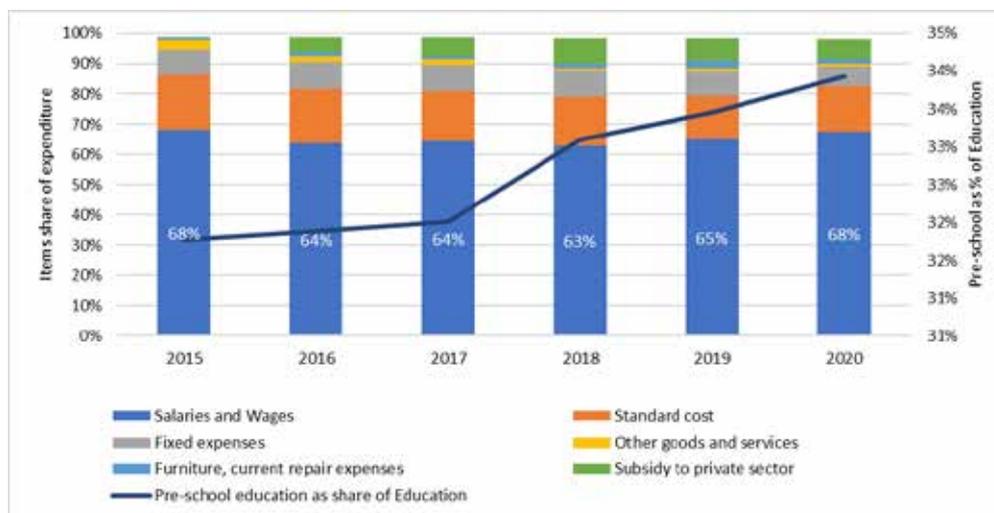
- expenditures on training (other goods and services) decreased between 2015 and 2016.
- standard cost decreased from 4% to 2% between 2015 and 2019, then rose to 4% in 2020. Expenditure on meals fell between 2015 and 2019, then doubled between 2019 and 2020.
- subsidy to private sector increased from 0.2% to 1.8% during the period.

General education’s share of education expenditure decreased from 67.8% to 65.7% over the period. The scale of the graph magnifies this change, and it is important to note that the general education budget grew at an annual average rate of 9% between 2015 and 2019 and 11% if 2020 is included

### 4.3 Pre-school education

The composition of expenditures in the local government pre-school budget programme is shown in Figure 115 below.

Figure 115 Composition of expenditures in the pre-school budget programme



Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

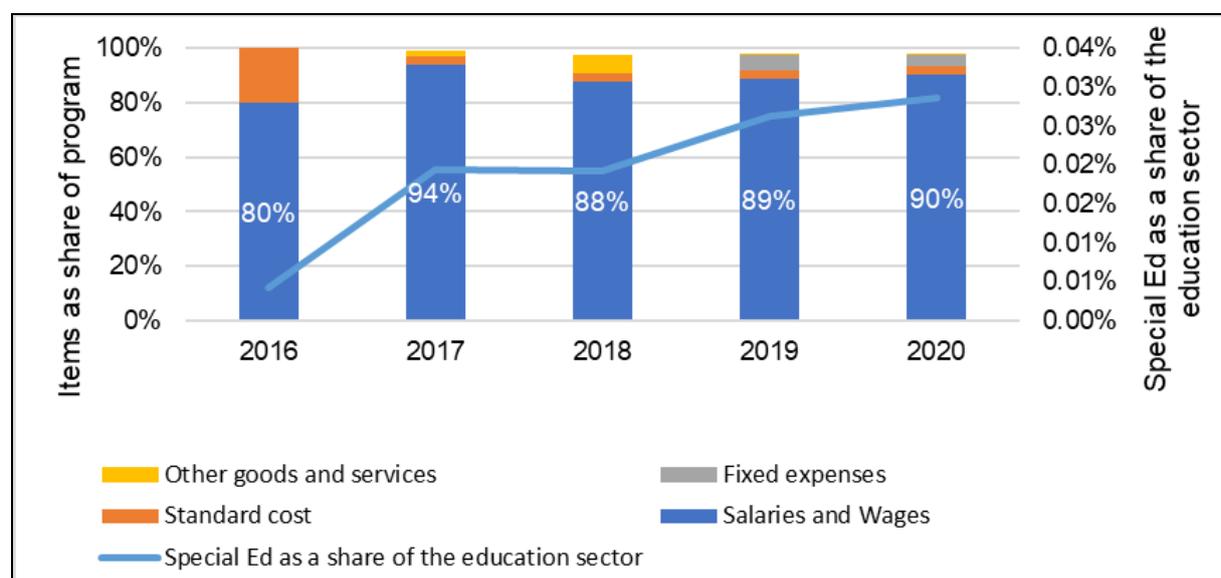
The most notable change is the growth in *subsidy to private sector*. In 2015, this item accounted for less than 0.5% of expenditure, then climbed to 7.3% in 2019 and 6.3% in 2020. *Furniture, current repair expenses* increased from 0.7% in 2015 to 2.6% in 2019, then fell to 1.5% in 2020. This includes expenditure on furniture, renovations, and tools and appliances.

Pre-schools' share of the education budget rose from 31.8% in 2015 to 33.5% in 2019, and 33.9% in 2020.

#### 4.4 Special education

The composition of expenditures in the local government special education budget programme are shown in Figure 116 below.

Figure 116 Composition of expenditures on special education



Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

The above expenditures accounted for 0.1% of total education expenditures in 2019 and 2020, and are recorded by only four of the 21 aimags.

### 5. SPECIAL PURPOSE TRANSFERS FOR GENERAL AND PRE-SCHOOL EDUCATION

According to the *Education Sector Mid-Term Development Plan (2012-2030)*:<sup>74</sup>

- As per the provisions of the Law on Education, “educational institutions are funded at fixed and normative costs. These costs are identified by program, purpose, and economic classifications. The economic classification is divided into variable costs, fixed costs, tuition loans, one-time allowances, incentives, and investment costs.”
- “In making these transfers, the General Budget Governor enters into agreements with local government governors to implement some government functions on behalf of the Ministry of Education in local areas”
- “This norm-based funding is provided to public and private children’s kindergartens, schools and vocational schools”
- Both state and non-government educational institutions are funded at regular and normative

74 Ministry of Science and Education. Education Sector Mid-Term Development Plan, 2021-2030. Ulaanbaatar, October 2020, p96.

levels, and the law and supporting resolutions “provide[s] an opportunity to allocate variable cost expenditures separately, as a methodology to finance the average normative variable cost per student for pre-primary, primary and secondary schools, and the average normative variable cost expenditure per pupil in non-state-owned schools.”

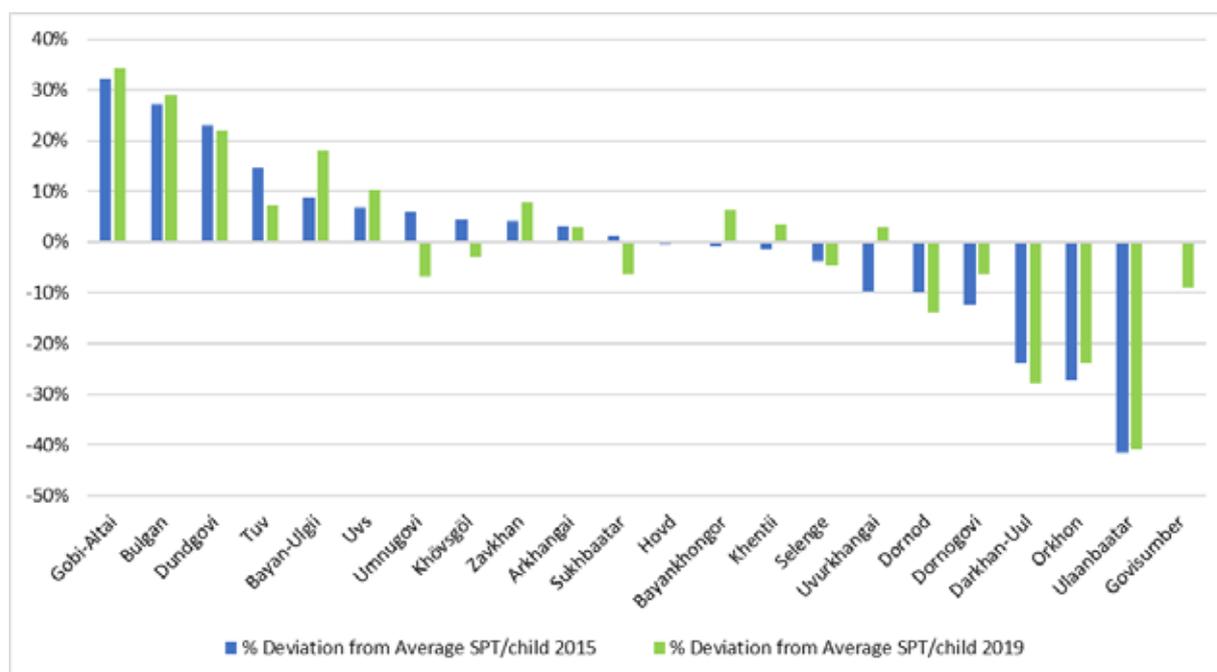
The above-mentioned transfers are recorded as special purpose transfers to aimags against the MOES budget in the general education, pre-school education and special education budget programmes.

The figures below analyse:

- Special purpose transfer per learner in general education – the special purpose transfers for general education for each aimag divided by the total number of learners in general education in each aimag.
- Special purpose transfer per child participating in pre-school programmes – the special purpose transfers for pre-school education for each aimag divided by the total number of children participating in pre-school programmes in each aimag.

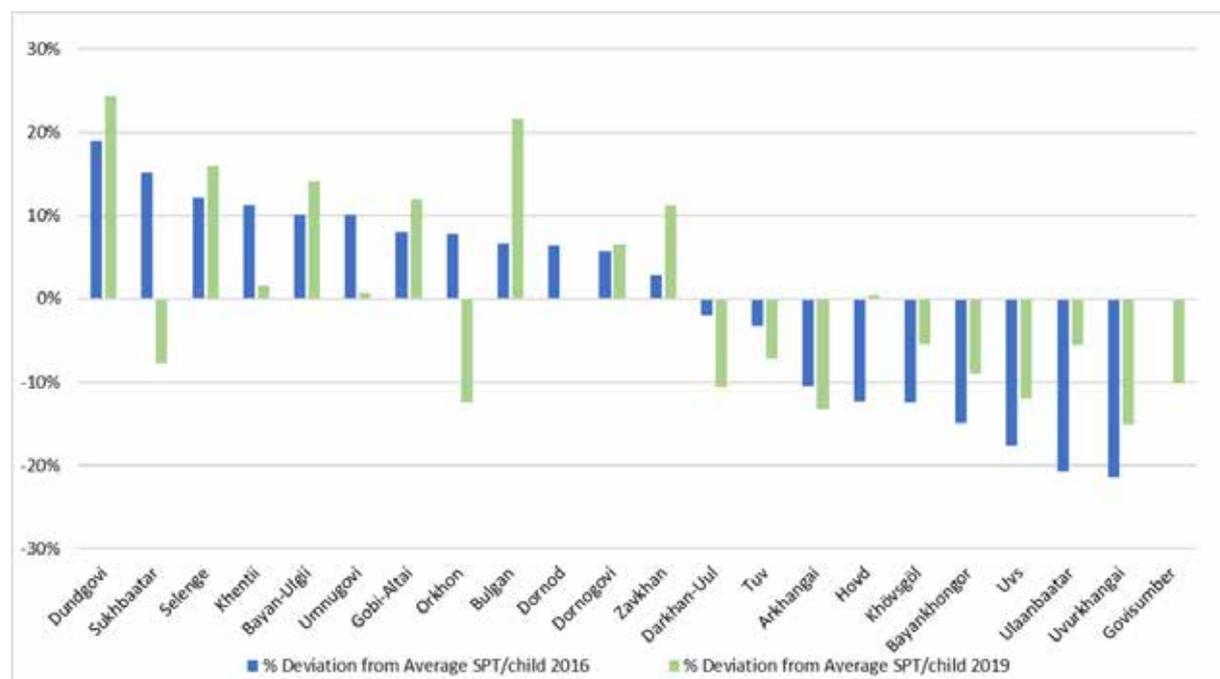
For each of the above analyses, the average special transfer per child was calculated. The figures below show the deviation from the average in each aimag. Figure 117 below shows the analysis of special purpose transfers for general education.

**Figure 117** General Education – special purpose transfers per child, 2015 and 2019



Source: Own calculations using Budget and Expenditure Data provided by the Ministry of Finance and ESIS data from the MOES, 2021

The aimags are ordered from highest to lowest in 2015. For illustrative purposes, if the average transfer per child was MNT100, the transfer per child would be MNT130 in Gobi-Altai (+30%) and MNT58 in Ulaanbaatar (-42%).

**Figure 118** Pre-School Education – special purpose transfers per child, 2015 and 2019

Source: Own calculations using Budget and Expenditure Data provided by the Ministry of Finance and ESIS data from the MOES, 2021

The average normative variable costs per school student as per the Government Resolution No 242 of 2016 in schools are shown in Table 48 below.

**Table 48** Average normative variable cost per child for primary and secondary education in secondary schools

Location	School classification	Total variable costs		
		lower class	middle class	high class
Soums except aimag center	Primary school of Bag	683.1		
	Basic education school	364.9	555.9	
	High school	334.6	477.5	501.7
In the aimag center and the suburbs of the capital city	Primary, basic and complete secondary school	315.4	449.8	458.4
Capital	Primary, basic and complete secondary school	286.9	407.3	427.8
<b>Dormitories</b>				<b>Total dormitory variable costs</b>
Dormitory where 6-year-old children live				462.2
Secondary school dormitory				312.7

Source: MOES, 2021

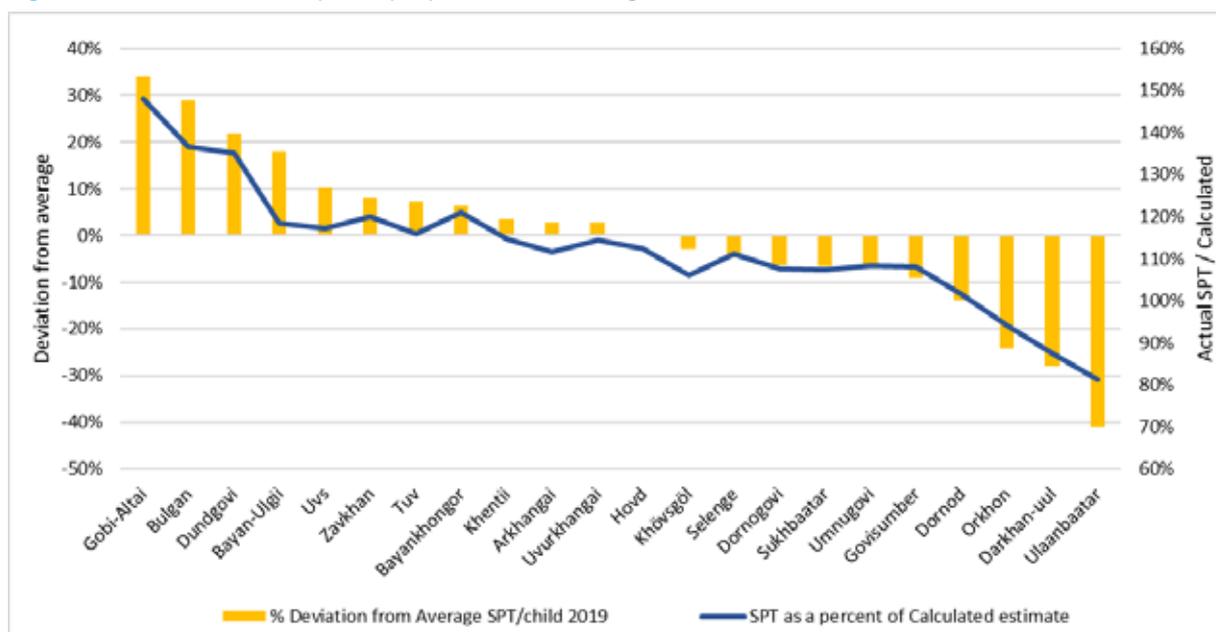
The resolutions also contain normative costs for private schools. The normative costs per child differ by level of the school system, and by the fees charged at the school. The budget data does not enable comparing expenditures to the above normative costs.

The ESIS data for general education shows number of students per school. This data enables estimating the number of children for most of the categories shown above. The total value of special purpose transfers each aimag should receive was calculated by first multiplying the normative costs by the number of children in the respective categories of normative costs. Average normative costs for categories that are not in the ESIS data were used where necessary, which affects a very small proportion of children and therefore do affect the findings.

Each aimag’s share of the total was then calculated. This share was applied to the total value of general education special purpose transfers on the MOES budget in 2019 to estimate the value of special purpose transfers each aimag would have received if these were shared across aimags in the same proportion.

This estimate is then compared to what each aimag received, and shown by the blue line in Figure 119 below, labelled “SPT as a percent of calculated estimate”.

**Figure 119** Calculated special purpose transfers for general education vs actuals, 2019



Source: MOES, 2021

The bar chart above presents the same values as shown in Figure 117 for 2019, and is read on the left axis. The comparison of estimated special purpose transfers with transfers actually received must be read on the right axis. Gobi-Altai receives almost 1.35 times more than the normative costing suggests it should, while Ulaanbaatar receives 80%. Notice how closely the variances measured correlate with each other (97% correlation).

The table below shows the normative costing estimates for pre-schools, according to the resolutions.

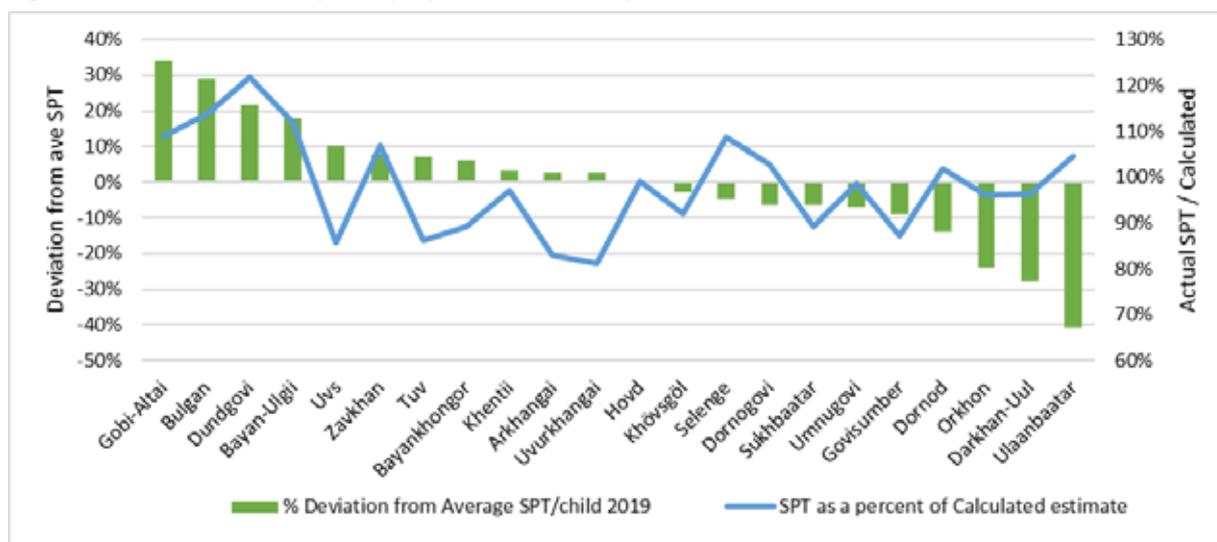
**Table 49** Average variable expenditure per student for pre-school education, Resolution 242

Location	Total variable costs
Soums except aimag center	998.2
Aimag center	812.3
Capital	807.8

Source: MOES, 2021

Pre-school enrolment data from ESIS were used to estimate the special purpose transfers for pre-schools by applying the same method used for general education discussed above. Figure 120 below presents the equivalent analysis to that presented in Figure 119, but for pre-schools.

Figure 120 Calculated special purpose transfers for pre-schools vs actuals, 2019

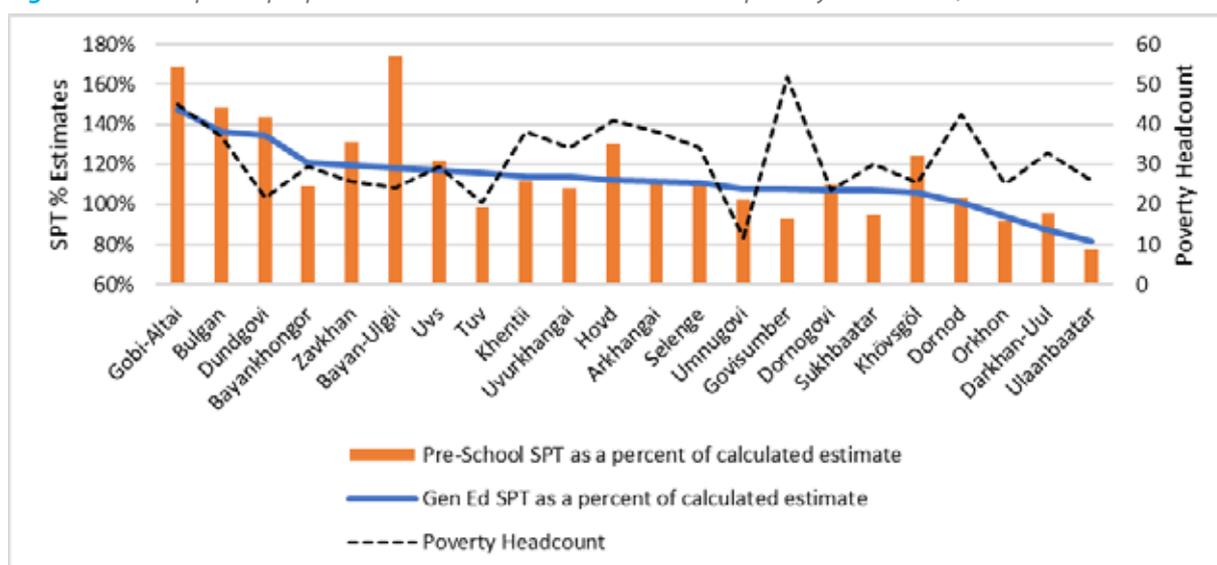


Source: Own calculations using Budget and Expenditure Data provided by the Ministry of Finance and ESIS data from the MOES, 2021

The deviation from average special purpose transfer per child is on the left-hand axis, and the comparison between actual special transfers and calculated special purpose transfers is on the right-hand axis. The relationship between these two variables is positive, but clearly not as strong as the one for general education. According to the above calculations, Dundgovi receives 1.22 more than it should, while Ulaanbaatar receives 81% of what it should. The World Bank (2020, p67<sup>75</sup>) shows that these discrepancies translate into variances in expenditures per child at the school level.

It is not known what drives these differences. Figure 121 below compares the actual and estimated special purpose transfers in each programme, and to the poverty headcount from 2018.

Figure 121 Special purpose transfers received vs calculated vs poverty headcount, 2018.



Source: Own calculations using Budget and Expenditure Data provided by the Ministry of Finance and ESIS data from the MOES, 2021

Poverty levels in the aimags are not driving these differences.

75 Towards Mongolia's Long-Term Development Policy Vision 2050: Advancing education equity, efficiency and outcomes. 2020. Ministry of Education and Science, Global Partnership for Education, The World Bank Group.

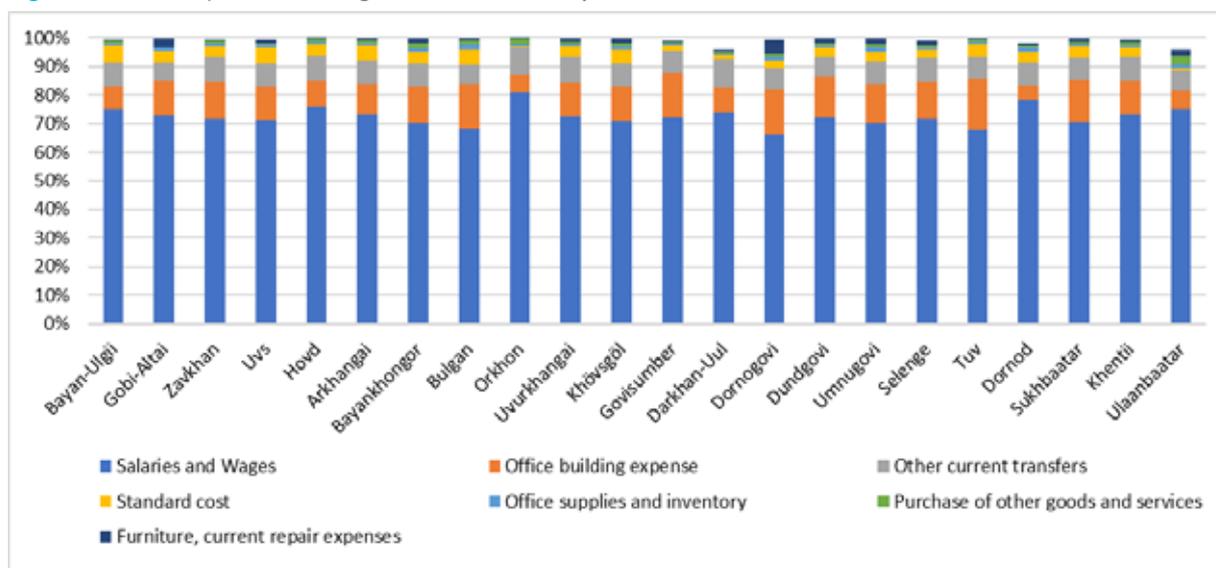
## 6. GENERAL EDUCATION

### 6.1 Composition of expenditures

The main purpose of this analysis is to show the limitations of the data and how this affects the types of expenditure analyses that can be carried out.

Figure 122 below shows the composition of general education expenditures at economic classification level 4 for 2015 to 2019. Data for Uvurkhangai for 2020 was absent from the budget data, so 2020 is excluded from the analysis. However, if 2020 was included, it would not change the analysis in any meaningful way.

**Figure 122** Expenditures in general education by economic classification, 2015 to 2019

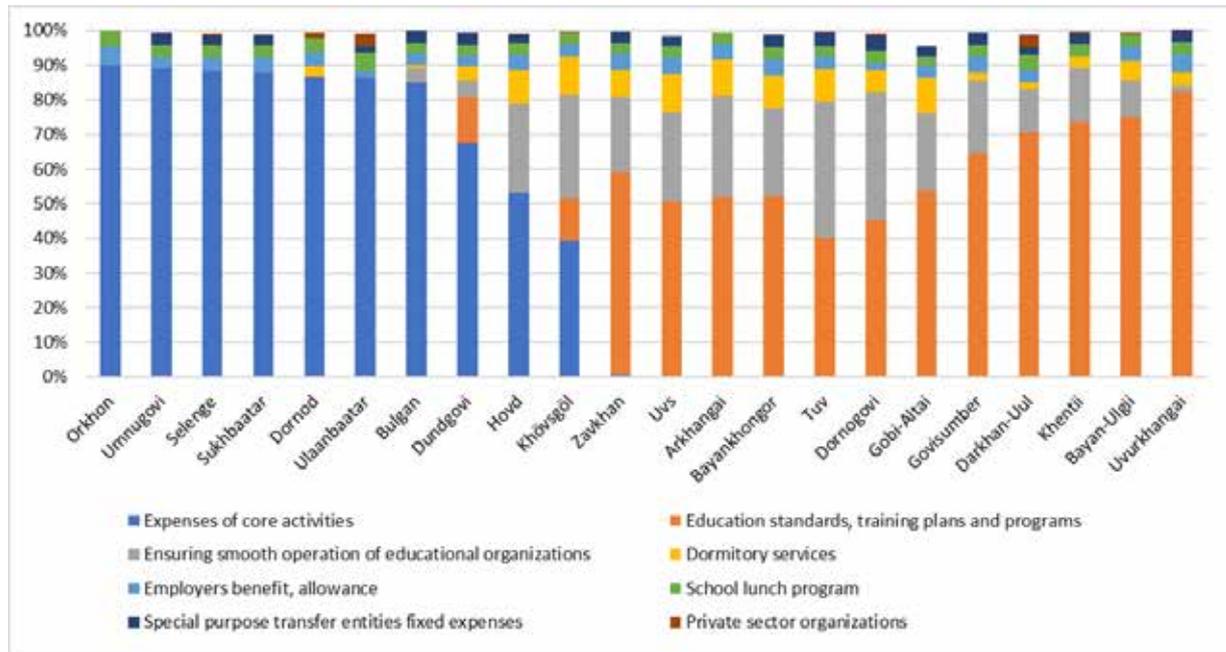


Source: Budget and Expenditure Data provided by the Ministry of Finance, 2021

The above seven economic classifications account for 96% of all expenditure on general education in two aimags; in all other aimags, they account for over 98%. There are some variations in the composition across the aimags. It is notable that there are outliers such as Orkhon, Dornogovi and Dornod. Such variations are expected, given the socioeconomic and geographical differences between regions.

Compare Figure 122 above with how aimags report expenditures against the budget activities in the general education budget program, shown in Figure 123 below.

Figure 123 Expenditures in general education by budget activity, 2015 to 2019



Source: Budget and Expenditure Data provided by the Ministry of Finance, 2021

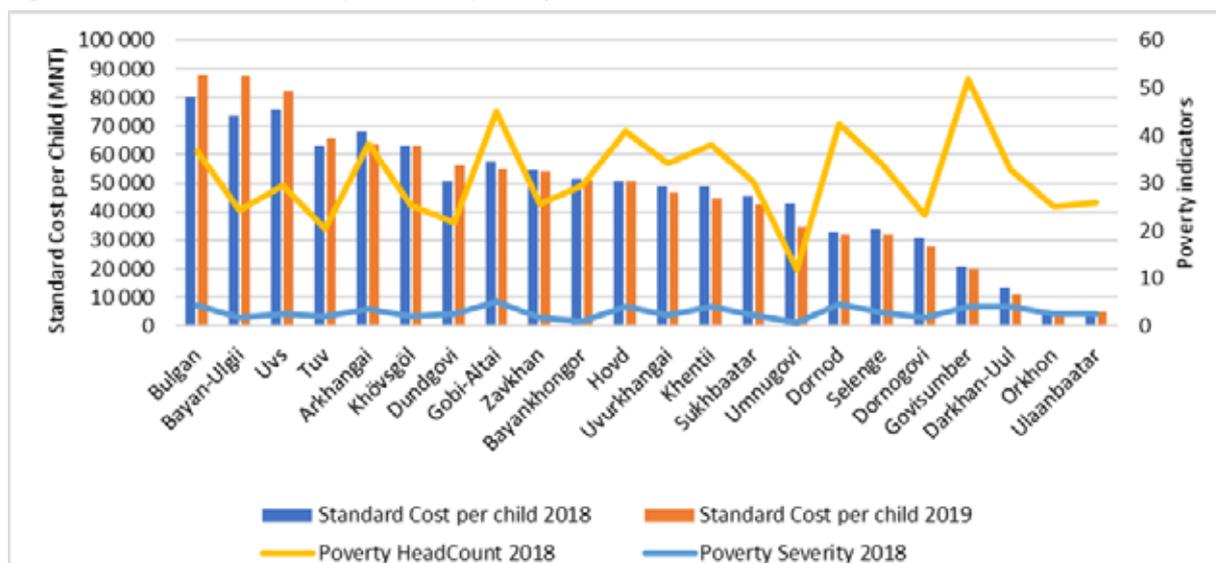
The figure is ordered from largest to smallest proportion allocated to *expenses of core activities*, from the left. Note that:

- seven aimags report over 85% of expenditures against expenses of core activities, and the same aimags report no expenditure against ensuring smooth operation of educational organizations.
- eleven aimags do not report any expenditure against expenses of core activities.

The only budget activity for which aimags allocate a similar proportion of expenditure to is the *school lunch program*. It is not easy to see in the figure, but note the variation in reporting against *dormitory services*, though there are dormitories in all aimags.

In summary, aimags do not follow a uniform approach to reporting expenditures against budget activities. It appears that there is uniformity in how they use the economic classifications, but the usefulness of these classifications is limited by inconsistent reporting against budget activities.

Figure 124 below provides an example of the variation in how aimags report against budget items. The budget data includes the economic classification *Standard Item*, which includes the sub items clothing, bedding, meals and medicines. Note that this is not the normative cost per child used to estimate funding requirements for education.

**Figure 124** Standard cost per child vs poverty measures

Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021 and Poverty data provided by UNICEF Mongolia

This item accounts for between just under 1% to just over 6% of general expenditures in aimags. Given the name “standard cost”, and the contents of this item, one would expect a high degree of uniformity across the aimags. Certainly not the degree of variation shown. The highest expenditure per child in 2019 is MNT87 676, in Bulgan, while the lowest expenditure per child is MNT4 737 in Ulaanbaatar – a 19-fold difference.

There is no relationship between these expenditures and the poverty indicators. It is likely that there are differences in the way aimags report and/or some data errors that contribute to the above variations. However, the fact that expenditure per child on this item varies so much across all aimags points to general problems with how expenditures are reported.

## 6.2 SALARIES AND WAGES

Salaries and wages are the single biggest budget item in education, and pay for arguably the most important input: teachers.

### 6.2.1 Overview of expenditure on salaries and wages

Salaries and wages account for about 77% of total expenditure. This expenditure has grown at a similar pace to overall expenditures.

Table 50 below shows expenditure on salaries, wages and social contributions.

**Table 50** Salaries, wages and social contributions

Amounts in MNT Millions	2015	2016	2017	2018	2019	2020	Annual Average Growth 2015 -2019
Budget	392 423	408 546	413 035	448 756	573 449	689 114	9.9%
Expenditure	388 522	403 308	412 438	445 990	569 561	672 425	10.0%
Over (+) / Under (-) Expenditure	-1.0%	-1.3%	-0.1%	-0.6%	-0.7%	-2.4%	
Expenditure as % of General Education	77%	72%	68%	72%	77%	79%	
General Education	506 215	560 960	606 506	617 855	737 961	848 604	9.9%

Source: Budget and Expenditure Data provided by the Ministry of Finance, 2021

Under-expenditure is minimal, and annual average growth on salaries and wages is similar to that of total education expenditure. As a share of total expenditure, salaries and wages account for between 68% and 79%. The decrease from 2015 to 2017 is due to the cycle of payments for rural allowances and once-off payments offered to teachers retiring.

Table 51 below shows salaries and wages as well as rural allowances and once-off payments offered to teachers nearing retirement.

**Table 51** Salaries, wages and social contributions plus rural allowances and once-off payments

Amounts in MNT Millions	2015	2016	2017	2018	2019	2020	Annual Average Growth 2015 -2019
Budget	408 951	434 000	469 903	470 707	574 964	690 542	8.9%
Expenditure	404 121	428 434	468 989	467 710	571 040	673 764	9.0%
Over (+) / Under (-) Expenditure	-1.2%	-1.3%	-0.2%	-0.6%	-0.7%	-2.4%	
Expenditure as % of General Education	80%	76%	77%	76%	77%	79%	
General Education	506 215	560 960	606 506	617 855	737 961	848 604	9.9%

Source: Budget and Expenditure Data provided by the Ministry of Finance, 2021

When the allowances are added to salaries and wages, the share of total expenditure accounts for between 76% and 80% of total general education expenditure. Under-expenditure is more prominent than in the previous analysis, but is low.

Table 52 below shows expenditure on once-off payments and rural allowances, and compares it to salaries and wages and total general education.

**Table 52** Other current transfers vs salaries and wages and total expenditure

Budget Activity	The type of staff whose salaries should be allocated to the budget activity
Expenses of core activities	Core teaching staff, including full-time and part-time teachers.
Education standards, training plans and programmes	Management and other staff that work at schools that are not core to teaching, and provide management and other support. These would be directors, accountants and other staff that manage and oversee operations at schools.
Ensuring Smooth Operation of Educational Orgs	Salaries of non-managerial support staff at schools (grounds, plumbers, electricians etc). <b>Or</b> , staff that are employees of local government bureaucracies that monitor, oversee and support education programmes at schools.
Dormitory Services	Staff working at dormitories.

Source: Budget and Expenditure Data provided by the Ministry of Finance, 2021

The annual average growth calculation misses the spike in allowances expenditures in 2017, when these items reached 9.4% of general education budgets. Note that in 2020, these allowances account for less than 0.5% of total general education expenditure. This spike is discussed in the context of teacher ages below.

Although there are higher levels of under-expenditure on this item, the under-expenditure is still relatively low.

## 6.2.2 Salaries and wages by budget activity

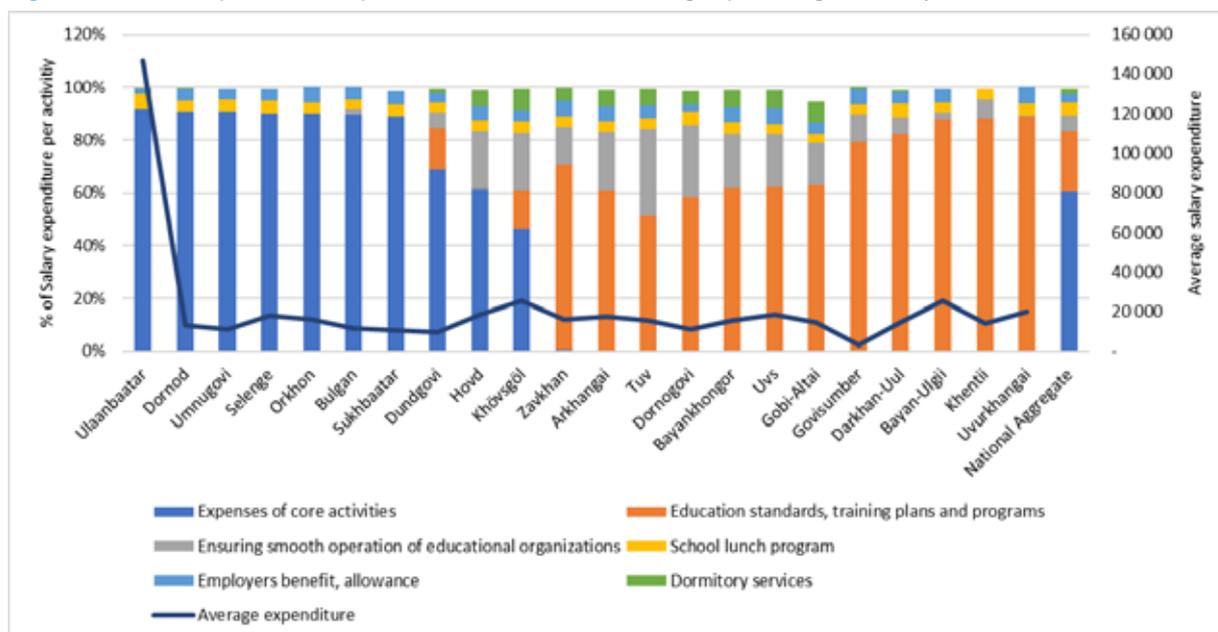
Logically, the budget activity names suggest that salaries of markedly different types of staff, or staff that have very different responsibilities, would be allocated to different budget activities. Table 53 below shows examples of the types of salary expenditures that could be reported against each budget activity.

**Table 53** Suggested types of salary and wage expenditures per budget activity

Budget Activity	The type of staff whose salaries should be allocated to the budget activity
Expenses of core activities	Core teaching staff, including full-time and part-time teachers.
Education standards, training plans and programmes	Management and other staff that work at schools that are not core to teaching, and provide management and other support. These would be directors, accountants and other staff that manage and oversee operations at schools.
Ensuring Smooth Operation of Educational Orgs	Salaries of non-managerial support staff at schools (grounds, plumbers, electricians etc). Or, staff that are employees of local government bureaucracies that monitor, oversee and support education programmes at schools.
Dormitory Services	Staff working at dormitories.

Figure 125 below shows the proportion of expenditure on salaries and wages reported against each budget activity by the aimags between 2015 and 2019. 2020 is excluded as data for Uvurkhangai in that year is missing. However, including 2020 expenditures will not affect the discussion. The line graph shows average total expenditure on salary and wages per aimag per year.

**Figure 125** Proportion of expenditure on salaries and wages per budget activity



Source: Budget and Expenditure Data provided by the Ministry of Finance, 2021

This figure is similar to Figure 123, but looks only at expenditure on salaries and wages, social contributions, and the allowances, as discussed above.

As for Figure 15, note how the use of the budget activities varies across aimags. It is clear the aimags do not follow uniform approaches to allocating salaries.

### 6.2.3 Teacher ages, once-off payments and rural allowances<sup>76</sup>

As noted above, the rural allowances and once-off payments offered to teachers before retirement have a significant impact on expenditures. The age structure of teachers is therefore an important expenditure issue.

Table 54 below shows the composition of teachers by age.

<sup>76</sup> The regulations regarding these expenditures were explained to the authors briefly. More detail on these is required.

**Table 54** Composition of teachers by age category

	Total	% of teachers by age category				
		Up to 30	30-39	40-49	50-59	60 +
2015	28 490	29.7%	36.1%	21.3%	12.3%	0.6%
2016	28 889	29.0%	36.0%	22.6%	11.7%	0.7%
2017	29 242	28.5%	36.0%	23.3%	11.5%	0.7%
2018	30 411	28.3%	35.3%	24.1%	11.4%	0.9%
2019	32 085	27.8%	35.4%	24.4%	11.2%	1.2%
<b>Average change</b>	<b>3.0%</b>	<b>1.3%</b>	<b>2.5%</b>	<b>6.6%</b>	<b>0.6%</b>	<b>22.1%</b>

Source: ESIS data provided by MOES, 2021

Between 2015 and 2019, the total number of teachers grew at an annual average rate of 3%. This is slower than the growth in learners during the same period, which was 4.6%.

The above numbers show that the proportion of the workforce that include those that will retire over the next 10 years (50-59) has stayed about the same over the last few years. This means that a similar number of teachers will take up the once-off payment, and therefore budgets are likely to come under similar pressure, in about 2024 as they did between 2016 and 2017.

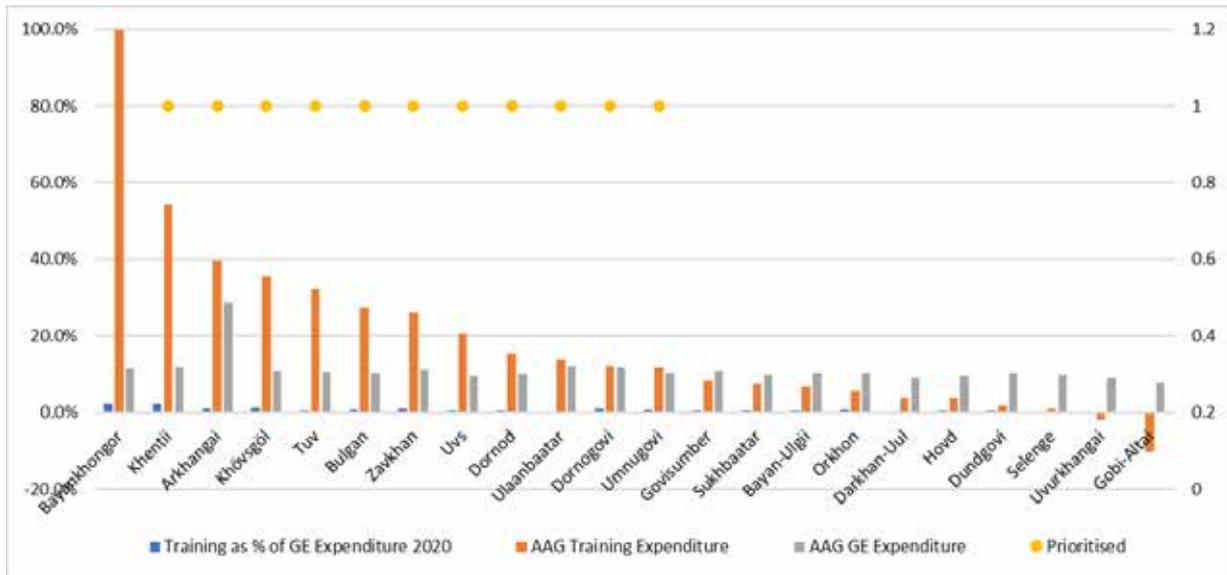
### 6.3 Expenses on training and practice

The policy review showed that improving the quality of teachers is critical to improving learning outcomes. This activity should be recorded under the economic classification *expenses on training and practice*, which is used by the ministry and local governments. In the local government budgets, there is an activity *Create advanced and diversified training environment*, which is where one would expect expenditure on training to be allocated.

At the local government level, though, there is no standard approach to allocating this economic classification to budget activities. Only two aimags recorded these expenditures against the activity *Create advanced and diversified training environment*. Most allocate it to either *Expenses of core activities or Education, standards, training plans and programmes* – or both. Some allocate this expenditure to other activities.

Figure 126 below shows *training and practice* as a share of total general education expenditure in 2020, and compares annual average growth in expenditure on this item to annual average growth in general education expenditures from 2015 to 2020.

**Figure 126** Expenditures on training and practice



Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

Note that the growth rates in Uvurkhangai are from 2015 to 2019. Bayankhongor did not record expenditures for *training and practice* in 2015, but expenditure grew rapidly from 2016 to 2020, and therefore the growth rate shown above is a proxy.

The yellow dots show where growth in expenditure on *training and practice* has outpaced growth in general education expenditure. This suggests that expenditure on this activity is being prioritised in 11 aimags (or 16, if analysed from 2015 to 2019), even though expenditure on the item is a small proportion of total expenditures.

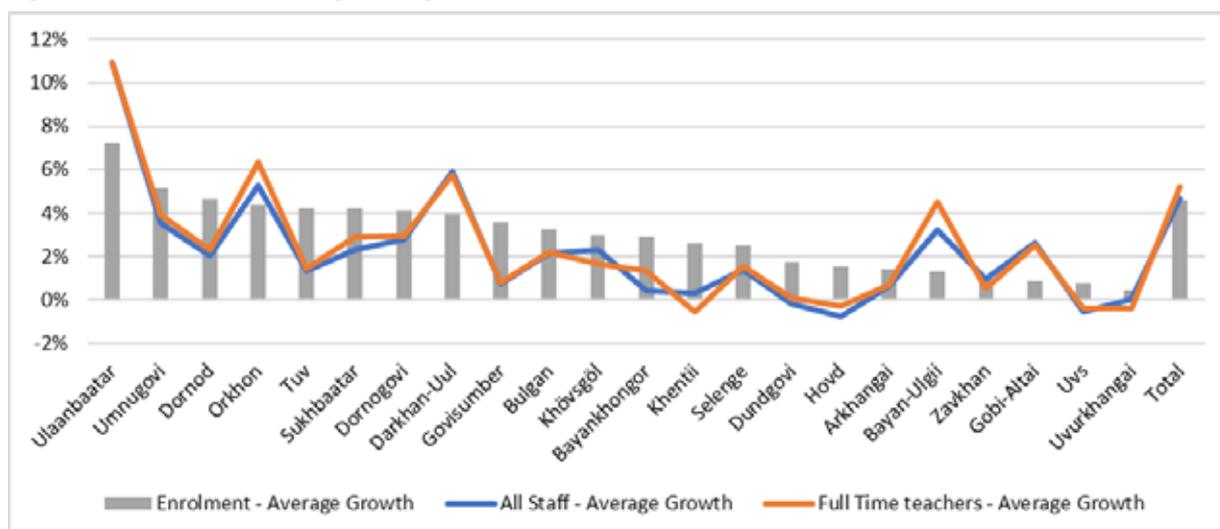
In 9 aimags, it reaches more than 1% of total expenditure on *salaries and wages* by 2019/20, while in two it exceeds 2% of total expenditure (Khenti and Bayankhongor).

In addition to the above analyses, expenditure on *training and practice* was correlated with performance in Grade 5, 9 and 12 assessments, and poverty measures. Correlations between *training and practice* expenditure per teacher and these variables were also explored, but no meaningful relationships were observed.

### 6.4 Numbers of teachers

Data on the numbers of teachers were analysed to assess relationships between staff numbers, expenditures and education outcomes. Figure 127 below compares growth in enrolment to staff at schools.

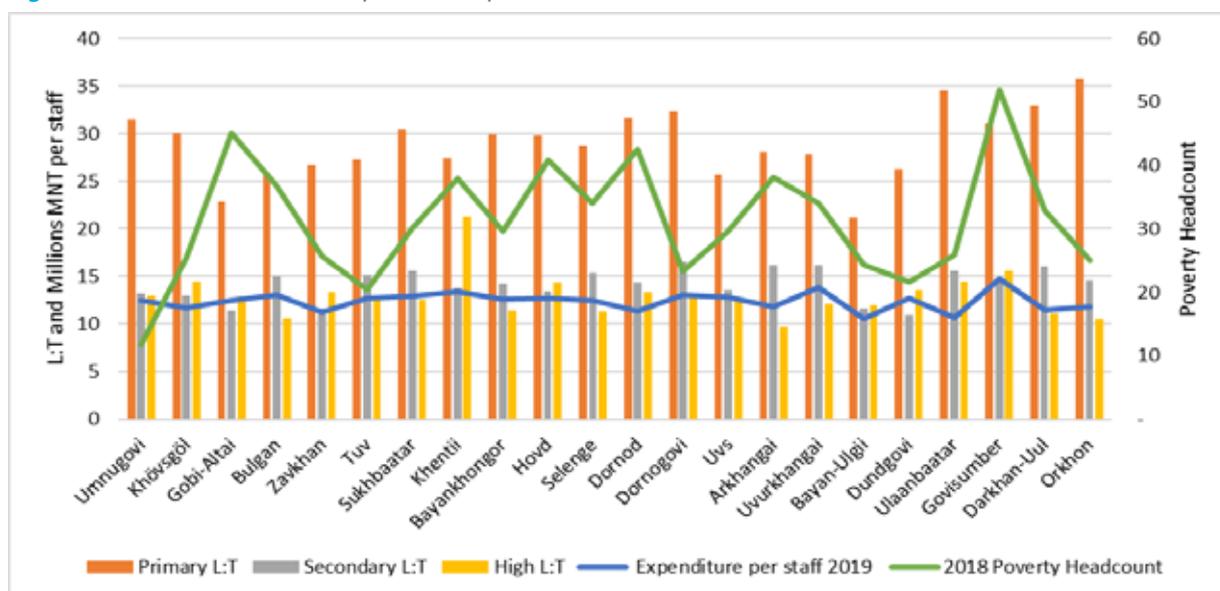
Figure 127 Annual average change in enrolment, staff and teacher numbers



Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021 and ESIS data provided by MOES, 2021

The largest increase in enrolment and number of staff and teachers is in Ulaanbaatar. However besides the capital, there is no clear relationship between growth in enrolment and changes in the number of teaching staff. Figure 128 below compares learner to teacher ratios (L:T) and expenditure per staff member.

Figure 128 L:T ratios and expenditures per staff member

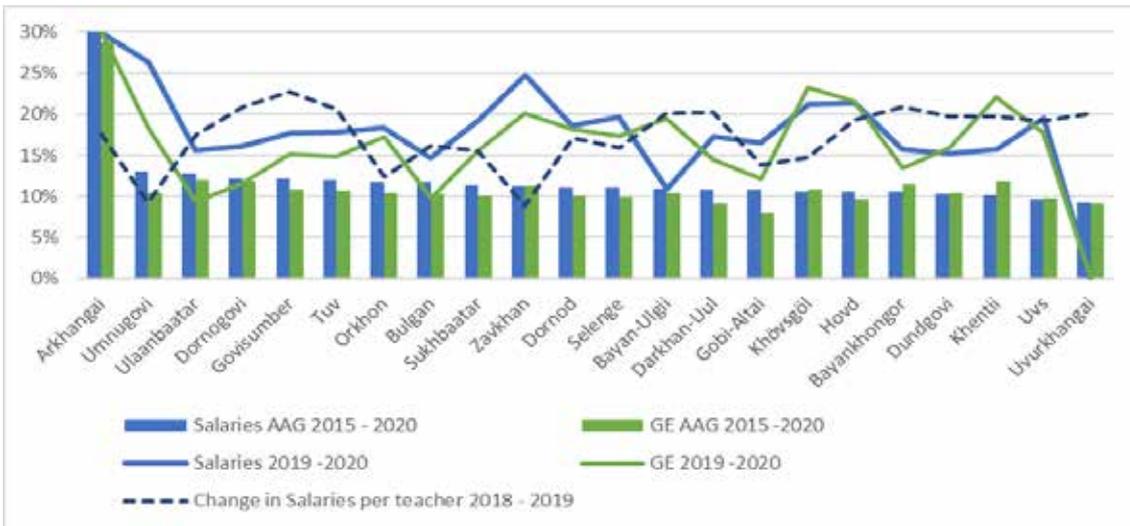


Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021 and ESIS data provided by MOES, 2021

The expenditure data does not enable comparing expenditures on teaching staff against expenditures on non-teaching staff. Therefore, the closest estimate of expenditures on teaching staff is expenditures on all staff in schools. The bar charts show L:T ratios. There is no relationship with poverty headcount or between average expenditures per staff and L:T ratios.

Figure 129 below compares growth in expenditure on salaries and wages between 2015 and 2020, as well as between 2018 and 2019.

**Figure 129** Growth in expenditure on salaries and wages

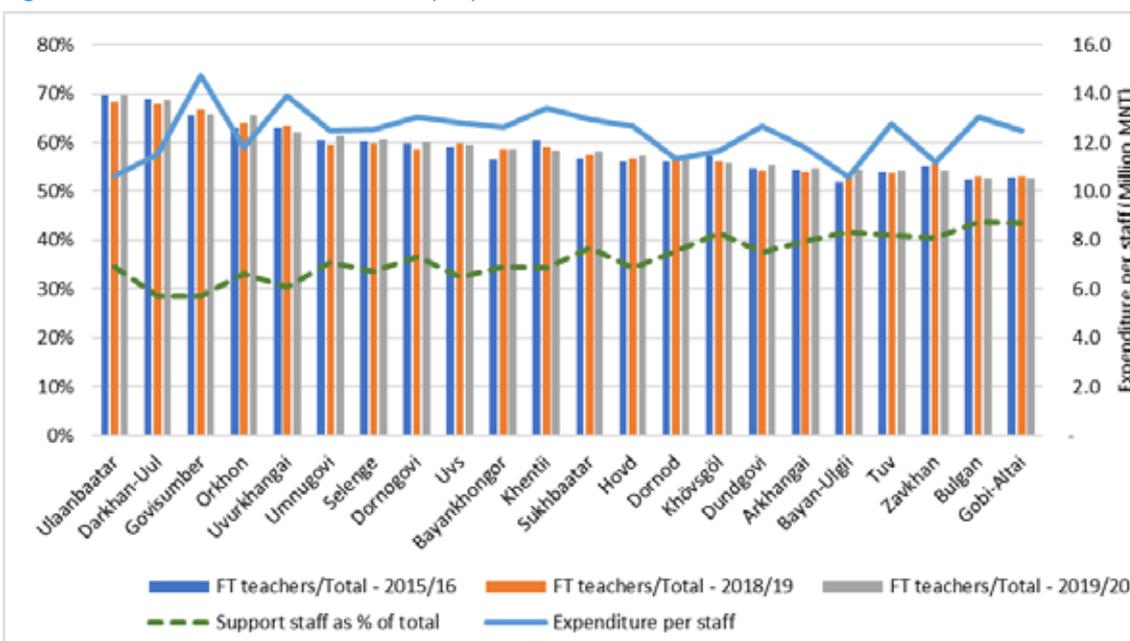


Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021 and ESIS data provided by MOES, 2021

The bar charts show annual average growth in expenditure between 2015 and 2020, the solid lines show the year-on-year change between 2019 and 2020, and the dotted line the change in salary expenditure per teacher between 2018 and 2019. The figures for Arkhangai are capped at 30%, but the change between 2019 and 2020 for salaries and total general education is about 160% in that aimag. The gap between the bar and line graphs shows that there was an above-average increase between those two years. Note that, between 2018 and 2019, the growth in salaries outstrips the growth per staff member. The dotted line shows that there is a mismatch between growth in expenditures per staff member and growth in total salaries.

Figure 130 below compares expenditures per staff member to the ratio of teaching staff to non-teaching staff.

**Figure 130** Full-time teachers as a proportion of all staff



Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021 and ESIS data provided by MOES, 2021

The aimags are sorted in descending order of proportion of all staff that are full-time teachers. This closely follows the expenditure per staff – i.e. the larger the proportion of the workforce that are teachers, the higher the salary per staff member. There is a clear inverse relationship between the proportion of staff that are in support roles, such as librarians, chefs, accountants and so on. In most aimags, the proportion of the workforce that is in managerial roles, such as directors and training managers, is in a narrow range between 7 and 8% (not shown). Therefore, the variance in expenditure per staff is driven by the proportion of the workforce in support roles who presumably receive lower salaries.

## 6.5 Dormitories

The provision of dormitory services is key to ensuring access to education for children from herder families, and therefore ensuring equity in access and learning outcomes, given the remoteness of many parts of Mongolia.

Due to the way in which aimags report against the budget activity for dormitory services, the data cannot be used to prepare analyses that compare expenditures across aimags. Many dormitories are part of schools, and therefore the expenditures on these dormitories are not necessarily recorded against the budget activity for dormitory services. It is clear which aimags do not report expenditures against this budget activity, but there is no way to tell what proportion of actual dormitory costs are reported in the budget activity by those that do report against it.

The analysis of dormitories uses budget data from 2015 to 2020, and data on enrolment in dormitories in 2015 and 2019.

### 6.5.1 Overview of expenditures against the dormitory services budget activity

A summary of the issues, from an expenditure analysis perspective, are:

- Children are in dormitories in all aimags, but four of them do not allocate expenditures to this budget activity.
- Expenditure per child varies massively, with the largest expenditure per child being 3.4 times greater than the least. In a few aimags, the annual variance in expenditure per child is so large it appears unrealistic.
- Eight aimags did not allocate expenditures on salaries to the budget activity. Where salaries are reported, there are massive differences between years, and the percentage of total expenditure differs widely across aimags
- The most reliable indicator of expenditures per child appears to be the “standard cost” per child, but this can only be calculated in sixteen of the 21 aimags plus Ulaanbaatar.

Table 55 below summarises expenditures reported against the dormitory services budget activity.

**Table 55** *Dormitory services budget activity*

	2015	2016	2017	2018	2019	2020	Annual Average Growth 2015 -2019
Budget	24 489	26 418	22 879	24 717	27 799	27 598	3%
Expenditure	23 278	25 685	22 650	24 315	27 598	30 501	4%
<i>Over (+) / Under (-) Expenditure</i>	-5%	-3%	-1%	-2%	-1%	11%	
<i>Expenditure as % of General Education</i>	5%	5%	4%	4%	4%	4%	
General Education	506 215	560 960	606 506	617 855	737 961	848 604	10%

Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

According to the budget numbers, allocations to the dormitory services budget activity have grown at a slower rate than total expenditure, and its share of total expenditure has declined. Budgets were not fully spent in any year, but the level of under-expenditure was at its highest in 2015, and has since reduced. These numbers need to be put in context of the analysis presented in Table 56 below, which shows the use of the economic classifications in the dormitory services budget activity.

**Table 56** *Reporting against the dormitory services budget activity*

Economic Classification (Level 4)	Number of Aimags Reporting against activity	of which report against the item in 3 or more years
Standard cost	19	16
Salaries and Wages	14	9
Office supplies and inventory	12	8
Furniture, current repair expenses	11	8
Purchase of other goods and services	2	0
Work, service payment, fee performed by others	2	0
Fixed expenses related to office building	1	0
Travel and guest expenses	1	0

Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

Table 56 above shows the number of aimags reporting expenditure against each of the major economic classifications (economic classification level 4 in the database). In total, 19 aimags report against this budget activity, yet there are dormitories in each of the 21 aimags and Ulaanbaatar. Note that only 16 report expenditure on *standard cost* in three or more years. The equivalent number for *salaries and wages* is 9 aimags. Even fewer report expenditures against other items in three or more years.

The numbers in brackets, below, refer to the number of dormitories in each of these aimags in 2019. It seems plausible that if there are only a few dormitories, as in Orkhon and Govisumber (3), Darkhan-Uul (6) and Ulaanbaatar (few dorms relative to its size – 14), that all the dormitories would be part of schools and therefore expenditure on dormitories would be captured elsewhere. However, Umnugovi (19), Selenge (20), Sukhbaatar (16) and Bulgan (23) have quite a few dormitories, yet they do not report against this budget activity.

The fact that only one aimag reports against *fixed expenses related to office building*, which includes heating, water and electricity, and is therefore an essential expenditure in operating dormitories, illustrates the dearth of expenditure data on this important service.

### 6.5.2 Access to dormitory services, in numbers

Even though the expenditure data cannot be used to carry out useful analyses, the data on dormitory services does provide useful insights into how the service has been expanded.

**Table 57** Summary of numbers of children in dormitories

	2015	2019	Annual Average Change
Total Children in Dorms	33 256	35 757	1.8%
Children in Dormitories that are children of herders	69%	82.8%	11.7%
Capacity of Dormitories	36 534	47 434	7%
% capacity used	91%	75%	
% Applied but not accepted	2%	8%	

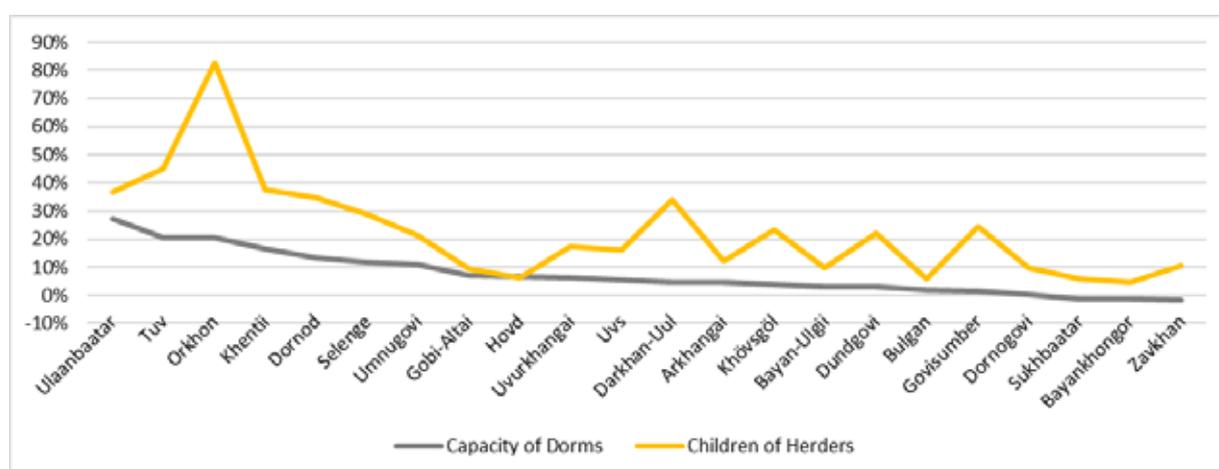
Source: Own calculations on ESIS data provided by MOES, 2021

Overall, the numbers show an increase in access to dormitory services. The proportion of children in dormitories that are children of herders has increased. The annual average increase in this number, at 11.7%, is significantly higher than the average growth in children in dormitories, as well as the growth in total general education enrolment.

The capacity of dormitories has grown faster than the number of children in dormitories, yet the capacity used has decreased and the proportion of children applying, but not being accepted, has also increased.

Figure 131 below compares the annual average growth in the capacity of dormitories to the same growth in the number of children of herders.

**Figure 131** Growth in capacity of dormitories and number of children of herders in dormitories

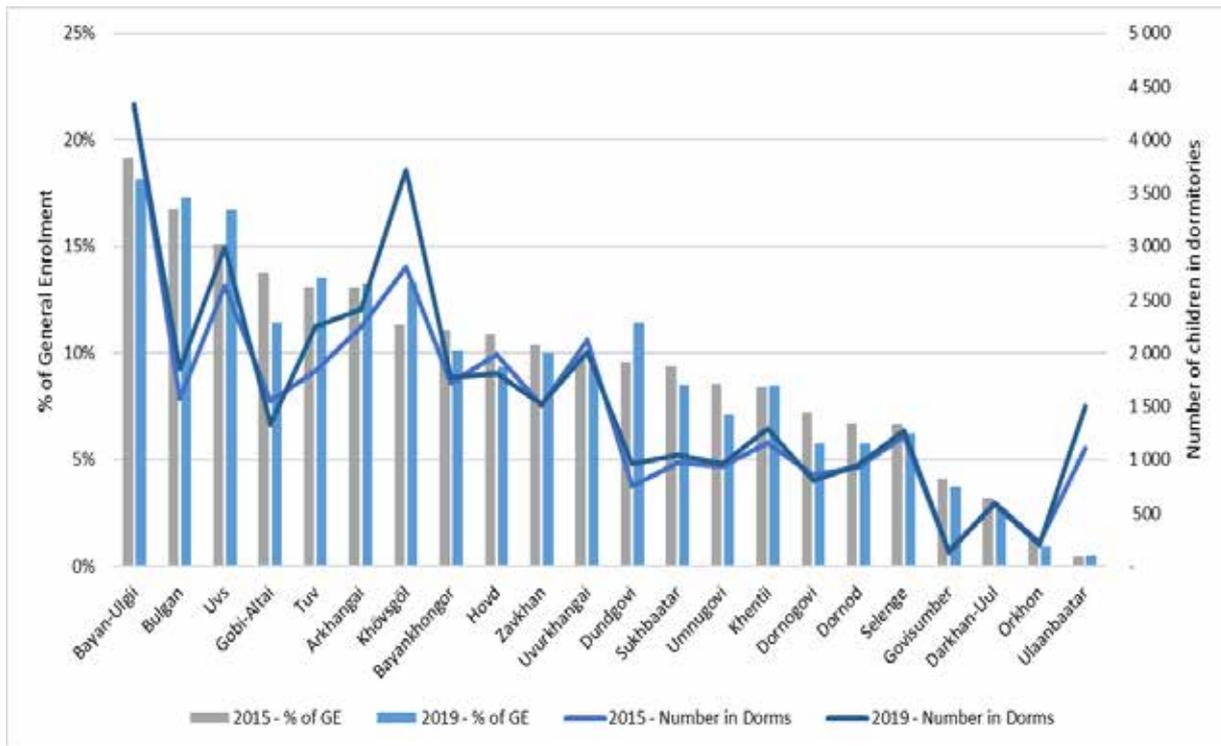


Source: Own calculations on ESIS data provided by MOES, 2021

The aimags are ordered from highest increase in capacity to lowest, left to right. It appears that increased capacity enables increased access to children of herders, or capacity has been increased to respond to demand. Either way, the number of children of herders in dormitories has increased.

Figure 132 below compares the total number of children in dormitories (line graph) to the percent of children enrolled in general education (bar graph) that are in dormitories.

**Figure 132** Number of children in dormitories as a percent of all students

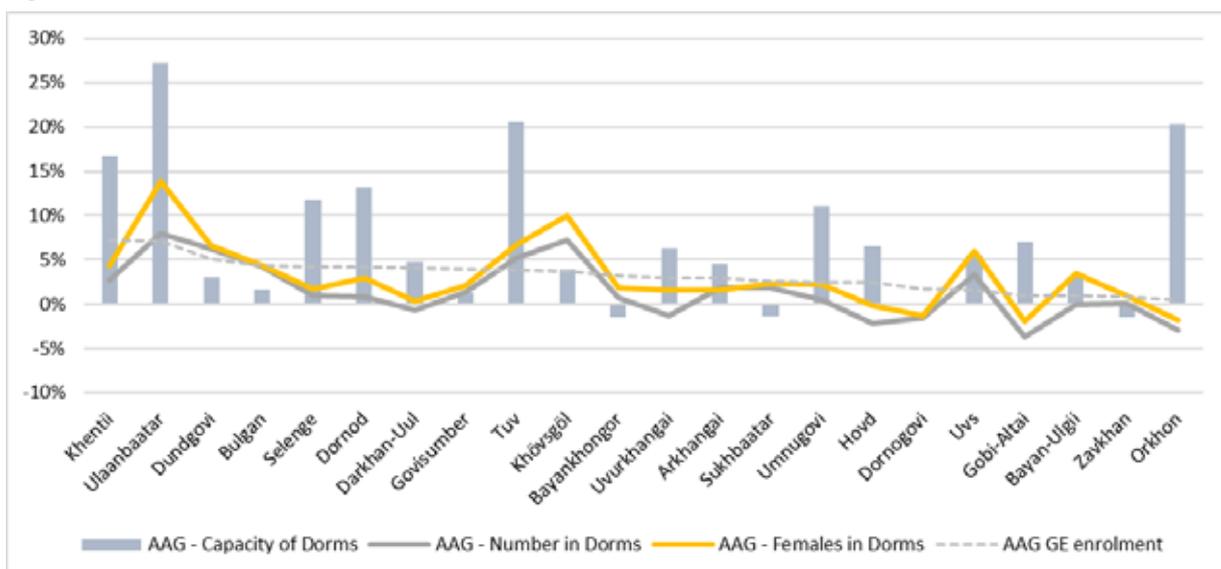


Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021 and ESIS data provided by MOES, 2021

The aimags are ordered according to the percent of all children enrolled that were in dormitories in 2015. The percent of children enrolled that stay in dormitories closely tracks the total number of children in dormitories.

Figure 133 below looks at growth in the number of females in dormitories.

**Figure 133** Growth in the number of females in dormitories



Source: Own calculations on ESIS data provided by MOES, 2021

The average number of children in dormitories that are female increased from 52% to 56%. Overall, the number of boys in dormitories has grown at 1.9% per year, but this growth was lower than for females.

Growth in total number of children in dormitories, number of girls in dormitories, and number of boys in dormitories were correlated with data on regional poverty and GDP per capita, but no meaningful relationships between these variables were found.

## 6.6 Relationships between expenditures and other indicators in the data

To assess equity, efficiencies and effectiveness of expenditures, one needs to compare expenditures per child to the following:

- Levels of poverty – compare expenditures per poor learner to per wealthy learner.
- Expenditures in other aimags to compare relative efficiencies.
- Performance – to compare costs of achieving results.

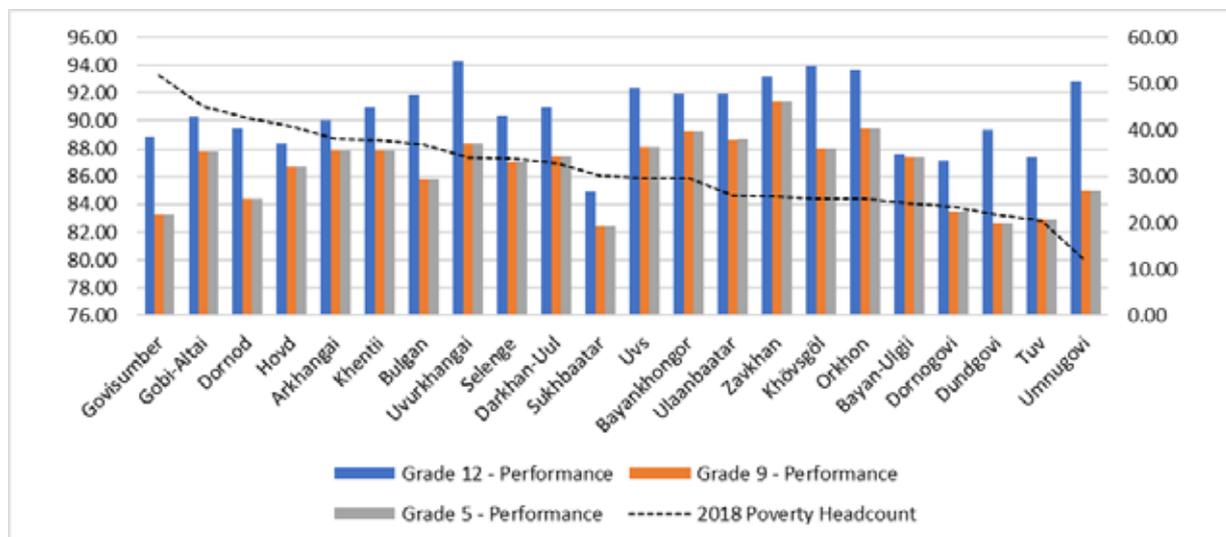
### 6.6.1 Poverty and performance in schools

Figure 134 below compares performance in Grade 9 and 12 assessments to poverty severity and poverty headcount. Data was shared by the MOES showing performance in assessments for 2015 to 2019 for grades 5, 9 and 12. These are as follows:

- Average grade point average of 5th grade graduation.
- Average performance of students in the national assessment of 9th grade.
- Average performance of students in the 12th grade national curriculum assessment.

The aimags are ordered from highest level of poverty headcount (line graph) on the left.

**Figure 134** Poverty headcount vs performance



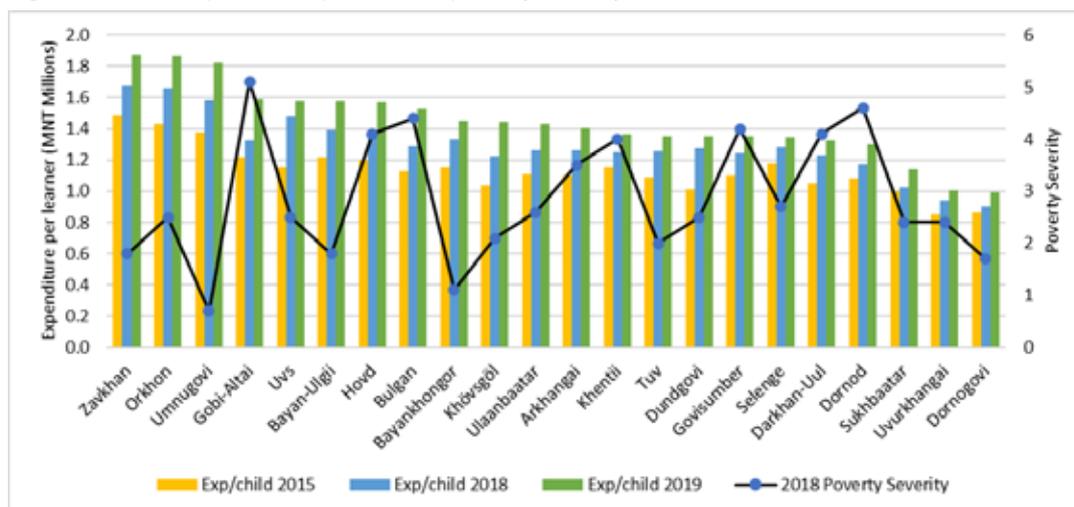
Source: Data on grade assessments provided by MOES, 2021, Poverty data provided by UNICEF 2021

There is no notable correlation between poverty and performance in Grade 9 or 12 assessments (note that Grade 5 scores closely follow Grade 9 scores).

### 6.6.2 Equity in expenditures

Figure 135 below shows expenditures per child compared to poverty severity in each aimag. The aimags are ordered from highest expenditure per child in 2019 on the left.

Figure 135 Expenditure per child vs poverty severity



Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021 and ESIS data provided by MOES, 2021, Poverty data provided by UNICEF 2021

The bar graph shows expenditure per child in 2015, 2018 and 2019 (left hand side, in millions of MNT), while the line graph shows poverty severity.

The correlations between the poverty measures and expenditure per child are -11% to -17%, which is neither strong nor meaningful.

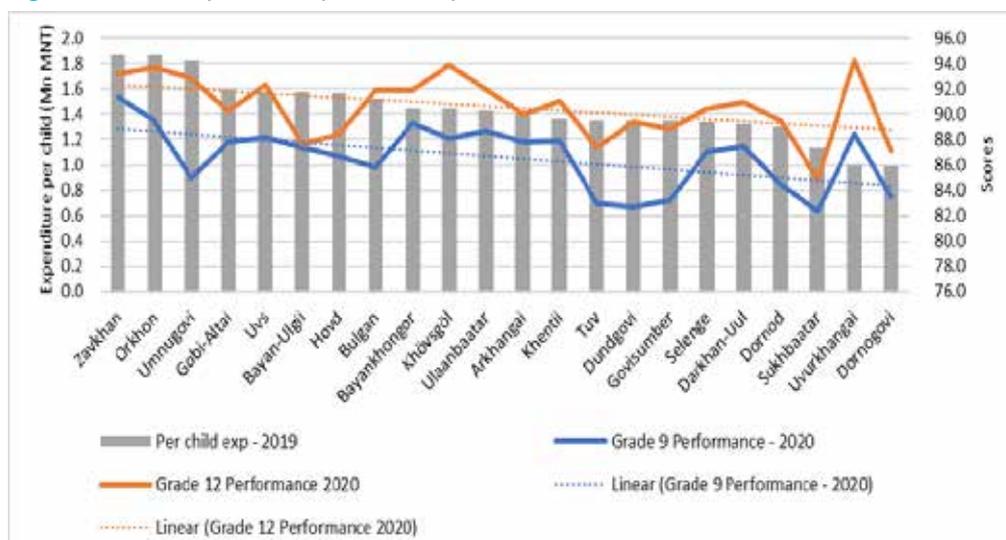
Other comparisons made that revealed no relationships worth discussing are:

- expenditure per child and GDP per capita.
- school lunch expenditures per child and poverty measures.
- learner to teacher ratios and poverty.

### 6.6.3 Effectiveness and efficiencies of expenditure

Figure 136 below compares expenditures per child to performance. These are the strongest positive correlations between unit expenditures and variables that were found.

Figure 136 Expenditure per child vs performance



Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021 and ESIS data provided by MOES, 2021, Data on Grade assessments provided by MOES, 2021

There is a close positive relationship between expenditures per child and performance, meaning that as expenditure per child increases, so does performance, generally speaking. Therefore the most cost-efficient aimags achieve the lowest scores, which is not an ideal outcome in education.

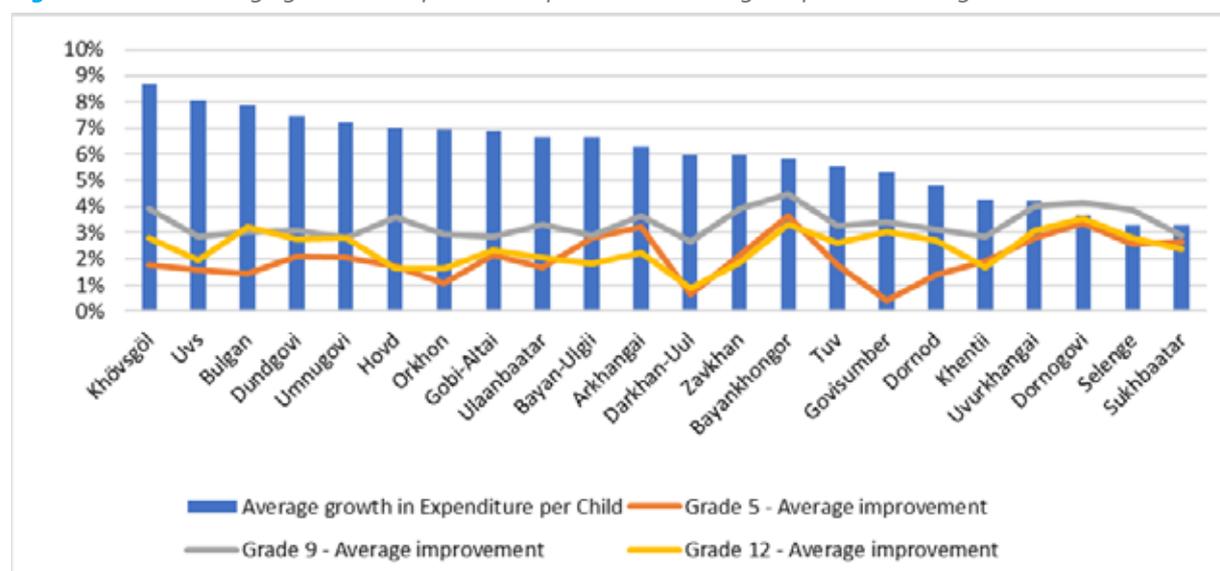
Note that:

- Khovsgol and Uvurkhangai are relatively cost-effective, as they achieve higher performance relative to expenditures per child.
- Umnugovi, Bulgan, Tuv, Dundgovi and Govisumber are relatively cost-ineffective, as the performance in those aimags is low relative to expenditures per child.

Also investigated was any relationship between levels of performance and poverty levels, but none was found.

Figure 137 below shows the average change in expenditure and average improvements in the performance scores between 2015 and 2019.

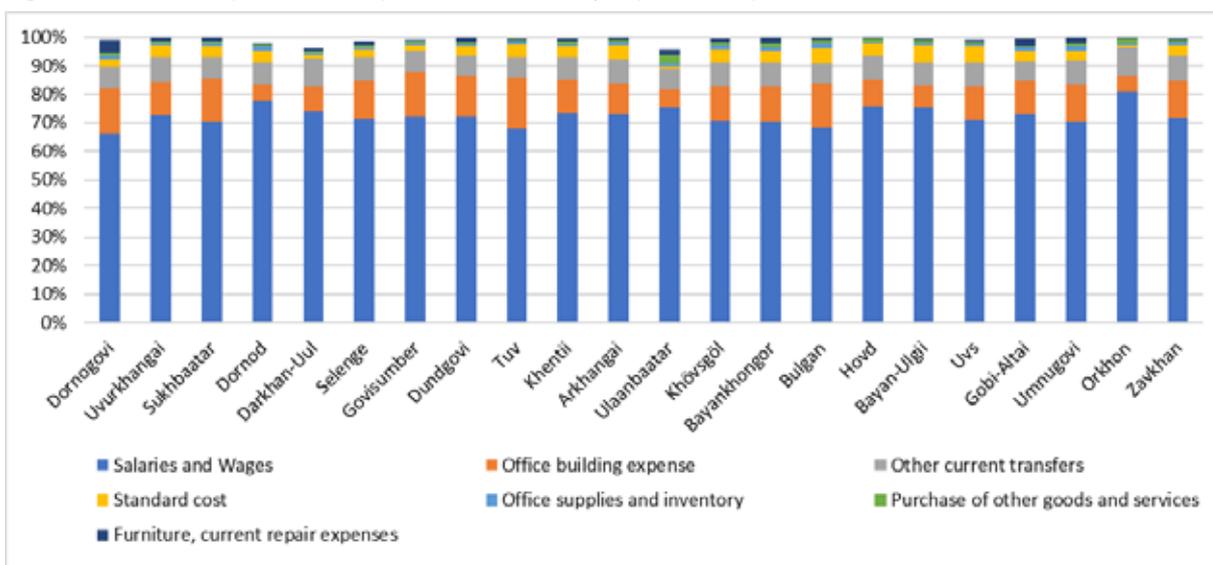
**Figure 137** Average growth in expenditures per child vs average improvement in grade assessments



Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021 and ESIS data provided by MOES, 2021, Data on Grade assessments provided by MOES, 2021

There are moderate negative correlations between improvements and increases in expenditures, which are the strongest for Grade 5 and weakest for Grade 12. Although these are not strong relationships, they suggest that where expenditure is growing the quickest, grades are improving the slowest – but the relationship between growth in expenditures in 2019 and performance in assessments is positive and stronger.

Figure 138 below uses the same data as in Figure 122, but orders the aimags from least expenditure per child to highest.

**Figure 138** Composition of expenditure ranked by expenditure per child

Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

The purpose of this graph is to identify the items where aimags are driving lower expenditures per learner. Aimags were also ranked in order of performance. In the top-performing half:

- 73.27% of their expenditure is allocated to salaries and wages, compared to 71.64% in the bottom-performing half.
- 10.57% of expenditure is allocated to office building expense, compared to 13.03%
- 1.14% of expenditure is spent on purchase of other goods and services, which consists mostly of training expenses, compared to 0.85%.

So, the aimags achieving better scores in assessments are spending more on staff and training and less on running costs of schools. Despite these differences, L:T ratios and expenditure per staff member are not strongly or positively correlated with performance.

## 7. PRE-SCHOOL EDUCATION

This section discusses the analysis of the pre-school budget information. Expenditure data were extracted from the same dataset provided by the MOF and used to analyse the general education budgets. The MOES provided data about pre-schools from their education information services database for the years 2016, 2018 and 2019. Estimates of the number of children in private pre-schools per aimag were calculated by filtering data from these datasets.

Many of the points made above about the general education budget's programme structure apply to the pre-school budgets.

### 7.1 Composition of pre-school expenditures

The composition of key pre-school expenditures from 2015 to 2019 is shown in Table 58 below.

**Table 58** Composition of pre-school expenditures

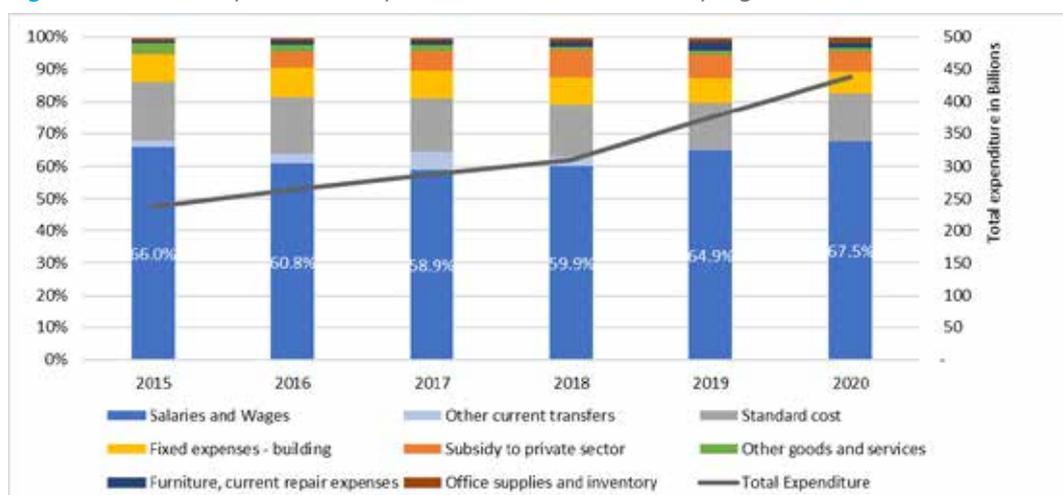
Expenditure amounts in MNT Millions	2015	2016	2017	2018	2019	2020	Annual Average Change 2015 - 2019
Wages and salaries, bonuses	141 059	144 843	152 456	165 831	216 673	261 616	11%
Social insurance contributions	15 505	16 002	16 896	20 056	27 277	33 796	15%
Other current transfers	4 804	7 540	15 361	9 351	763	713	-37%
Standard cost	42 996	46 826	48 148	49 720	53 907	65 112	6%
Fixed expenses related to office building	19 926	24 050	24 590	26 847	29 655	29 535	10%
Subsidy to private sector	1 131	13 138	17 416	26 197	27 513	27 807	122%
Other goods and services	11 795	11 949	12 463	12 131	19 836	19 940	14%
<b>Total Pre-School Expenditures</b>	<b>237 217</b>	<b>264 349</b>	<b>287 329</b>	<b>310 133</b>	<b>375 624</b>	<b>438 519</b>	<b>12%</b>
<b>Number of Pre-School Participants</b>	<b>225 388</b>	<b>243 432</b>	<b>256 720</b>	<b>261 354</b>	<b>263 333</b>		<b>4%</b>

Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

Between 2015 and 2019, expenditures on the pre-school programme grew at an annual average of 12%, compared to an annual average growth in pre-school participants of 4%. There is a notably larger-than-usual year-on-year change in expenditures from 2018 to 2019 for most items, and another large change between 2019 and 2020 for *salaries*, *social insurance contributions* and *standard cost*. The decline in expenditure on *other current transfers* is due to expenditures in 2019 being smaller than in 2015, but this indicator masks the large spike in expenditures on this item during the period.

The same data is presented graphically in Figure 139 below.

**Figure 139** Composition of Expenditures in the Pre-school program



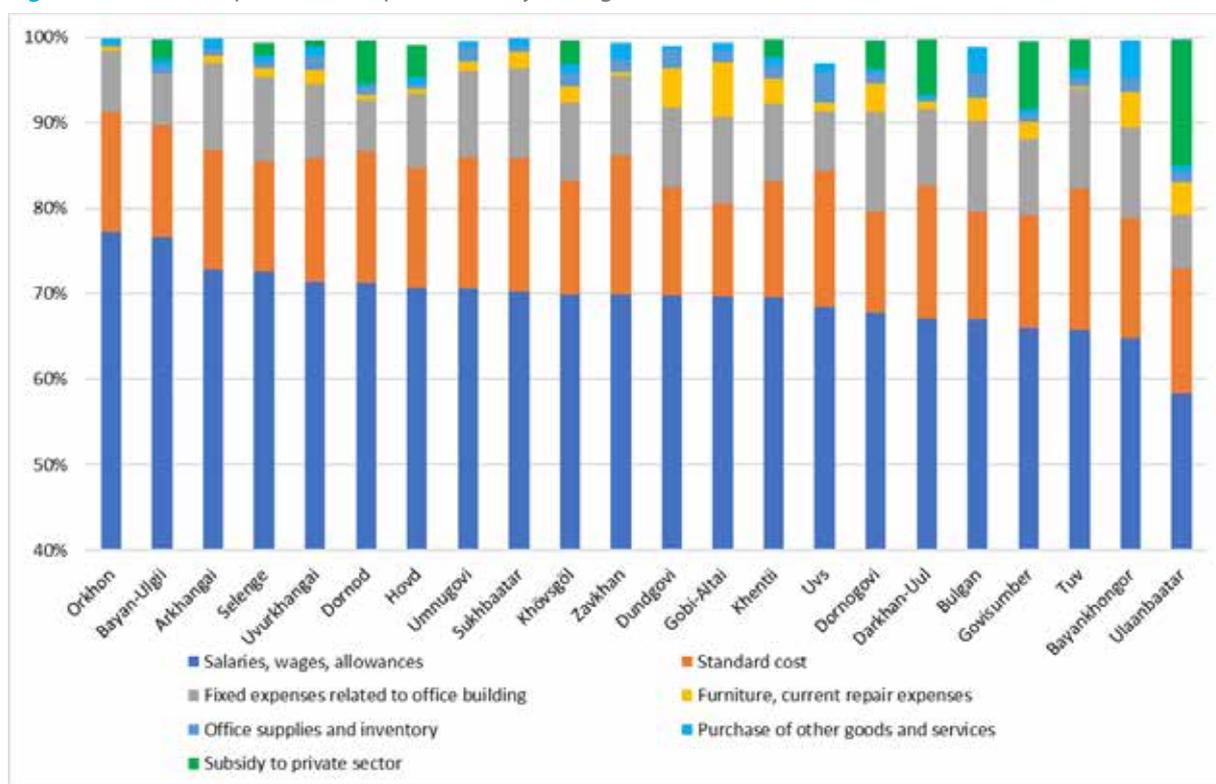
Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

The largest item is *salaries and wages* and, as with general education, staff are paid allowances every few years that are recorded as *other current transfers*. Therefore, the two blue parts of the bars show expenditure on staff wages, benefits and allowances. Together, these account for between 63% and 68% of total expenditure. Expenditure on the two allowances mentioned above reached their peak in 2017, when they accounted for 5.3% of total expenditure. By 2019, *other current transfers* accounted for about 0.2% of total expenditure. However, as with general education, this cycle will repeat itself in a few years and again put pressure on the budget.

Between 2015 and 2019, *subsidy to private sector* grew the fastest, from less than 1% of total expenditure in 2015 to 7.3% in 2019, annual average growth of 122%. However, its share of total expenditure fell to 6% in 2020. The shares of total expenditure of some other items have fallen because of this change.

Figure 140 below compares composition of expenditures across the aimags.

Figure 140 Composition of expenditures by aimag, 2019

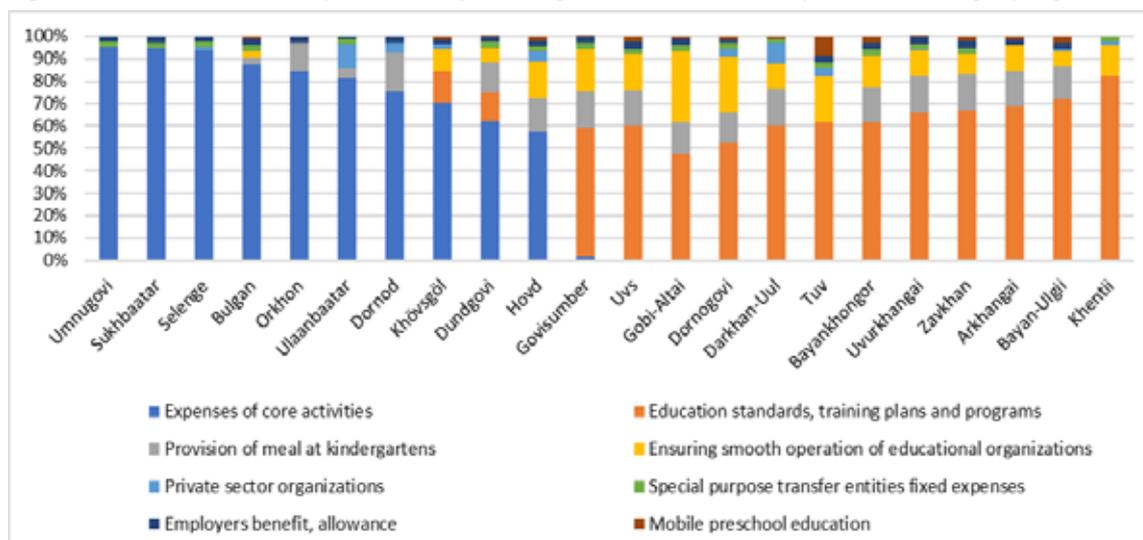


Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

The aimags are ordered according to the proportion of their budget spent on *salaries, wages and allowances*. Note that the minimum value is set at 40% to magnify the variation in composition of expenditures across aimags. The least variance is found in *standard cost*, which ranges from 11% to 17%. There is a clear negative relationship between proportional expenditures on *salaries and wages* and expenditures on *subsidies to the private sector*, which is reassuring, given that this expenditure should, presumably, be paid to private pre-schools who will use that money to pay their teachers.

Figure 141 below shows how the aimags report against the different budget activities in their pre-school budget programme.

Figure 141 Percent of expenditure reported against activities in the pre-school budget programme



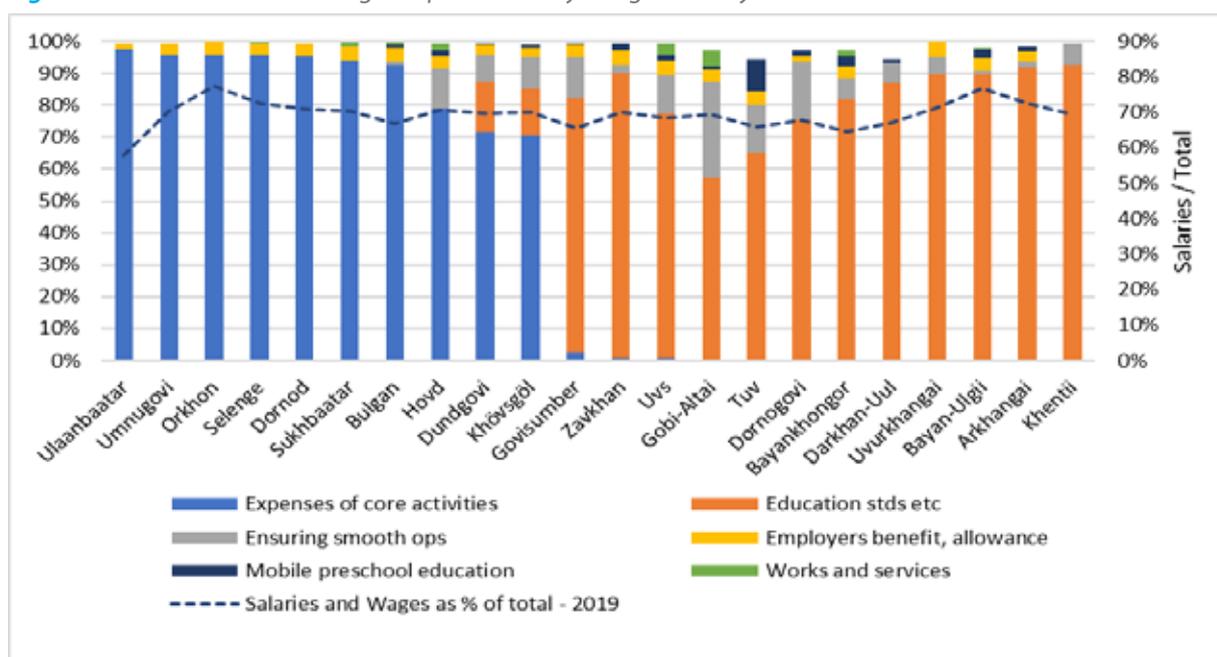
Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

The aimags are ordered according to expenditure in *expenses of core activities* and expenditures in *education, standards, training plans and programs*. There are no regional explanations for the differences in interpretation of how to use the budget activities, and as with the general education expenditures, the lack of a uniform approach to reporting against these budget activities limits the potential usefulness of this data for analysis.

## 7.2 Pre-school salaries and wages

The analysis of the composition of expenditures shows that expenditures on salaries and wages grew faster than inflation, and the growth in the number of pre-school participants. Figure 142 below shows salaries and wages per budget activity in the pre-school budget programme.

Figure 142 Salaries and wages expenditures by budget activity



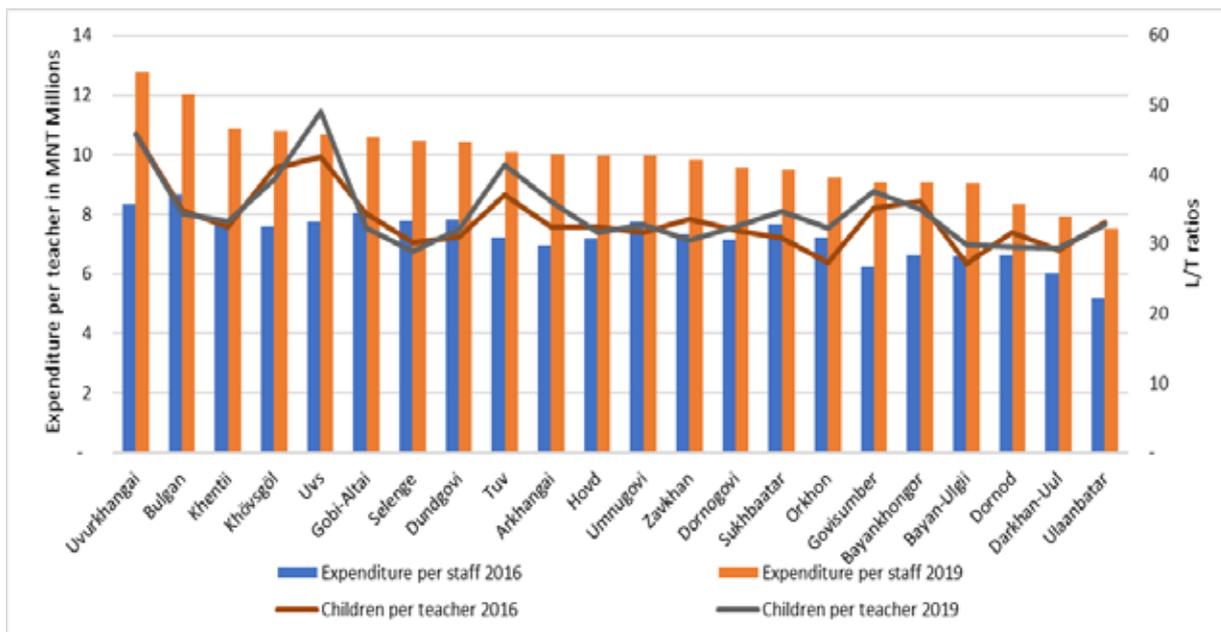
Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

The bar charts show the proportion of expenditure on salaries and wages recorded against each budget activity, per aimag, in 2019. In most aimags, the above budget activities account for over 99% of salaries, wages and allowances. The dotted black line shows expenditures on salaries and wages as a share of total expenditures on pre-schools, which varies from 58% in Ulaanbaatar to 77% in Bayan-Ulgii. The above analysis emphasises the varied interpretation of the budget activities in this budget programme too.

### 7.3 Expenditures per staff

Figure 143 below shows expenditures per staff and the L:T ratio in each aimag in 2016 and 2019.

Figure 143 Expenditure per staff vs L:T ratios



Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

There is a clear connection between expenditures per staff and the number of children per teacher. However, there is a large variance in salaries, which should be of concern. In 2019, the average salary was MNT7.5 million, with the largest, at MNT12.8 million in Uvurkhangai, 1.7 times the average salary in Ulaanbaatar, at MNT7.5 million. The above indicators were compared to poverty indicators per aimag and no relationship was found.

Figure 144 below compares average annual changes in expenditures per staff, total expenditures on salaries per staff, and change in children per staff.

**Figure 144** Average annual changes in per staff indicators

Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

The bar graph (left axis) shows the salary indicators and the line graph shows (the right axis) the change in child per staff. There is a relationship between the growth in total expenditure on salaries and expenditure per staff. However, there is no relationship between changes in expenditures and the changes in the L:T ratio, suggesting that additional expenditures on salaries do not increase quality of instruction at pre-schools.

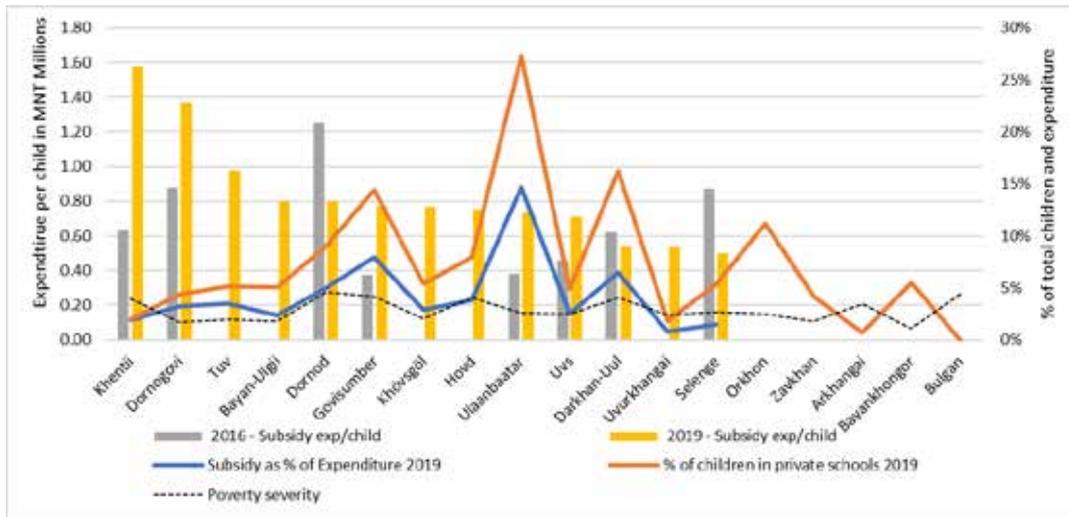
## 7.4 Subsidy to private sector

Expenditure on the item *subsidy to private sector* has grown faster than any other item in the pre-school budget. In 2015, expenditure on subsidies to the private sector were MNT1.13 billion, compared to MNT27.8 billion in 2019. This is recorded against two budget activities, namely *State support to NGOs* and *Private Sector Organisations*. It is assumed these are payments made to private pre-schools.

Between 2016 and 2019, the number of children in private schools rose by 6 693, from 32 511 in 2016 to 39 204 in 2019. This increased the proportion of children at private schools from 13% to 15%. This change accounts for 34% of all additional children participating in pre-schools. Out of these additional children at private pre-schools, 69% attend private schools in Ulaanbaatar, where the number of children in private pre-schools increased from 15% of all children in pre-schools in 2016 to 27% in 2019. Outside of the capital, the next highest percentages of children in private pre-schools are in Darkhan-Uul (16%), Govisumber (14%), Orkhon (11%) and Dornod (9%). In Dornod, the annual average change in the number of children in private pre-schools over this period was 24%, but in the other aimags mentioned it was less than 5%, or declined.

Figure 145 below compares expenditures against the economic classifications *Subsidy to private sector* and *Government transfers per child in private pre-schools* and these categories relative to expenditures on the pre-school programme.

**Figure 145** Expenditures on subsidies to the private sector



Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021, ESIS data provided by MOES 2021 and Poverty data provided by UNICEF 2021

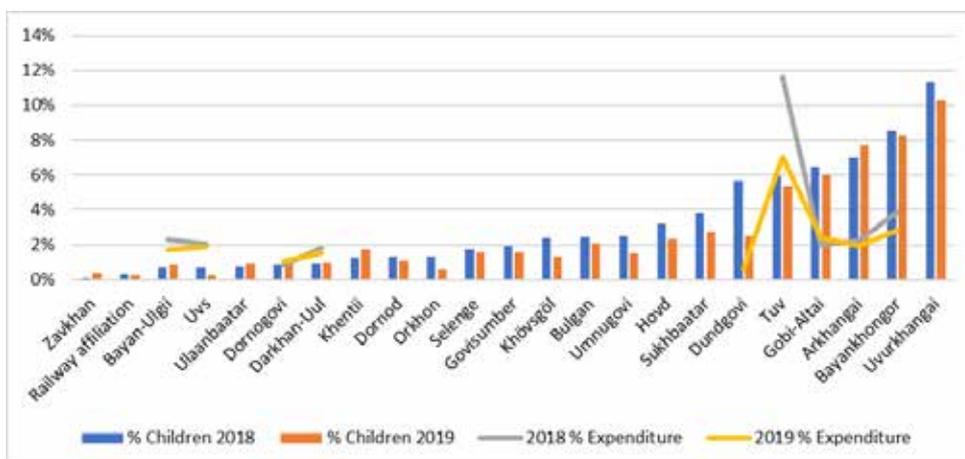
Only aimags with children in private pre-schools are included, and are ordered from highest expenditure per child in 2019 to lowest. There is a clear relationship between the proportion expenditures on these items and the proportion of children at private pre-schools. There are five aimags where there are children in private pre-schools, but no expenditures are allocated to them (from Orkhon right).

There is a weak relationship between the percentage of children at pre-schools and poverty severity. This is not surprising as families elect to send their children to pre-schools, so this weak relationship may signal no discernible relationship between the perceived quality of pre-schools and poverty level. Also, there is no relationship between expenditure per child in 2019 and poverty, which is expected given that private pre-schools are unlikely to be targeting poor children.

### 7.5 Mobile pre-school services

Mobile services are an important mechanism for reaching children from families of herders and other children living in remote areas and/or living a nomadic lifestyle. Figure 146 below shows expenditure on the budget activity *Mobile teachers and mobile services* as a share of total expenditure (line graph) compared to the number of children in mobile services as a share of all children (bar graph).

**Figure 146** Expenditures on mobile teachers and mobile services



Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021, ESIS data provided by MOES 2021

There are two forms of mobile services:

- mobile teachers who visit individual homes.
- mobile “ger-kindergartens” that move to where a family of herders is during the summer months. These operate for a few months of the year only.

The pre-school enrolment data provided by the MOES shows the number of children that are “nomadic” and “mobile”. In all aimags, there are children in at least one of these categories. These categories account for 2% of children in 2019. In Arkhangai, Bayankhongor and Uvurkhangai, they account for over 7.7%, 8.25% and 10.3% of pre-schoolers respectively.

However, besides Tuv, on the high end, and Bayan-Ulgii, Uvs, Dornogovi and Darkhan-Uul, there is no relation between the proportion of the pre-school budget recorded against the budget activities where expenditures for these services should be recorded, which are the “mobile services” and the “mobile teachers” budget activities.

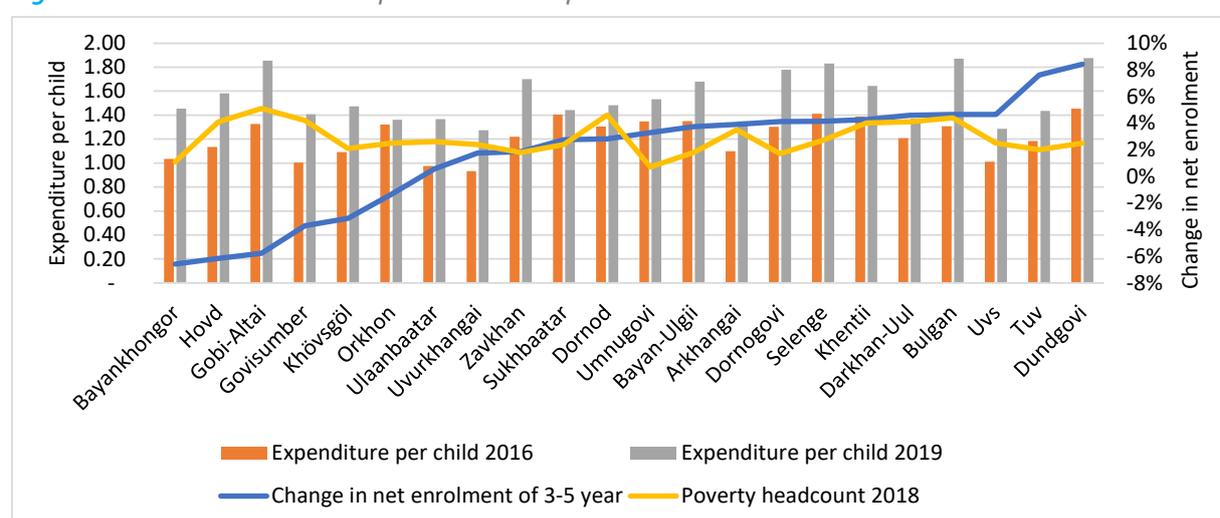
Only 12 aimags report against the budget activity “Mobile services” in three or more years and only nine report against the budget activity “Mobile teachers” in three or more years.

Therefore, the expenditures reported against these budget activities cannot be used to develop worthwhile comparisons of expenditures on these services across aimags.

## 7.6 Adequacy

To measure the adequacy of expenditures in the pre-school programme, expenditures were compared to changes in enrolment, shown in Figure 147 below.

**Figure 147** Net enrolment in pre-schools vs expenditures



Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021, ESIS data provided by MOES 2021 and Poverty data provided by UNICEF 2021

Change in net enrolment of 3-5-year-olds is calculated as follows:

- Population estimates were used to calculate number of children aged 3, 4 and 5 years old (3 different age years) in 2016 and 2019.
- The number of children 3-5 years attending pre-schools according to the statistical data provided by the MOES as a percentage of the above was calculated.

The blue line shows the change in this value between 2016 and 2019 (on the right-hand axis).

The aim of the above analysis was to identify expenditure factors affecting enrolment. It is key to note that changes in expenditure per child do not affect the change in net enrolment. It also shows that poverty does not affect the levels of enrolment. This suggests that expenditure is adequate – or that levels of expenditure are not the primary barrier to accessing services.

## 7.7 Standard cost

Figure 140 shows *standard cost* as one of the larger items in all aimags. Table 59 below shows the trends in this expenditure item and the budget activities that aimags report these expenditures against.

**Table 59** Expenditures on standard cost item in the pre-school budget

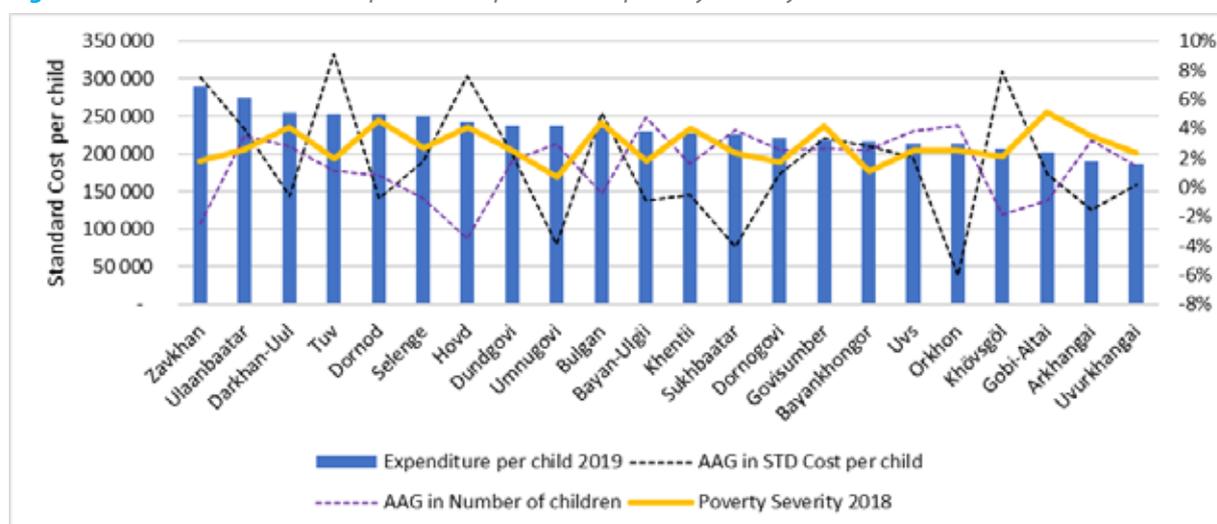
Amounts in Millions of MNT	2015	2016	2017	2018	2019	2020	Annual Average Growth
Total pre-school expenditure	237 217	264 349	287 329	310 133	375 624	438 519	12%
Total expenditure on Standard Cost	42 996	46 826	48 148	49 720	53 907	65 112	6%
Standard Cost as % of Total	18%	18%	17%	16%	14%	15%	
Meal as a percent of Standard Cost	97%	96%	96%	95%	93%	93%	
<i>Of which is recorded against these budget activities</i>							
Expenses of core activities	50%	41%	41%	47%	40%	13%	
Education standards, training plans and programs	6%	6%	6%	6%	9%	4%	
Provision of meal at kindergartens	42%	52%	51%	46%	49%	19%	
Mobile preschool education	2%	1%	1%	1%	1%	0%	
Budget savings activities /current/	0.0%	0.0%	0.0%	0.0%	0.0%	64.2%	

Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

On aggregate, its share of total expenditure decreased from 18% in 2015 to 14% in 2019, then rose to 15% in 2020. It grew only slightly faster than inflation. Over 93% of this item is allocated to the sub-item *meals*. Expenditure on meals is recorded against a few different budget activities, even though there is a budget activity “provision of meal at kindergartens”, which only 17 aimags report against. This is yet another example of the lack of a uniform approach to recording expenditures, despite the presence of a logical budget activity where these expenditures should be allocated. Interestingly, in 2020, 64% of expenditures of this item are recorded against the activity “Budget savings activities /current/” and over 99% of these are the lowest level item, “meals”. This is another example of unusual recording of expenditures.

Figure 148 below compares standard cost expenditures per child to poverty severity.

**Figure 148** Standard cost expenditures per child vs poverty severity



Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021, ESIS data provided by MOES 2021 and Poverty data provided by UNICEF 2021

Children at private pre-schools are excluded from the above calculations as it is assumed these cost items are covered by the subsidies to the private sector discussed above. Expenditure per child ranges from MNT290 071 in Zavkhan to MNT187 626 in Uvurkhangai, the former spending 1.55 times as much per child as the latter.

The strongest relationship between the above variables is a negative relationship between the annual average growth in expenditures per child and the annual growth in number of children – which suggests that aimags experiencing the fastest growth in numbers of children at pre-schools are not increasing expenditures as fast as they should be. However, this is only a moderate relationship.

The weakest relationship is between poverty severity and expenditure per child.

## 8. SPECIAL EDUCATION

Mongolia has developed a strong legal and policy framework for inclusive education, aligned with international good practice. However, implementation of inclusive education policy is in the early stages.<sup>77</sup> The Asian Development Bank (2019) notes that data on this sector is lacking, though data was made available for analysis.

The budgeting for, and reporting on, expenditures against this budget programme is limited, and the trends are peculiar. The first year in which allocations are recorded by local government is 2016, and only by the four aimags shown in Table 60 below. However, the MOES budget shows that special purpose transfers were made for special education to Gobi-Altai, Khentii, Selenge and Ulaanbaatar during this period, but these aimags (and city) do not report any expenditures against the budget programmes. They may have used these transfers to cover the cost of inclusive education provided at mainstream schools, and therefore the expenditure would have been captured against the general education pre-school education budget programmes. This is not necessarily inappropriate in any way, but does not enable analysis of these expenditures. The budget of the MOES does not reflect any special purpose transfers for special needs to Uvurkhangai, yet Uvurkhangai reports expenditures against this programme.

**Table 60** Expenditures reported by local governments against the special needs budget programme

Amounts in MNT	2016	2017	2018	2019	2020
<b>Total PreSchool Expenditures</b>	<b>34 511 500</b>	<b>174 334 877</b>	<b>181 024 942</b>	<b>294 091 651</b>	<b>370 733 098</b>
Arkhangai	-	-	-	-	293 086 195
Uvurkhangai	-	-	-	244 391 351	-
Khövsgöl	-	-	-	49 700 300	77 646 903
Darkhan-Uul	34 511 500	174 334 877	181 024 942	-	-
Items as a percent of total expenditures:					
Salaries and Wages	80%	94%	88%	89%	90%
Standard cost	20%	3%	3%	3%	3%
Fixed expenses	0%	0%	0%	6%	4%
Other goods and services	0%	2%	7%	0%	0%

Source: Own calculations on Budget and Expenditure Data provided by the Ministry of Finance, 2021

No budget allocations or expenditures were reported for 2015. Data for 2020 is shown for reference, although it is not known how accurate these allocations are.

The policy review noted that performance data on special needs is lacking. Indeed, no data related to the performance or delivery of the special needs programme was available for carrying out any analyses more meaningful than shown above.

77 Promoting Inclusive Education in Mongolia. Asian Development Bank East Asia Working Paper Series. No. 28. November 2020.

The following can, however, be observed:

- Only four aimags reported expenditures against this budget programme during the period under review, none of which report expenditures in all years reviewed.
- Only two aimags reports expenditures against the budget programme in more than one year.
- The composition of expenditure reported by Darkhan-Uul varies between years, which raises questions about what expenditures are recorded against this programme.

A comparison of budgets and expenditures conducted at economic classification level 4 (the same level as the items shown above) reveals high levels of expenditure. These expenditures account for less than 0.1% of education expenditures and therefore, if they have been allocated incorrectly, they will not have a noticeable impact on the results of this analysis.

## 9. INVESTMENT EXPENDITURES IN EDUCATION

This section presents an analysis of data extracted from a list of investment projects in education titled “List of Investment Projects, Events and Constructions to be Financed by the Budget of Mongolia”. The data contains a list of projects for each year from 2015 to 2021. Text searches and filters had to be applied to the data to prepare the summaries discussed below.

From 2015 to 2017, all projects fit into one of three categories:

- Schools – which includes new schools, expansion to schools, and other school buildings such as libraries and gymnasiums.
- Pre-school – these are expenditures on kindergartens, mostly on new kindergartens, but also include expansions to existing ones and sections of kindergartens.
- Dormitories – these expenditures include new dormitories and expansion of existing dormitories.

In 2018, 2019 and 2020, there are investment projects that combine works on schools, kindergartens and dormitories. These include new buildings, renovations and expansions. These account for less than 5% of the value of investment projects. A small percentage of the projects also include expenditures on equipment.

Table 61 below summarises this data for 2015 to 2020.

**Table 61** Education investments financed by the budget, 2015 to 2020

Amounts in MNT millions	2015	2016	2017	2018	2019	2020	Share of total
Schools	42 544	59 676	37 687	88 364	220 482	149 968	54%
Pre-Schools	15 624	19 434	3 993	74 513	182 821	65 821	32%
Dormitories	5 467	7 683	2 859	13 043	34 137	30 846	8%
Schools and kindergarten				11 367	26 353	18 830	5%
Schools, kindergartens and dormitories				3 014			0%
<b>Total</b>	<b>63 635</b>	<b>86 793</b>	<b>44 539</b>	<b>190 302</b>	<b>463 793</b>	<b>265 465</b>	
<b>Infrastructure as share of education expenditures</b>							
Local government education	8%	9%	5%	17%	29%	17%	
General Education	9%	11%	6%	14%	27%	18%	
Pre-school education	6%	7%	1%	19%	33%	13%	

Source: Own calculations on a list of infrastructure projects in education from 2015 to 2019 provided by UNICEF

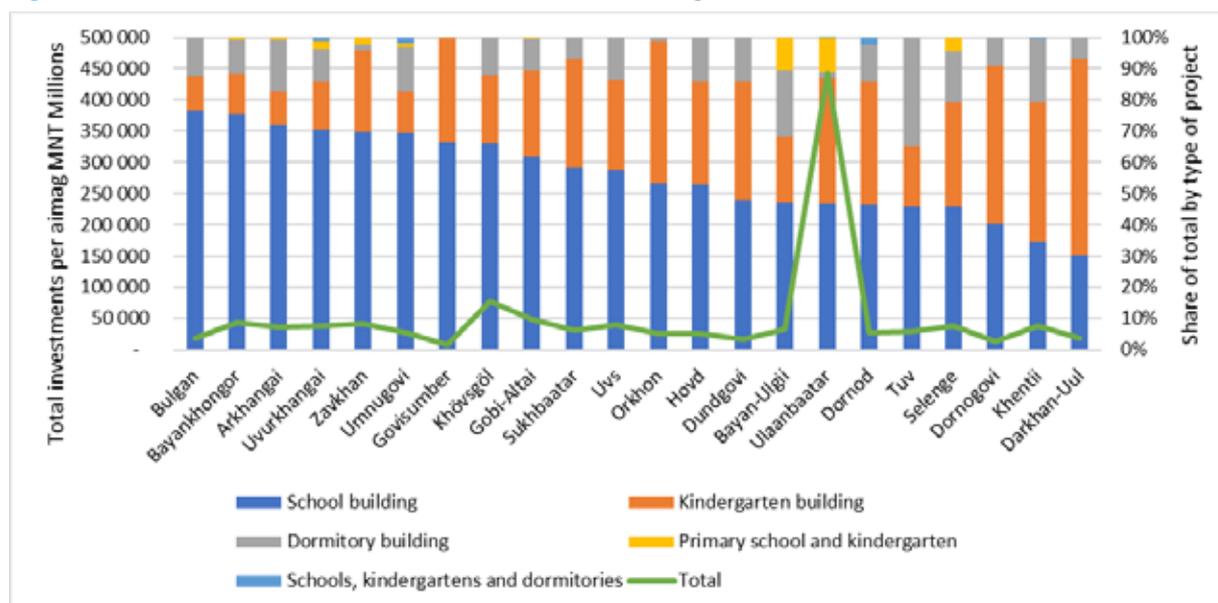
The shares of education expenditures are calculated by dividing the investment expenditures by the sum of these investment expenditures and current expenditures. As a share of total expenditures, investment expenditures form 29% of general education expenditures and 33% of pre-school expenditures.

More than half, or 53%, of the value of investments in the sector are on schools, 35% on kindergartens

and 7% on dormitories. Total planned expenditures per year fluctuates, and what appears, from the above data, to be an upward trend does not continue in 2020 and 2021.

Figure 149 below shows the proportional share of investments by the categories shown above in each aimag. The green line graph shows the total value of the investments in each aimag between 2015 and 2020.

Figure 149 Education investments financed from the budget, 2015 to 2020

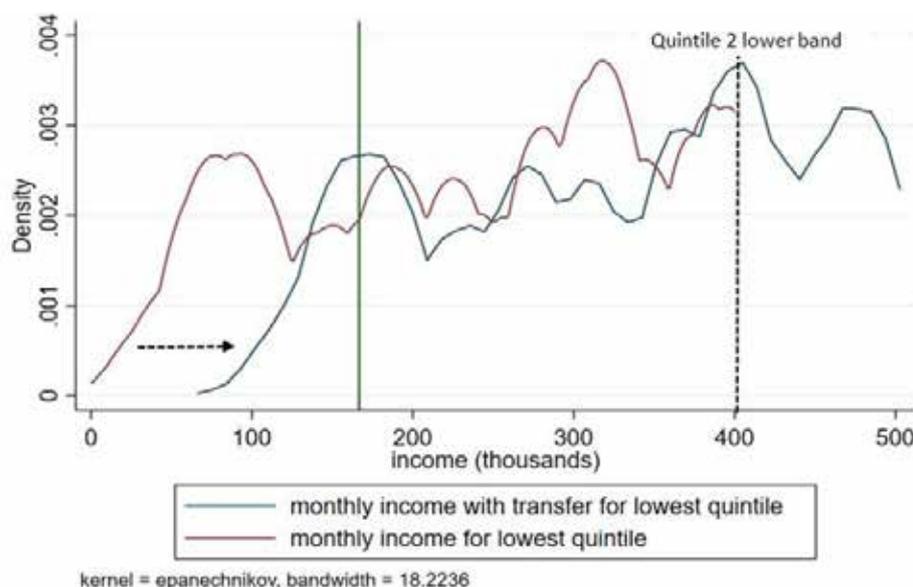


Source: Own calculations on a list of infrastructure projects in education from 2015 to 2020 provided by UNICEF

The aimags are ordered based on the share of investments spent on school buildings (general education) by the aimag. Expenditures in Ulaanbaatar account for 40% of investments on aggregate.

Figure 150 below shows investment expenditures as a share of general education expenditures by aimag.

Figure 150 Investment expenditures in education as a share of total general education expenditures, 2015 to 2019



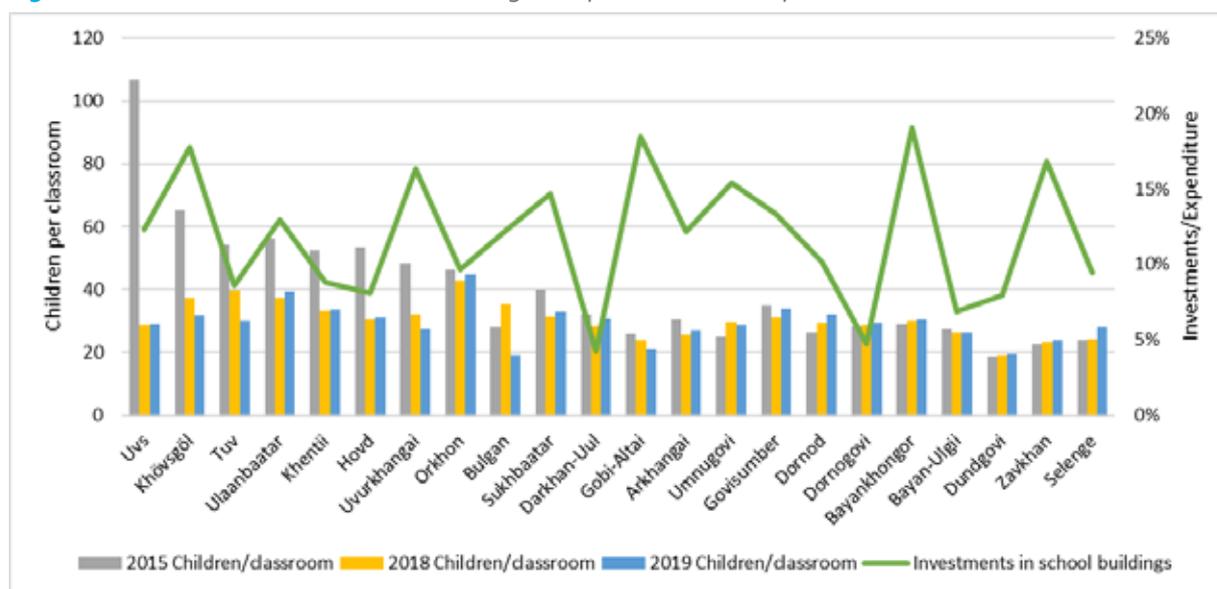
Source: Own calculations on a list of infrastructure projects in education from 2015 to 2019 provided by UNICEF

The above percentages include expenditures on school buildings and dormitories. The largest expenditure as a share of total expenditures is in Bayankhongor, at 23%, while the lowest is in Darkhan-Uul at 4%. The highest percentage investment spend on dormitories is in Tuv.

The above data was compared to growth in enrolment; expenditure on furniture, building expenses (water, electricity, heating); the change in the capacity of dormitories and number of children staying in dormitories and poverty indicators. No correlations or relationships worth discussing were found.

Figure 151 below compares investment expenditures in school buildings as a share of total expenditure to learners per classroom.

**Figure 151** Investments in school buildings compared to learners per classroom



Source: Own calculations Budget and Expenditure Data provided by the Ministry of Finance, 2021, and a list of infrastructure projects in education from 2015 to 2019 provided by UNICEF, Data on number of classrooms per aimag provided by MOES 2021

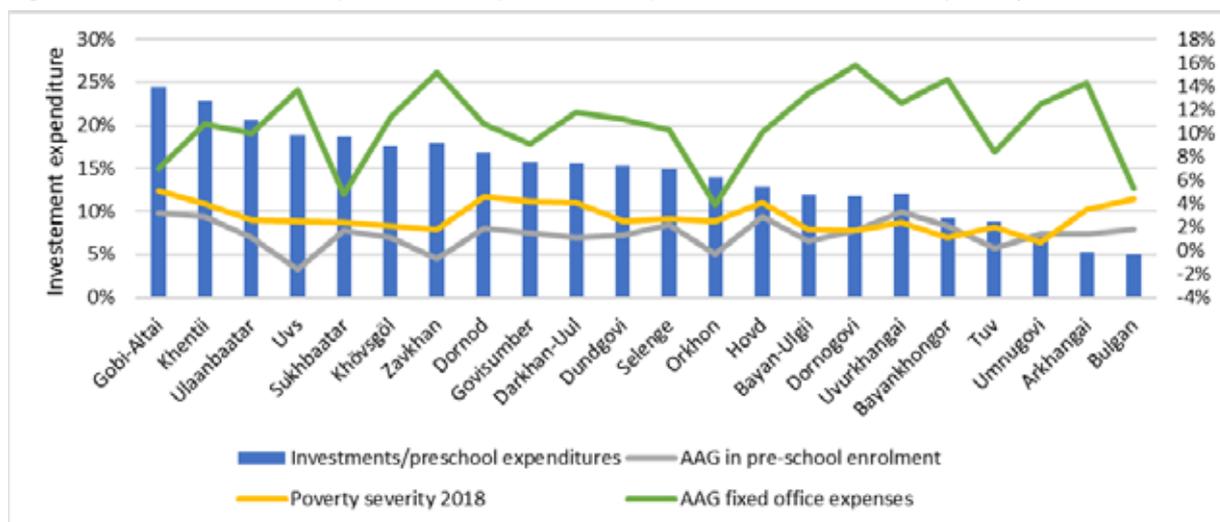
Data on number of classrooms per aimag was shared by the MOES. Enrolment data was used to estimate the children per classroom shown in the bar graph, which are estimates of aggregate children per classroom per aimag. The green line graph, “Investments in school buildings” is the investment expenditure just on school buildings. The aimags are ordered according to the change in number of classrooms between 2015 and 2019.

It is notable that the percentage of expenditure on investment doesn’t appear to drive the changes in number of classrooms. However, it is worth noting that the gap between the largest number of children per class and least number has reduced significantly. The ratio between highest and lowest has fallen from 5.7 times the number of children per class to 2.33. In 2019, Orkhon had the most children per classroom (44.9) followed by Ulaanbaatar (39.2).

These ratios were compared to proportional expenditures per aimag on furniture, repairs and building expenses, which should be positively correlated with investments in infrastructure, but there were no clear relationships.

Figure 152 below compares investment expenditures in pre-schools to changes in enrolment and poverty levels per aimag.

**Figure 152** Investment expenditures on pre-school vs pre-school enrolment and poverty



Source: Own calculations Budget and Expenditure Data provided by the Ministry of Finance, 2021, and a list of infrastructure projects in education from 2015 to 2020 provided by UNICEF, 2021

Investment expenditures as a proportion of the pre-school budget was calculated using the same method discussed above. These values were also compared to expenditures on office building expenses, furniture and repairs. There is a negative relationship between office expenses and investment expenditures, which suggests that those aimags that most need to spend more on heating, water and electricity are spending less. Figure 152 above shows a weak negative relationship between expenditures on kindergarten infrastructure and changes in enrolment. This is not significant; however, one would expect a positive relationship.

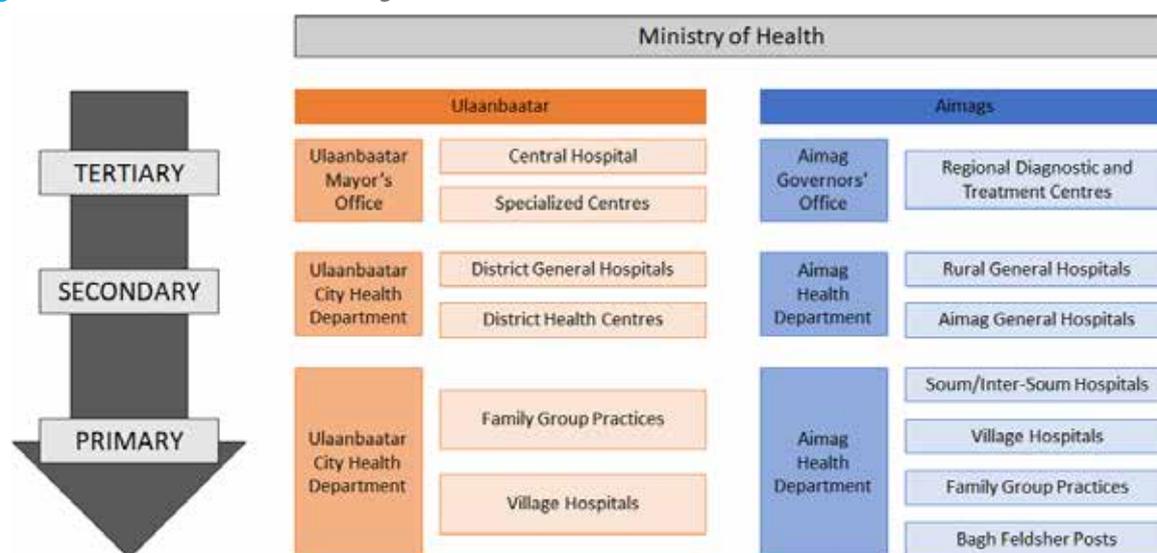
There is a moderate relationship between poverty severity and these expenditures, suggesting that those aimags with higher levels of poverty did spend proportionally more on expanding access to kindergarten services.

# Annexure E – Health: Budget and Expenditure Analysis

## 1. OVERVIEW OF THE SECTOR

The health sector in Mongolia is coordinated by the MOH and comprises three distinct service delivery levels covering tertiary, secondary and primary health delivery systems. The health sector, like most government sectors in Mongolia, is split into two distinct hierarchical systems – one serving the capital city, Ulaanbaatar, and its component düüregs (districts) and khoroos (sub-districts); and one serving the country's aimags (provinces), and their component soums (sub-divisions).

**Figure 153** Structure of the Mongolian health sector



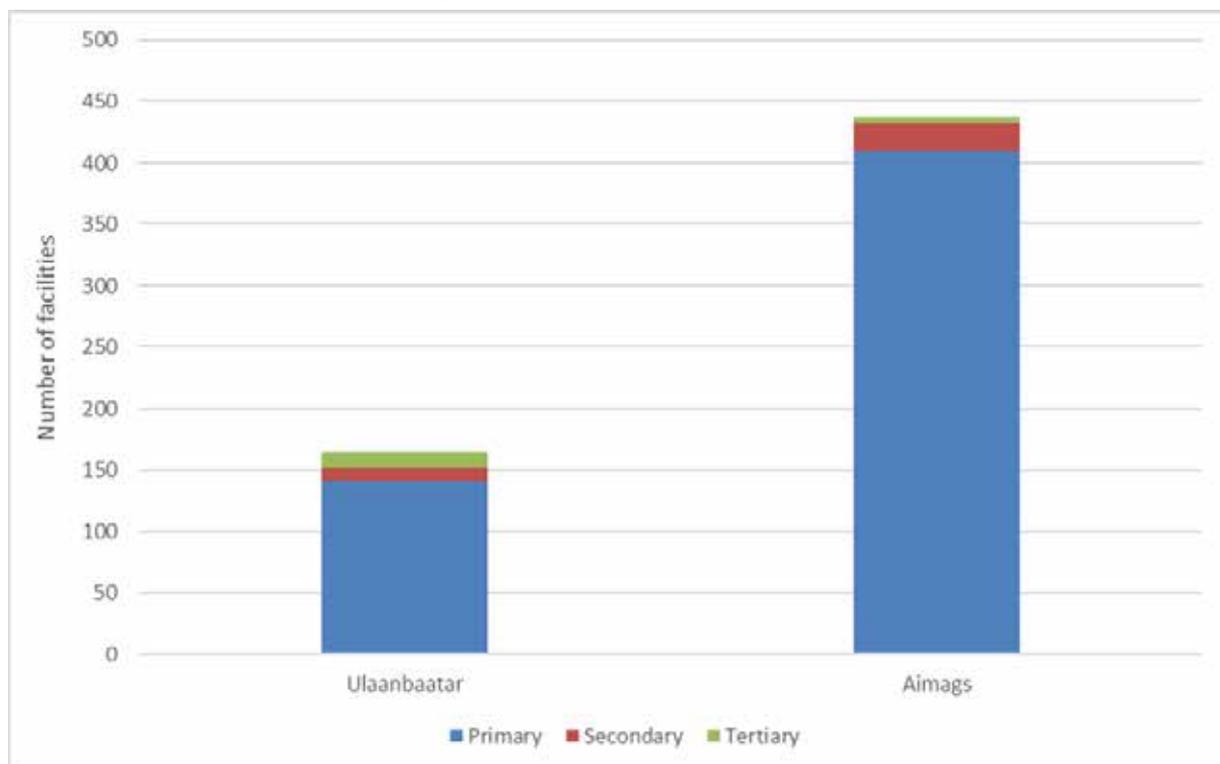
Source: Own diagram, based on WHO, 2013

The levels and types of facilities that comprise these systems, as illustrated in Figure 153 above, include:

- In Ulaanbaatar,
  - the tertiary level is overseen by the State Ministry of Health and the Ulaanbaatar Mayor's Office, and comprises 13 facilities, covering central hospitals and a number of specialised centres.
  - the secondary level is overseen by the Ulaanbaatar City Health Department and comprises 12 district general hospitals serving Ulaanbaatar's various districts.
  - the primary level is overseen by the Ulaanbaatar City Health Department and comprises 138 village and family health centres serving the city's khoroos.
- In the country's 21 aimags,
  - the tertiary level is overseen by the State Ministry of Health and the relevant aimags' governors' offices, and comprises 5 regional diagnostic and treatment centres – one for each of Mongolia's five geographic regions.
  - the secondary level is overseen by the respective aimag health departments and comprises 22 aimag and rural general hospitals.
  - the primary level is overseen by the respective aimag health departments and comprises 39 inter-soum hospitals, 273 soum health centres, 84 family health centres, 14 village health centres and a number of bagh feldsher posts.

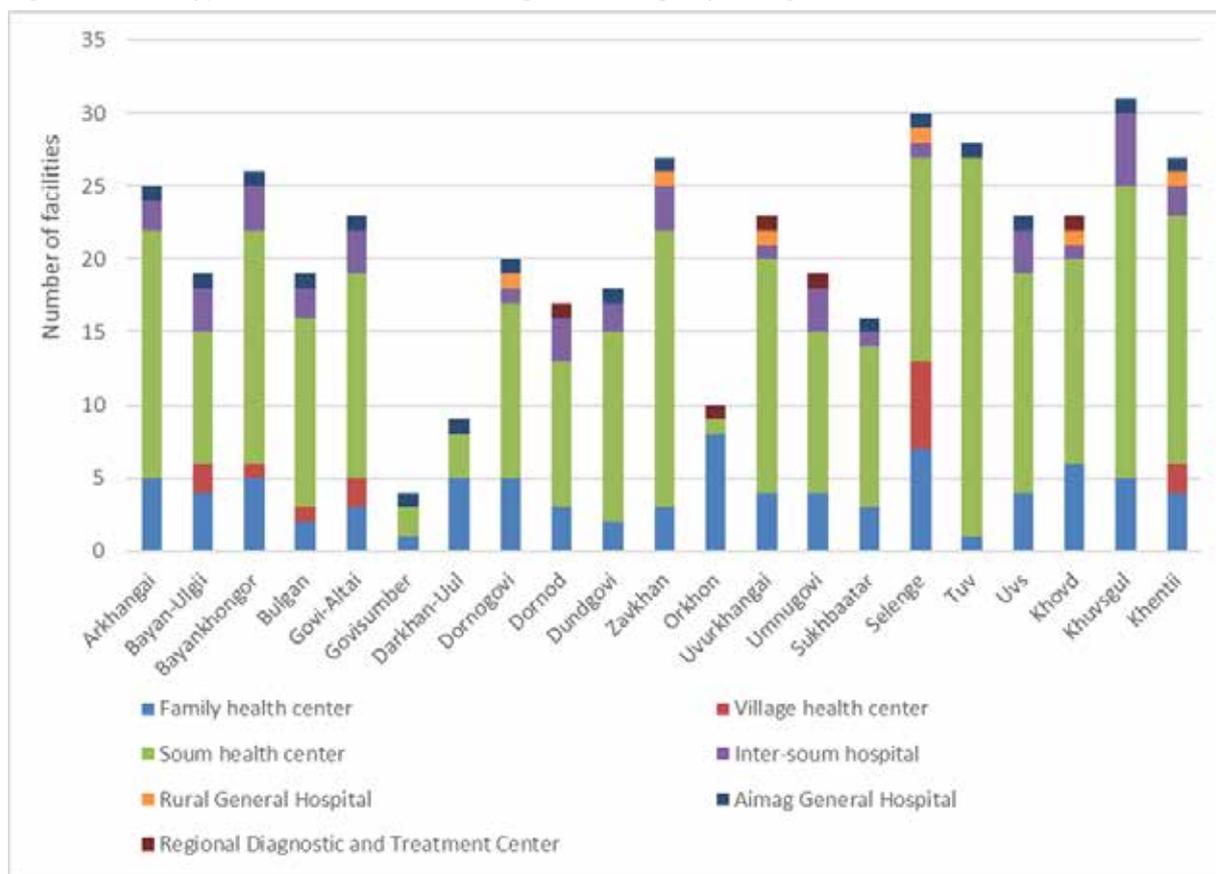
Figure 154 below provides a breakdown of the distribution of these facilities, by level, between the two distinct systems in Ulaanbaatar and across Mongolia’s aimags. Primary-level health facilities are by far the predominant facility type, comprising 410 of the 438 health facilities in the aimag-based system, and 140 of the 165 health facilities in Ulaanbaatar’s health system.

**Figure 154** Health facilities in Mongolia by system and level



Source: Own calculations, based on data from Ministry of Health, 2021

Further to the above breakdown, Figure 155 below presents the distribution of health facilities, by specific facility type, across Mongolia’s 21 aimags. The number of health facilities varies across aimags, ranging from 31 health facilities in Khövsgöl to 4 in Govisumber. What is uniform across all 21 aimags, however, is the fact that soum health centres are the predominant healthcare facility type, comprising 62% of the 438 aimag-based health facilities across the country. The exceptions are Orkhon and Darkhan-Uul, where family health centres (also known as family group practices) are the chief facility type. The predominance of primary healthcare facilities in providing health services to the majority of Mongolia’s child population is of critical importance to the budget and expenditure analyses, while the regional distribution provides context for the later equity and efficiency analyses.

**Figure 155** Type of health facilities in Mongolian aimags, by aimag

Source: Own calculations, based on data from Ministry of Health, 2021

## 2. FINANCING IN THE HEALTH SECTOR

Across the various levels, health services in Mongolia are financed through three chief mechanisms – government budgets, social health insurance payments and private financing. Figure 156 below illustrates how funding flows to the various levels of the healthcare system from these respective sources. General government funds healthcare services primarily through transfers within the health system – to the MOH at the state level, and to local governments through special purpose transfers. Requisite funds for implementation of their health service delivery mandate are transferred to aimag governors and the capital city mayor, and subsequently dispersed to city and aimag health departments (see Figure 153 for a breakdown of health administration responsibilities), as per approved local government budgets. Payments are subsequently made from these budgets to health service providers (i.e. health facilities) to fund their delivery of health services.

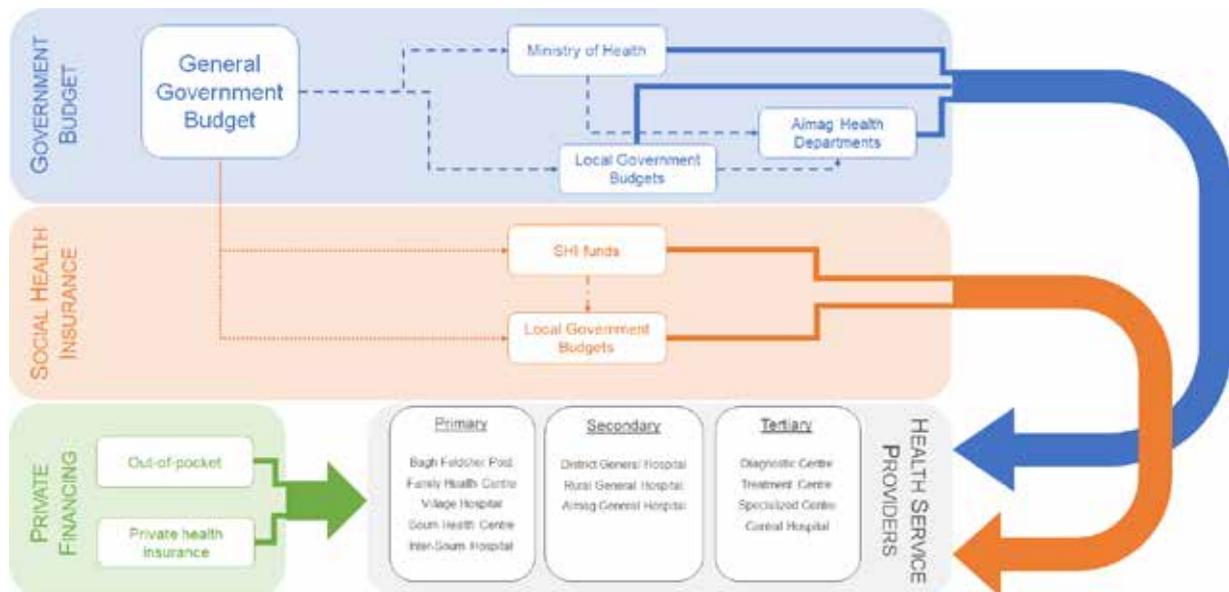
Allocations from government budgets to aimag governors and the capital city mayor are made based on historical line-item budgeting approaches, sans consideration of need, cost inputs and provider performance, which has significant impacts for efficiency and equity, as will be illustrated later in this analysis. An exception to this is soum health centres and family health centres, for which government funding is partly determined through a capitation payment that is adjusted according to age, gender and location of the serviced population. Importantly, age-weighting under this mechanism is largest for children aged 0-5 years, with capitation payments highest among this age cohort, indicative of a prioritisation of funding for child health services.

Further funding of healthcare services occurs through the social health insurance system, which is

financed through transfers from the general government budget – from national taxes – and directly through payroll-based health insurance premiums, as collected at the soum or khoroo level. Social health insurance funds are channelled to the social insurance general office, which is the primary implementing agency for social insurance legislation and funds across Mongolia, with local offices in each of the 21 aimags and in the capital city. These funds are pooled in a single treasury account, which are then used to reimburse health service providers for services that fall within the social health insurance designated benefit package (see Table 62 below).

Finally, health services are also funded through private financing mechanisms, including out-of-pocket payments and private health insurance schemes.

**Figure 156** Funding flows in the Mongolian healthcare system



Source: Own diagram

As alluded to above, the services covered by the various funding sources are determined by the 2006 Mongolian Citizens' Health Insurance Law. Broadly speaking, under this law the government budget covers public and preventive services, including primary and maternal healthcare services, while social health insurance covers individual clinical care. Within this broad framework, there is a specific list of services that are covered by each of these financing sources, which is detailed in Table 62 below. Of particular interest to child health is the fact that the following are funded from the government budget and provided to all citizens free of charge: consultations, diagnostics and treatments related to pregnancy and childbirth until the end of the postnatal period; medical services for children provided by public hospitals; and routine immunisation.

**Table 62** Funding of healthcare services by level of care

	Primary	Secondary	Tertiary	Private
<b>Government budget</b>	<ul style="list-style-type: none"> <li>▪ Outpatient visits</li> <li>▪ Inpatient admission</li> <li>▪ Routine immunisation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Treatment of tuberculosis, HIV/AIDS and mental illness</li> <li>▪ Consultation, diagnostics and treatments related to the pregnancy and childbirth until postnatal period ends</li> <li>▪ Medical emergency services</li> <li>▪ Ambulance services</li> <li>▪ Drugs for palliative care</li> </ul>	<ul style="list-style-type: none"> <li>▪ Treatment of tuberculosis, HIV/AIDS and mental illness</li> <li>▪ Medical emergency services</li> <li>▪ Ambulance services</li> <li>▪ Drugs for palliative care</li> </ul>	<ul style="list-style-type: none"> <li>▪ None</li> </ul>
<b>Social health insurance</b>	<ul style="list-style-type: none"> <li>▪ Outpatient essential drugs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Day care</li> <li>▪ Outpatient visits</li> <li>▪ Diagnosis and tests</li> <li>▪ Inpatient admission for traditional medicine, rehabilitative and palliative care</li> </ul>	<ul style="list-style-type: none"> <li>▪ Outpatient visits (excluding drugs)</li> <li>▪ Diagnosis and tests</li> <li>▪ Inpatient admission for traditional medicine, rehabilitative and palliative care</li> </ul>	<ul style="list-style-type: none"> <li>▪ Some payment of inpatient admission</li> </ul>
<b>Out-of-pocket</b>	<ul style="list-style-type: none"> <li>▪ Copayment for essential drugs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Copayment for health insurance inpatient admission (10%)</li> <li>▪ Copayment for diagnosis and tests (MNT36 000)</li> <li>▪ High-cost surgeries</li> <li>▪ High-cost diagnosis and tests</li> </ul>	<ul style="list-style-type: none"> <li>▪ Copayment for health insurance inpatient admission (15%)</li> <li>▪ Copayment for diagnosis and tests (MNT36 000)</li> <li>▪ High-cost surgeries</li> <li>▪ High-cost diagnosis and tests</li> </ul>	<ul style="list-style-type: none"> <li>▪ Outpatient visits</li> <li>▪ Day care</li> <li>▪ Diagnostic tests</li> <li>▪ Drugs</li> <li>▪ Some payment of inpatient admission</li> </ul>

Source: WHO, 2013

### 3. STRATEGIC DOCUMENTS AND SECTOR TARGETS

Article 16 of the Constitution of Mongolia states that all citizens shall be guaranteed the right to the protection of health and medical care. It is this overarching move towards Universal Health Care that underpins the health sector policies and plans in the country. In order to achieve this constitutional obligation, the Government of Mongolia has tabled several strategic documents that govern the policies and plans for the healthcare system in the country. The most important of these documents, and their core objectives, are outlined briefly in Table 63 below.

**Table 63** Major policy and strategic documents

Strategic Document	Objectives
<b>The Health Act (1998)</b>	<p>Defines state policy and basic principles on health and regulates responsibilities in safeguarding the social health and rights of citizens to health protection and medical aid and services. Child health-specific regulations include:</p> <ul style="list-style-type: none"> <li>▪ Article 35 guarantees the protection of the health of mothers and children – specifically, this article denotes that the health of mothers and children in Mongolia shall be under the constant attention of the State; and that specialised medical care shall be provided to mothers and children free of charge.</li> <li>▪ Article 33 states that the nearest health organisation shall provide emergency medical aid to patients in cases of life-threatening conditions, accidents and injuries, poisoning and childbirth.</li> </ul>

Strategic Document	Objectives
<b>Government Policy on Public Health (2001)</b>	<p>Aim of the policy is to protect and promote the health of the population by ensuring the harmony of nature, people and society, and to create favourable conditions for people to live, work and study in a healthy and safe environment. Child health-specific policies include:</p> <ul style="list-style-type: none"> <li>▪ Clause 4.1.1 aims to ensure the quality, equity and accessibility of primary health care by strengthening soum, bagh and family group practices, building their capacity and supporting the activities of all types of health facilities.</li> <li>▪ Clause 4.1.3 sets out standards for reproductive health care, such as family planning, women giving birth safely, and preparing adolescents for sexual life.</li> <li>▪ Clause 4.1.4 aims to create a favourable environment for breastfeeding, raising and caring for children in a family and social environment, and ensure their physical and mental growth and development.</li> <li>▪ Clause 4.1.6 aims to improve communicable disease surveillance and information, increase capacity to contain outbreaks at the local level, increase immunisation coverage, and test and introduce immunisations to prevent common communicable diseases.</li> </ul>
<b>Government Health Policy (2017)</b>	<p>Aim of the policy is to improve the quality and accessibility of healthcare services and increase the life expectancy of Mongolians by preventing any diseases based on their needs, introducing new technologies based on evidence-based diagnosis and treatment, and creating an appropriate health financing system. Child health-specific policy objectives include:</p> <ul style="list-style-type: none"> <li>▪ Reducing overweight, vitamin and mineral deficiencies in the population by improving control over the content of imported and domestic food products, ensuring food security, and promoting healthy and balanced nutrition of the population.</li> <li>▪ Improving the legal environment for breastfeeding and increase the role and responsibilities of stakeholders in this area.</li> <li>▪ Provision of health education to the population, especially students in kindergartens, secondary schools and universities, schools and colleges, advocacy and information promotion, support and encourage public health efforts, develop public-private partnerships, and adapt the customs of the population. to prevent diseases, develop healthy behaviours and lifestyles using traditional medical methods.</li> <li>▪ Improving the quality and access to reproductive healthcare services, such as family planning, safe delivery of babies, prevention of maternal and child mortality, and preparation of adolescents for sexual life.</li> </ul>
<b>National Mother, Child and Reproductive Health Programme (2017)</b>	<p>Aim of the programme is to strengthen the financial sustainability of the programme by creating a favourable social and economic environment to improve maternal, child and reproductive health, and reduce maternal and child mortality through equal access to quality healthcare services through the participation of citizens and civil society. Programme objectives include:</p> <ul style="list-style-type: none"> <li>▪ Improve the legal environment by incorporating maternal and child health issues into other sectoral policies, and create a mother- and child-friendly social and economic environment by supporting cooperation and partnership between governmental and non-governmental organisations and the private sector.</li> <li>▪ Provide equal, accessible and quality maternal, child and reproductive healthcare services to the public.</li> <li>▪ Reduce unwanted pregnancies and abortions by increasing the availability and use of reproductive health planning services.</li> <li>▪ Increase the participation and responsibility of family members and citizens in protecting maternal, child and reproductive health by providing gender-sensitive health education to the population and developing healthy behaviours.</li> <li>▪ Improve registration, information, surveillance, research, monitoring and evaluation of maternal, child and reproductive health services.</li> </ul>
<b>National Programme to Support Healthy Nutrition for Mothers, Infants and Children</b>	<p>Aim of the programme is to promote healthy eating for mothers, infants, and young children, and to reduce nutrition-related disorders in the population. Programme objectives include:</p> <ul style="list-style-type: none"> <li>▪ Increase the level of breastfeeding.</li> <li>▪ Support the production and consumption of baby food.</li> <li>▪ Expand inter-sectoral cooperation to support maternal, infant and young child nutrition, build the capacity of health workers, and ensure public participation.</li> <li>▪ Strengthen the capacity of maternal, infant and young child nutrition and nutrition services in the event of a serious public health emergency.</li> </ul>

#### 4. OVERVIEW OF PERFORMANCE INFORMATION

Further to the core objectives highlighted in Table 63 above, many of the strategic documents underpinning the health sector in Mongolia also contain specific KPIs against which to monitor Mongolia's progress towards achievement of the objectives espoused in the policy and programme documents. The chief KPIs are detailed in Table 64 below.

**Table 64** KPIs relating to child health

Government Health Policy (2017)	Five-Year Directions for the Development of Mongolia 2021-2025 (2020)	Sustainable Development Goals (2015)
Reduction of maternal mortality rate from a baseline of 26 per 100 000 live births to 20 per 100 000 live births by 2026	Total fertility rate increased to 3.3 from a baseline of 2.9	Prevalence of undernourishment
Reduction of under-5 mortality rate from a baseline of 18.3 per 1 000 live births to 12 per 1 000 live births by 2026	Infant mortality rate decreased to 10.3 from a baseline of 13.3	Prevalence of moderate or severe food insecurity in the population, based on the FIES
Reduction of infant mortality rate from a baseline of 15.3 per 1 000 live births to 11 per 1 000 live births by 2026	Maternal mortality rates decreased to 18.2 from a baseline of 23.0	Prevalence of stunting among children under 5 years of age
Increase immunisation coverage from a baseline of 97% to 99% by 2026	Vaccination coverage rate increased to 99.0 from a baseline of 98.9	Prevalence of malnutrition among children under 5 years of age
Reduce TB incidence from a baseline of 14.4 per 10 000 population to 14 per 10 000 population by 2026	Coverage of the third dose of pentavalent vaccine increased to 99.3 from a baseline of 98.1	Maternal mortality ratio
Reduction of overweight among children under-5 from a baseline of 16.7% to 15.7% by 2026	Coverage of the second dose of the measles vaccine increased to 99.7 from a baseline of 98.5	Proportion of births attended by skilled health personnel
Increase total health funding from state budget from a baseline of 2.4% of GDP to a target of 5.0% of GDP by 2026		Under-5 mortality rate
Reduce the share of out-of-pocket payments in the health sector from a baseline of 41% of total health expenditure to 25% of total health expenditure by 2026		Neonatal mortality rate
		Proportion of the target population covered by all vaccines included in the national programme
		Health worker density and distribution

Source: UNICEF, 2021; Government of Mongolia, 2020 & 2017

Given the various performance indicators identified by the Government of Mongolia, and those identified in the Sustainable Development Goals of which Mongolia is a signatory country, there are several KPIs against which the performance of the child health sector in Mongolia can be evaluated.

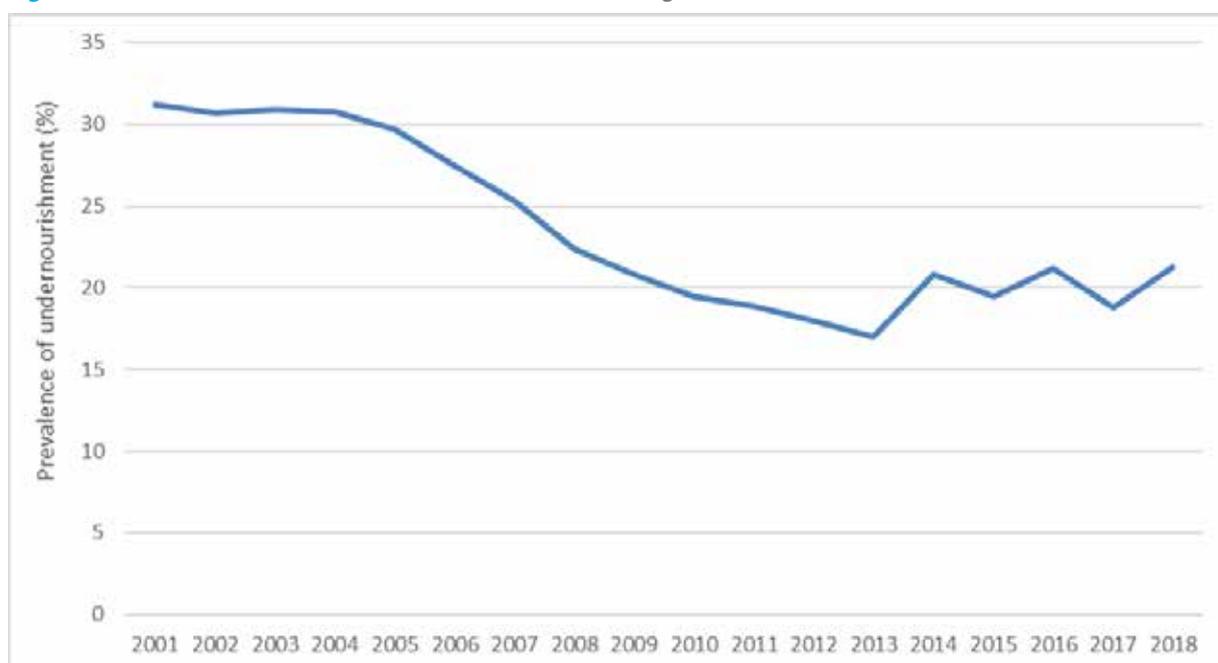
An evaluation of the health sector's performance should include a trend analysis of Mongolia's recent performance in each of the KPIs relative to established targets, but also include a snapshot of Mongolia's current performance relative to an identified benchmark. Whilst regional benchmarks are commonly used for such evaluations, this tends to restrict analyses to a homogenous group of countries. Instead, the 46 LMI countries were used for this international comparator analysis. LMI countries are those having a per capita gross national income of between \$1,025 and \$3,995. Unlike regional comparators, this category is heterogeneous in nature, including countries from all six continents and of varying economic and population sizes, and stages of development.

A brief overview of Mongolia’s performance relative to some of the most prevalent child health-related targets and indicators – both in terms of recent historical trends and in terms of performance relative to LMI contemporaries – is provided below.

#### 4.1 Prevalence of undernourishment

The core goal of SDG 2.1 is to, by 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round. As is evident in Figure 157 below, Mongolia is well short of achieving this goal, with 21.3% of the country exhibiting undernourishment in 2018. What is of further concern is that, despite significant improvements in the rate of undernourishment in Mongolia between 2001 and 2013 – with rates dropping from 31.2% to 17.0% over this period – rates of undernourishment have increased over the past five years, suggesting that undernourishment is a burgeoning child health problem in Mongolia.

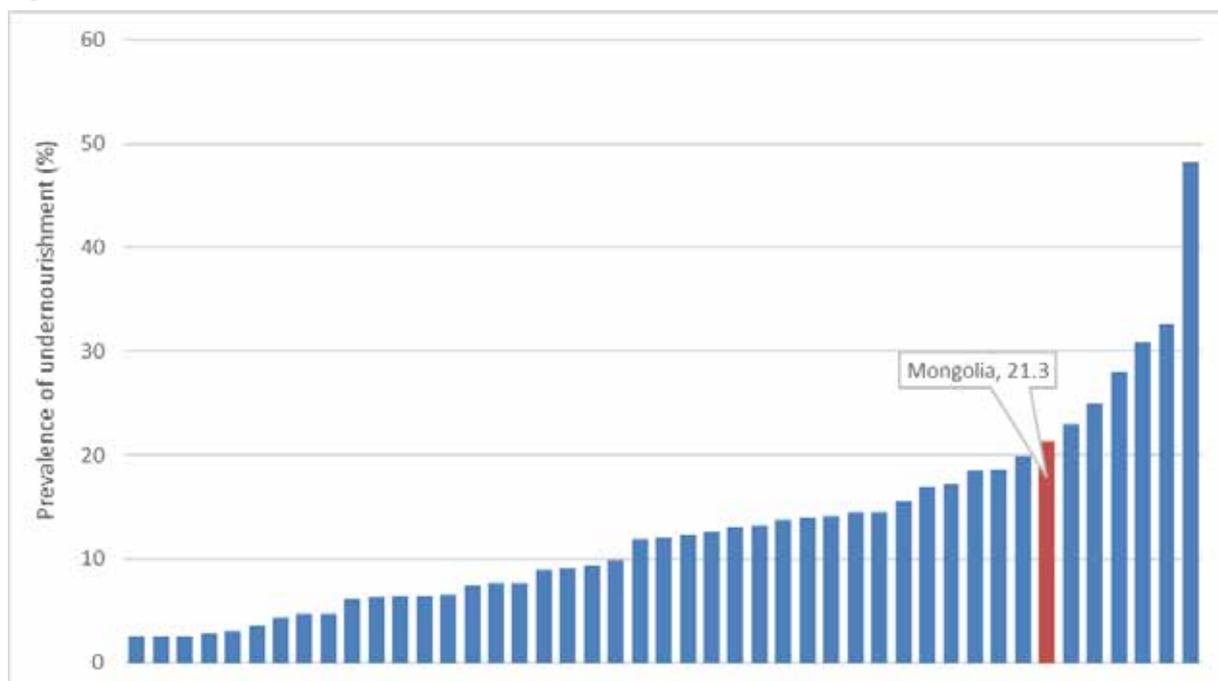
**Figure 157** Trends in rate of undernourishment in Mongolia, 2001 to 2018



Source: World Development Indicators, 2021

Further evidence of the magnitude of undernourishment as a public health concern in Mongolia is evident when the current rate of undernourishment in the country is benchmarked against Mongolia’s LMI contemporaries. As is evident in Figure 158 below, Mongolia exhibits one of the highest rates of undernourishment across all LMI countries. This suggests significant room for improvement in the delivery of critical nutrition services in the country, particularly given that undernourishment is a contributing factor to heightened risk of morbidity and mortality among neonates, infants and young children.

**Figure 158** Rates of undernourishment in LMI countries, 2018

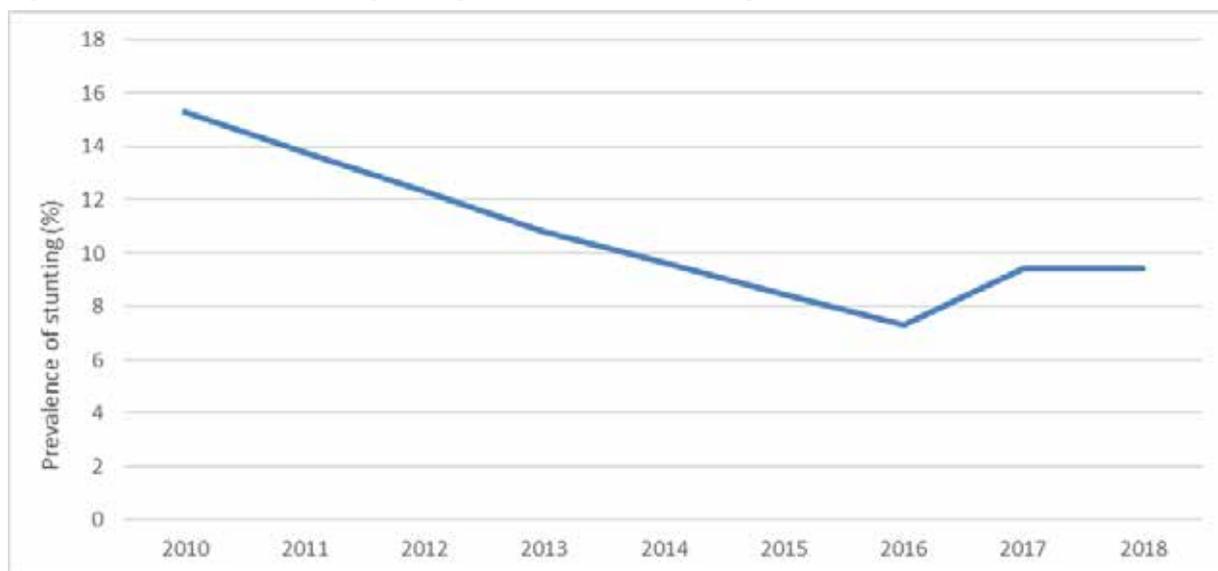


Source: World Development Indicators, 2021

#### 4.2 Prevalence of stunting

The core goals of SDG 2.2 are to, by 2030, end all forms of malnutrition, including achieving, by 2025, the internationally agreed targets on stunting in children under 5 years of age. As is evident in Figure 159 below, Mongolia has largely succeeded in arresting rates of stunting amongst children under-5 in the country, with a reduction from 15.3% prevalence in 2010, to 9.4% prevalence in 2018, a level well below the internationally agreed target of 12%. What is of some concern, however, is the fact that rates of stunting have increased, albeit slightly, since 2016 – possibly indicative of some ground being lost in tackling rates of stunting in the country.

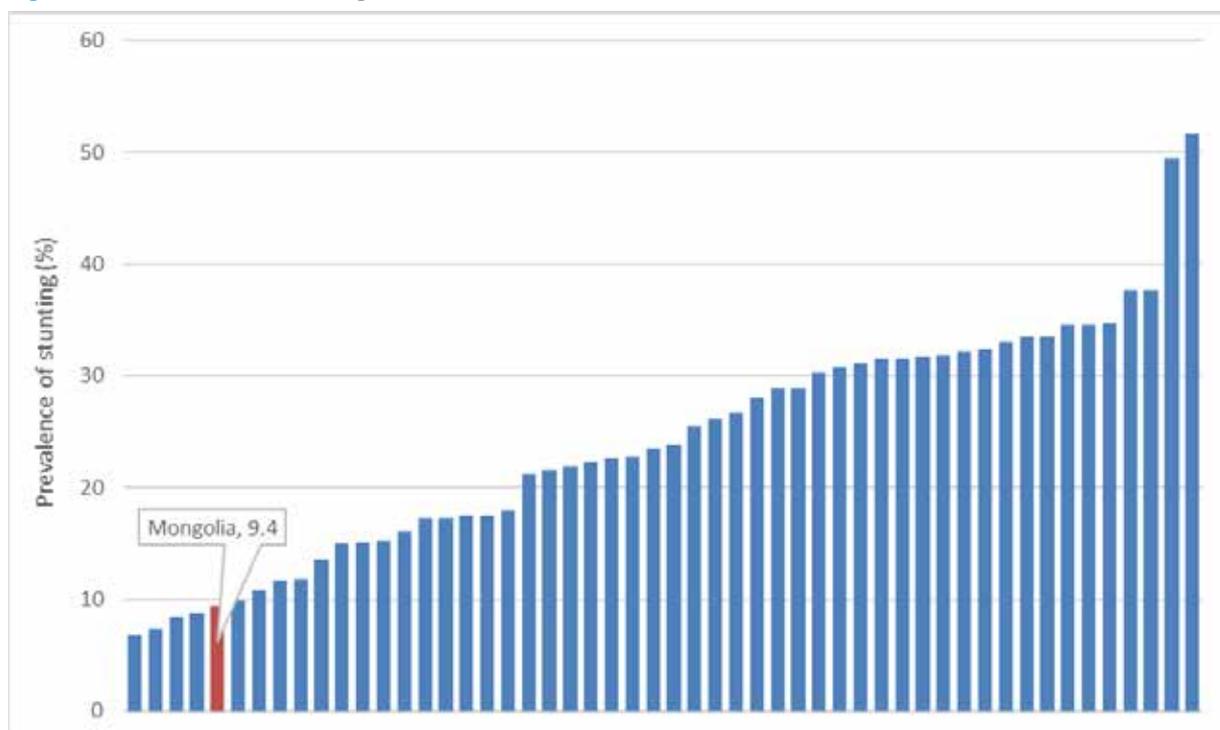
**Figure 159** Trends in stunting among children under-5 in Mongolia, 2010 to 2018



Source: World Development Indicators, 2021

Despite these recent increases in the prevalence of stunting among children under-5, Mongolia remains among the best-performing countries in terms of rates of child stunting and underweight. As is evident in Figure 160 below, rates of stunting in Mongolia are among the lowest in LMI countries globally.

**Figure 160** Rates of stunting in LMI, 2018

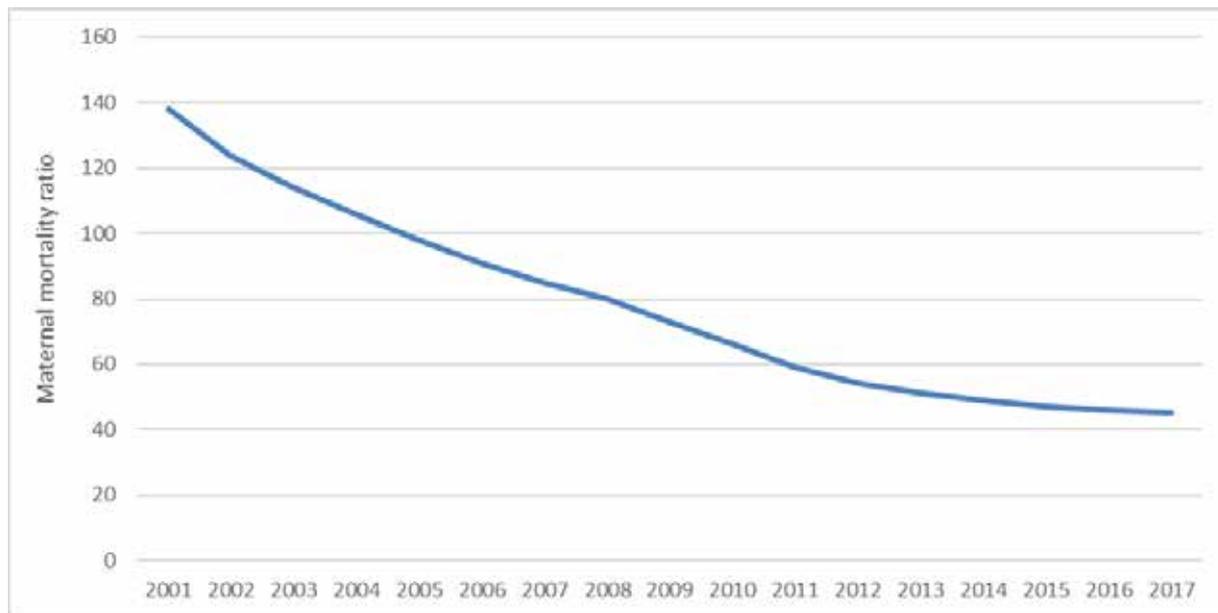


Source: World Development Indicators, 2021

### 4.3 Maternal mortality ratio

Reduction in the maternal mortality ratio is a common KPI across all three sources– the 2017 Government Health Policy targets a reduction in the maternal mortality rate to 20 per 100 000 live births by 2026; the subsequent 2020 Five-Year Directions targets a reduction in maternal mortality rates to 18.2 per 100 000 live births by 2025; and SDG 3.1 targets reduction in the global maternal mortality ratio to less than 70 per 100 000 live births by 2030. As is evident in Figure 161 below, Mongolia has been largely successful in arresting maternal mortality over the last two decades, with maternal mortality rates decreasing significantly. Indeed, Mongolia has long-since achieved the maternal mortality ratio target espoused in SDG 3.1. However, it appears that this rate of decrease has slowed in recent years, such that Mongolia is unlikely to meet either of the targets set in the 2017 Government Health Policy and the 2020 Five-Year Directions. Improvement in the delivery of antenatal and perinatal care services is, therefore, paramount in improving health outcomes for mothers in Mongolia.

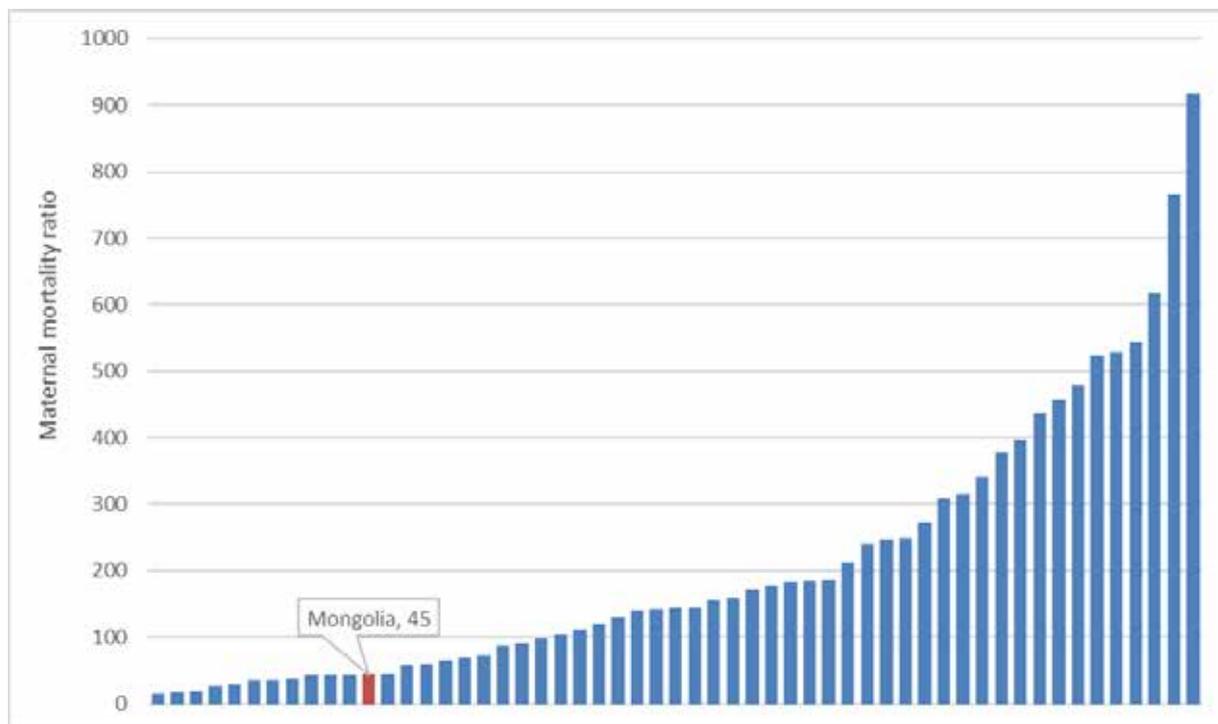
**Figure 161** Trends in the maternal mortality ratio in Mongolia, 2001 to 2018



Source: World Development Indicators, 2021

Again, whilst improvements in maternal mortality ratios have stagnated somewhat in Mongolia over the recent past, the country remains among the best-performing LMI countries in terms of maternal mortality ratios. As is evident in Figure 162 below, Mongolia is one of the ten LMI countries with the lowest rates of maternal mortality, indicative of strong performance relative to its comparators.

**Figure 162** Maternal mortality ratios in LMI countries, 2017

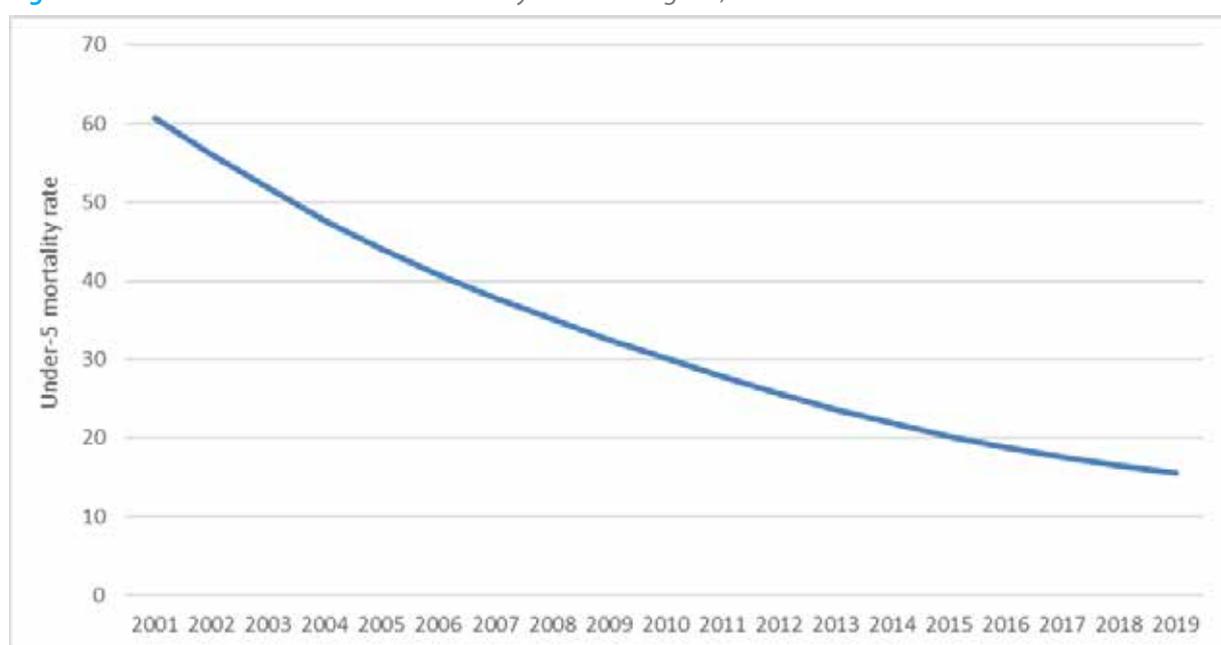


Source: World Development Indicators, 2021

#### 4.4 Under-5 mortality rate

Reductions in the under-5 mortality rate are, similarly, common to local government strategic targets, as well as to international agreements to which Mongolia is a signatory – the 2017 Government Health Policy targets a reduction in the under-5 mortality rate to 12 per 1 000 live births by 2026, while SDG 3.2.1 targets reduction in all countries’ under-5 mortality rates to less than 25 per 1 000 live births by 2030. As is evident in Figure 163 below, Mongolia has been very successful in reducing rates of under-5 mortality in the country over the past two decades, with under-5 mortality declining from 60.7 per 1 000 live births in 2001, to 15.6 per 1 000 live births in 2019. Thus, Mongolia has long-since surpassed the targets espoused in the SDGs, whilst projections of the current rate of decline in under-5 mortality rates suggest that Mongolia will reach the Government Health Policy target by 2024, two years ahead of schedule.

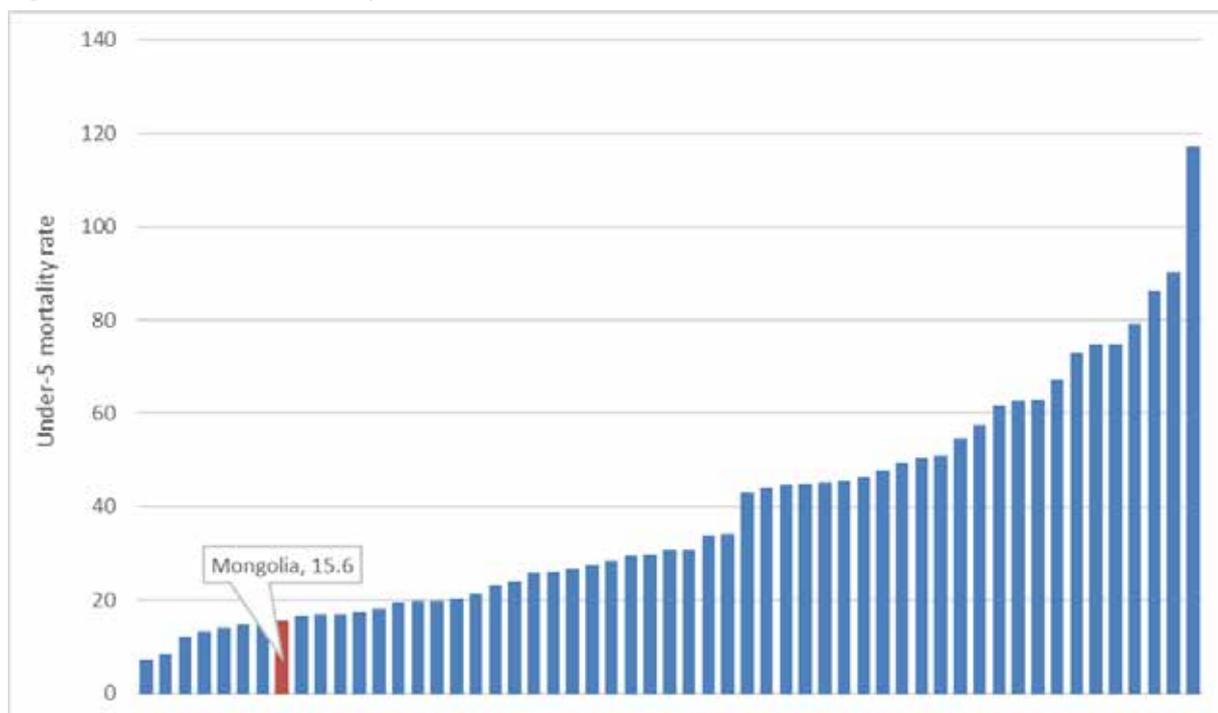
**Figure 163** Trends in the under-5 mortality rate in Mongolia, 2001 to 2018



Source: World Development Indicators, 2021

When benchmarked against LMI comparators, Mongolia again performs well in terms of under-5 mortality rates in the country. As is illustrated in Figure 164 below, under-5 mortality rates in Mongolia are well below the LMI country average, with Mongolia ranking among the 10 best-performing LMI countries in terms of under-5 mortality rate.

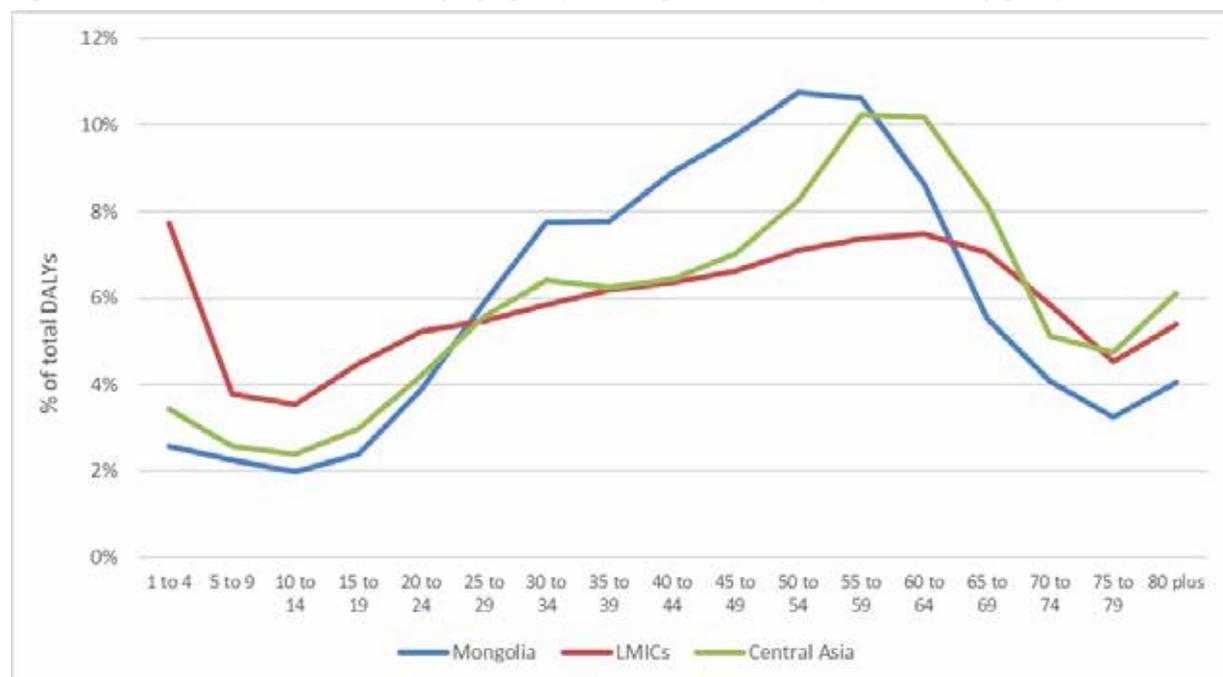
**Figure 164** Under-5 mortality rates in LMI countries, 2017



Source: World Development Indicators, 2021

## 5. CHILD HEALTH BURDEN PROFILE

Understanding the child health landscape in Mongolia requires an interrogation of the health burdens associated with poor child health in the country. Figure 165 below plots the age-related distribution of disability-adjusted life years (DALYs) – a measure of overall disease burden, expressed as the number of years lost due to ill-health, disability or early death – in Mongolia, relative to two country comparator groups, namely LMI countries and Central Asian countries. Inclusion of regional comparators from Central Asia here is pertinent, as regional specificities may have associated disease burden profiles (such as, the heightened burden of malaria within tropical sub-Saharan Africa). As is evident in Figure 165, child-related disease burden is lower in Mongolia than in either of the comparator country groups – children account for only 9.18% of overall disease burden in Mongolia, compared to 11.35% in Central Asia, and 19.50% in LMI countries. This suggests strong sectoral performance in child health in Mongolia, reinforcing the low rates of infant and under-5 mortality observed in the previous section.

**Figure 165** Distribution of DALYs by age group in Mongolia and comparator country groups, 2019

Source: Own calculations, based on Global Burden of Disease Study, 2021

Further to interrogating the age-related distribution of DALYs, a child health disease burden profile can also assist in understanding the main causes of child disease burden in a country, which is critically important for the sensible targeting of child-related health expenditures towards programmes that will have the greatest child health impacts. Table 65 below presents the evolution of child disease burden in Mongolia by examining trends in DALYs among children in the country between 2000 and 2019 by primary cause.

**Table 65** Evolution of child health-related DALYs in Mongolia, 2000 to 2019

	2000		2005		2010		2015		2019	
	DALYs	%	DALYs	%	DALYs	%	DALYs	%	DALYs	%
Maternal and neonatal disorders	90 805	22.36%	87 968	27.01%	92 537	30.84%	69 398	28.04%	54 166	25.87%
Respiratory infections and tuberculosis	128 493	31.64%	77 603	23.82%	55 951	18.65%	38 703	15.64%	30 192	14.42%
Other non-communicable diseases	33 801	8.32%	34 386	10.56%	35 254	11.75%	29 845	12.06%	26 120	12.47%
Unintentional injuries	23 052	5.68%	25 636	7.87%	25 874	8.62%	21 363	8.63%	18 464	8.82%
Skin and subcutaneous diseases	9 376	2.31%	8 810	2.70%	8 539	2.85%	9 446	3.82%	10 383	4.96%
Mental disorders	8 867	2.18%	8 796	2.70%	7 662	2.55%	7 091	2.87%	7 468	3.57%
HIV/AIDS and sexually transmitted infections	3 223	0.79%	3 055	0.94%	7 765	2.59%	7 431	3.00%	7 184	3.43%
Other infectious diseases	22 446	5.53%	11 429	3.51%	8 828	2.94%	10 405	4.20%	6 829	3.26%
Enteric infections	22 438	5.53%	10 619	3.26%	8 214	2.74%	7 364	2.98%	6 550	3.13%
Neurological disorders	6 710	1.65%	6 729	2.07%	6 023	2.01%	5 845	2.36%	6 168	2.95%
Transport injuries	6 418	1.58%	8 247	2.53%	7 801	2.60%	7 312	2.95%	5 851	2.79%
Digestive diseases	13 216	3.25%	8 665	2.66%	7 164	2.39%	6 266	2.53%	5 700	2.72%
Nutritional deficiencies	8 894	2.19%	6 365	1.95%	5 142	1.71%	5 100	2.06%	5 207	2.49%
Self-harm and interpersonal violence	8 223	2.02%	9 286	2.85%	7 518	2.51%	6 941	2.80%	4 867	2.32%
Neoplasms	4 310	1.06%	4 084	1.25%	3 788	1.26%	3 796	1.53%	3 598	1.72%
Cardiovascular diseases	4 679	1.15%	4 100	1.26%	3 373	1.12%	2 964	1.20%	2 396	1.14%
Musculoskeletal disorders	2 856	0.70%	2 884	0.89%	2 477	0.83%	2 233	0.90%	2 307	1.10%
Chronic respiratory diseases	2 784	0.69%	2 111	0.65%	1 769	0.59%	1 753	0.71%	1 878	0.90%
Sense organ diseases	1 751	0.43%	1 673	0.51%	1 518	0.51%	1 537	0.62%	1 648	0.79%
Diabetes and kidney diseases	2 057	0.51%	1 533	0.47%	1 232	0.41%	1 207	0.49%	1 043	0.50%
Substance use disorders	767	0.19%	1 105	0.34%	1 093	0.36%	964	0.39%	838	0.40%
Neglected tropical diseases and malaria	928	0.23%	637	0.20%	521	0.17%	525	0.21%	539	0.26%

Source: Own calculations, based on Global Burden of Disease Study, 2021

Maternal and neonatal disorders represent the largest single contributor to child disease burden in Mongolia in 2019, accounting for slightly more than a quarter of such burden. Granted that maternal and neonatal disorders are typically associated with maternal and infant mortality, rather than long-term morbidity, the high prevalence of DALYs related to such disorders speaks directly to the targeting of maternal and infant mortality rates that are central KPIs to the strategic documents discussed in Table 64.

The second-largest cause of child health burdens in Mongolia is respiratory infections and tuberculosis, accounting for 14.42% of such burdens in 2019. Historically, respiratory infections and tuberculosis were the largest single contributor to child health burdens, accounting for 31.64% in 2000. This has been steadily decreasing over time, indicating significant successes in combatting child health burdens associated with these diseases. Nonetheless, both issues remain significant contributors to child health burdens in Mongolia, as evidenced by the fact that reduction in the rate of tuberculosis infection is a core KPI in the 2017 Government Health Policy (see Table 64).

The third-largest contributor to child health burdens in Mongolia – other non-communicable diseases (12.47%) – is similarly represented in the Government Health Policy's KPIs in their targeting of child overweight, which is a chief contributor to non-communicable diseases among children.

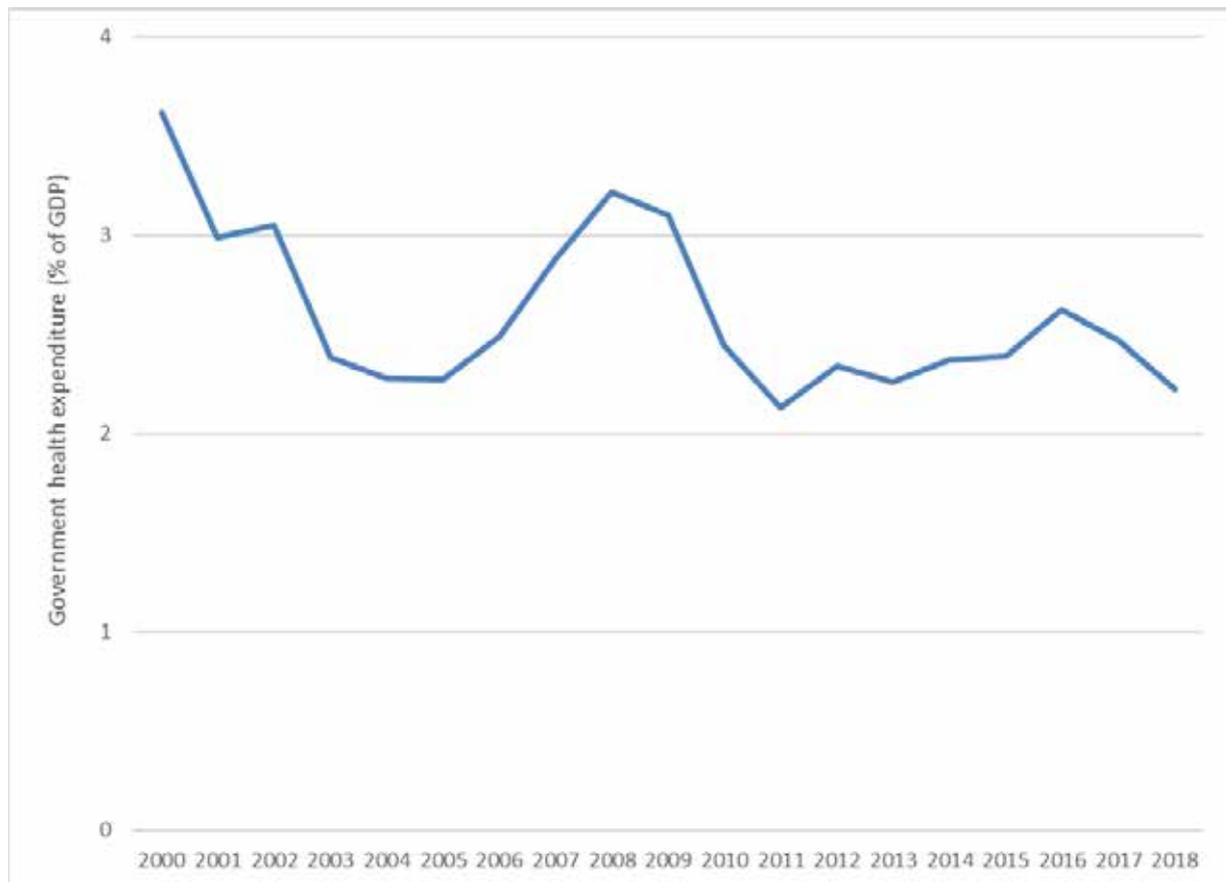
## 6. BUDGET AND EXPENDITURE TRENDS

In addition to specific child health-related KPIs, the 2017 Government Health Policy also includes two explicit health financing indicator targets, namely: to increase total health funding from state budget to a target of 5.0% of GDP by 2026, and to reduce the share of out-of-pocket payments in the health sector to 25% of total health expenditure by 2026. Assessment of Mongolia's recent performance relative to these two targets, therefore, represents a sensible departure point for an analysis of health budget and expenditure trends.

Figure 166 below presents Mongolia's general government health expenditure, expressed as a proportion of GDP, between 2000 and 2018. Mongolia's government health expenditure as a proportion of GDP has exhibited a largely downward trend over the past two decades, decreasing from 3.62% of GDP in 2000 to 2.22% of GDP in 2018. While this proportion has shown some volatility over this period, with some periods of notable increase – particularly between 2005 and 2008 – what is of chief concern is the downward trend in proportional allocations since 2016, such that the proportional allocation to health in 2018, at 2.22% of GDP, is the second lowest it has been since 2000.

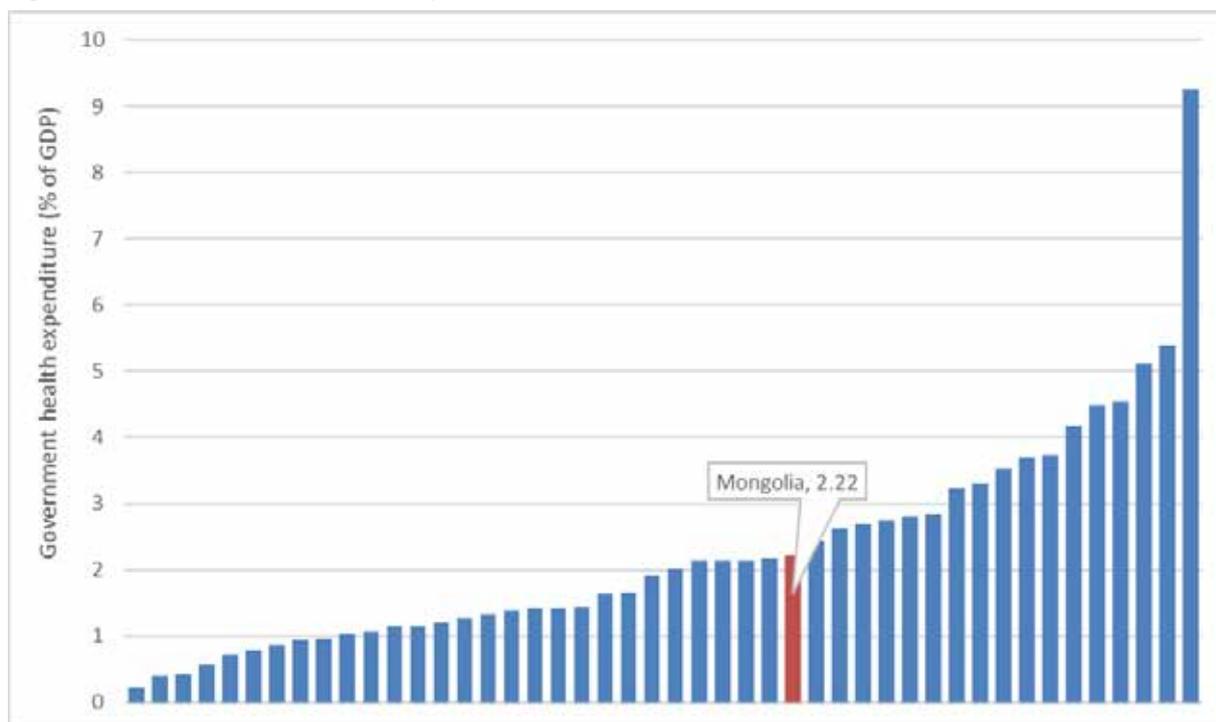
This general trend suggests a steady and systematic deprioritisation of health in Mongolian government budgets and expenditures over the past two decades, while the more recent proportional decline suggests that Mongolia is unlikely to meet the target set in the 2017 Government Health Policy of increasing total health funding from state budget to a target of 5.0% of GDP by 2026 – indeed, it would take a significant reprioritisation of health in future budgets to reach this target.

**Figure 166** Trends in government health expenditure as a proportion of GDP, 2001 to 2018



Source: Global Health Expenditure Database, 2021

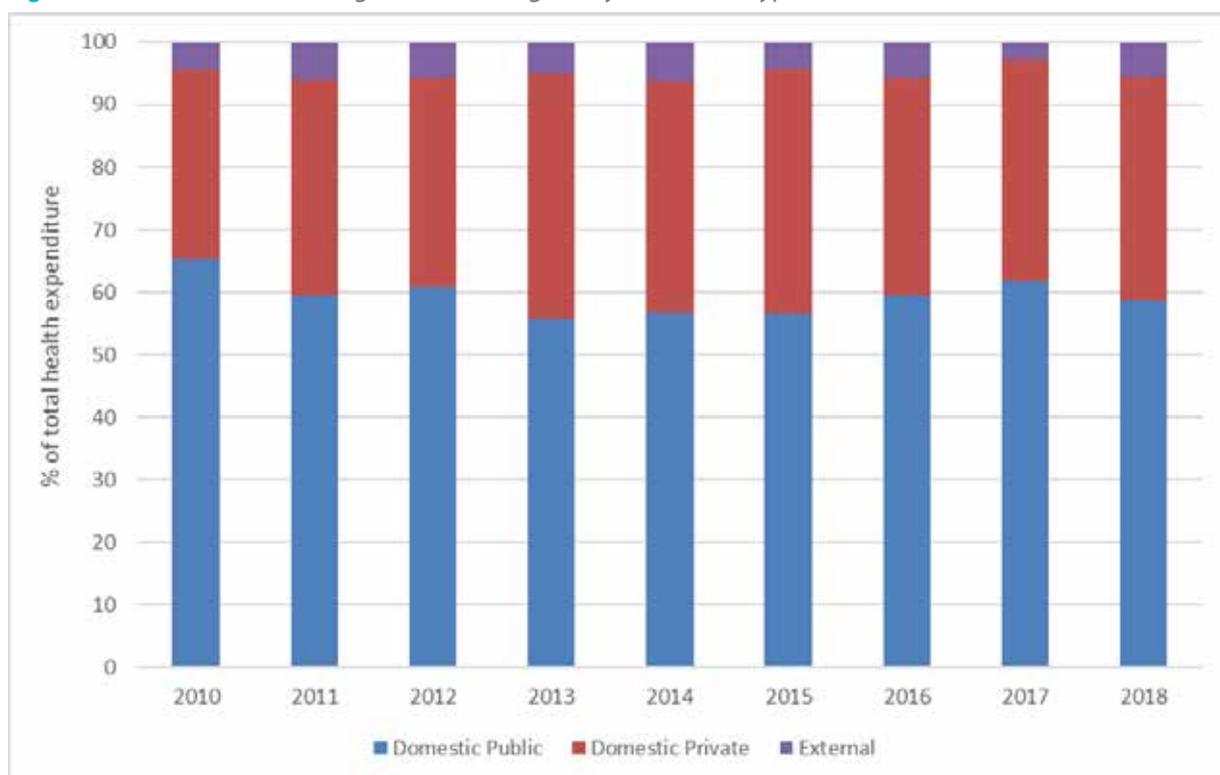
Further evidence of the deprioritisation of government health expenditures in Mongolia can be seen by again comparing Mongolia's proportional health sector spending against its LMI country contemporaries. As is evident in Figure 167 below, government health expenditure in Mongolia as a proportion of GDP in Mongolia is below the LMI country average, with Mongolia ranking in the middle third. Given that Mongolia typically ranks among the highest LMI countries in health-related indicators, this lack of government spending on the health sector is a concern, and highlights the progress Mongolia still needs to make in terms of its health sector allocations.

**Figure 167** Government health expenditure as a share of GDP in LMI countries

Source: Global Health Expenditure Database, 2021

One of the reasons that underpins the low, and declining, levels of government health expenditure in Mongolia is the fact that government's proportional contribution to total health sector expenditure in the country has been steadily declining since 2010, with an increasing reliance on private financing mechanisms over this period. Figure 168 below demonstrates that domestic public financing sources, including government budgets and social health insurance (as illustrated in Figure 156 in the previous section), have decreased, as a proportion of total health expenditures in Mongolia, from 65.38% of total health expenditure in 2010 to 58.68% of total health expenditure in 2018. Meanwhile, over the same period, domestic private financing sources, including out-of-pocket payments and private health insurance contributions, increased from 30.27% in 2010 to 35.81% in 2018. External financing has remained fairly consistent across this period, increasing slightly from 4.35% in 2010 to 5.51% in 2018.

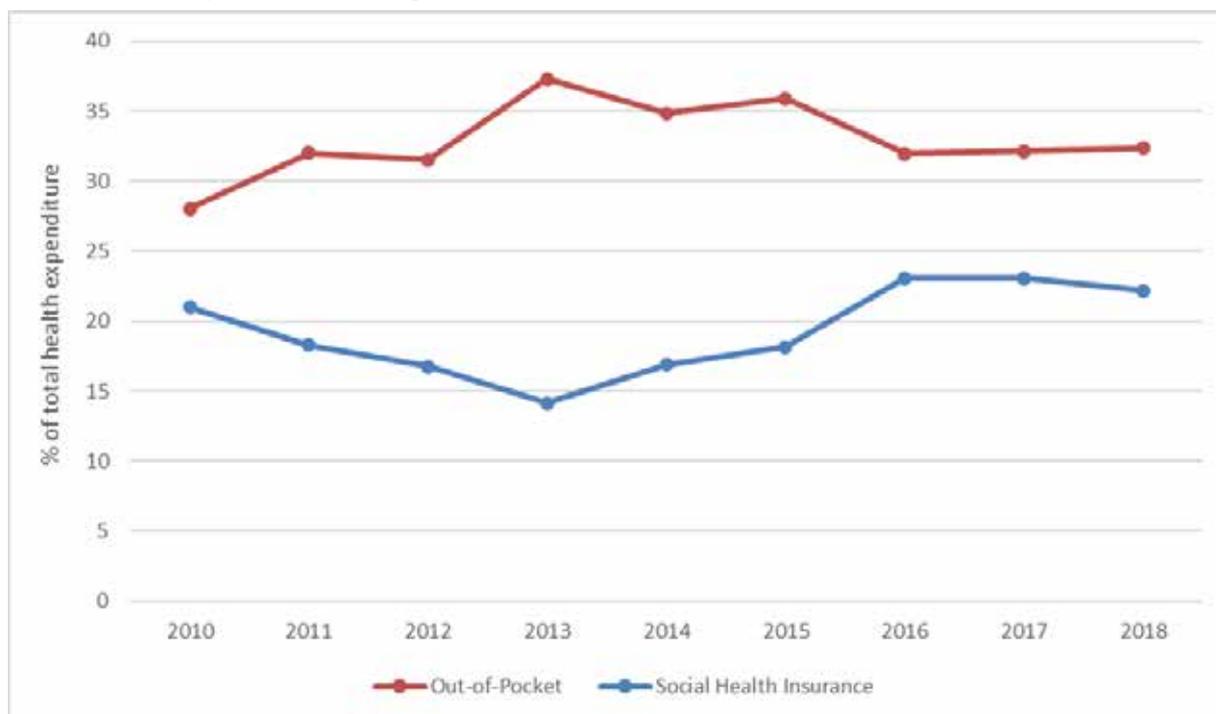
The increased reliance on private financing sources, and particularly out-of-pocket payments, is particularly problematic given Mongolia's intended move towards universal health coverage and the barriers that out-of-pocket health payments typically present to readily achieving this goal. Moreover, out-of-pocket payments place a particular economic burden on poorer households in accessing health care, with high levels of out-of-pocket payments typically associated with catastrophic health expenditures and impoverishment, and a subsequent cyclical poverty-health trap with poor households, unable to pay for health services, falling further into poverty due to the adverse effects of untreated health issues. This highlights the critical need for government health expenditures in Mongolia to increase substantially, such that the burden of health financing doesn't fall on households. Indeed, in subsequent analyses in this report, the equity issues associated with the current health financing system are investigated (see Section 10 of this annexure).

**Figure 168** Health financing trends in Mongolia by source and type, 2010 to 2018

Source: Global Health Expenditure Database, 2021

Figure 169 below provides further evidence of the important role government financing of health care, and the use of social health insurance in particular, plays in easing the burden of health financing on households. There is a direct inverse relationship between social health insurance and out-of-pocket as financing sources for the health sector in Mongolia, suggesting that as the proportional size of contributions made by the government's social health insurance scheme decreases, so households are increasingly forced to bear the additional financing burden in the form of out-of-pocket expenditures. What is particularly concerning is the fact that the proportional contribution of out-of-pocket payments for health in Mongolia remain particularly high – at 32.36% of total health expenditure in the country – and this appears to have largely plateaued at this level in recent years, after a notable decline since 2013. Increasing government allocations to the social health insurance scheme is, thus, a critically important tool for the Mongolian government to improve health system access and equity in the medium term, and should be prioritised accordingly.

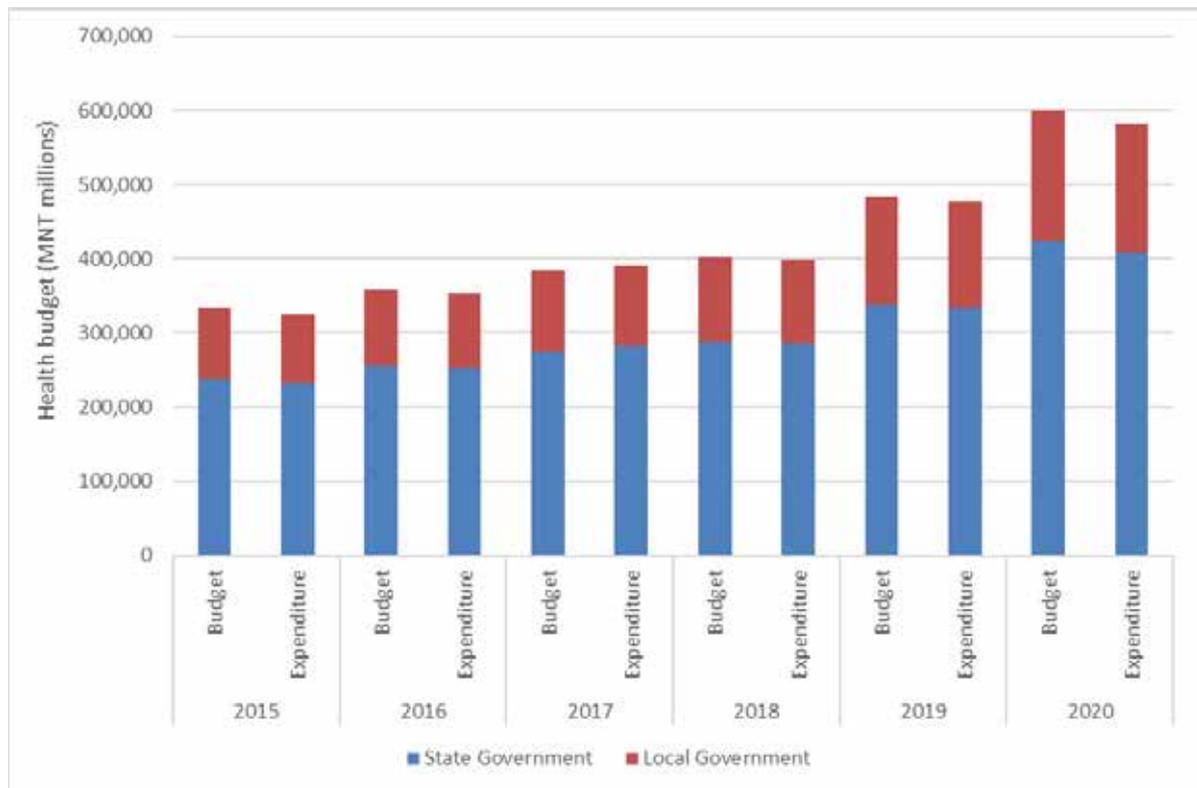
**Figure 169** Trends in out-of-pocket payments and social health insurance contributions to total health expenditures in Mongolia, 2010 to 2018



Source: Global Health Expenditure Database, 2021

## 6.1 Trends in expenditure by level of government

As noted above, the health sector in Mongolia is broadly split into two levels, with tertiary and secondary services at the top of the referral hierarchy, and primary services – the vast majority of health facilities – at the bottom. In line with this, government health sector budgets are split between state and local government budgets, with the former largely financing services at the top of the referral hierarchy, and the latter largely financing services at the bottom. Figure 170 below presents the trends in budget allocations and actual expenditures across these two levels between 2015 and 2020. As can be seen, health budget allocations and expenditures increased moderately between 2015 and 2019, both overall and within each of the levels, with overall budgets increasing from MNT333 billion in 2015 to MNT483 billion in 2019. 2020 saw a notable increase in health budget allocations and expenditures, with the nominal health budget increasing by 24% to MNT600 billion.

**Figure 170** Health expenditure trends by government level, 2015 to 2020

Source: Own calculations, based on data received from Ministry of Finance, 2021

Table 66, below presents the compound annual growth rates and trends in proportional contributions of state and local government budgets to total government health budgets between 2015 and 2019. As can be seen, compound annual growth rates in both state (9.09%) and local government (11.19%) were strong, with both exceeding the average annual CPI inflation rate of 5.14% over this period, indicative of real growth in these allocations, further to the nominal growth observed in Figure 170 above. The moderately higher nominal growth in local government health budgets results in positive growth in its proportional contribution to overall health budgets of 7.00%, while proportional state contributions declined by 0.86% over this period.

**Table 66** Proportional and compound annual growth rates in contributions of state and local government budgets to total health budgets, 2015 to 2019

	2015		2019		Growth	
	Total Budget	% Total Budget	Total Budget	% Total Budget	CAGR	Proportional
State government budget	238 183	71.33%	337 311	70.72%	9.09%	-0.86%
Local government budgets	95 737	28.67%	146 326	30.68%	11.19%	7.00%

Source: Own calculations, based on data received from Ministry of Finance, 2021

Table 67 below highlights the rates of budget execution – expressed as actual expenditures as a proportion of allocated budgets – for state and local government health budgets between 2015 and 2020. These budget execution rates are observed using a 5% credibility threshold, such that any actual expenditures that fall within a 5% window either side of the allocated budget are deemed to be indicative of a credible budget. As can be seen, all expenditures, both aggregated and disaggregated, over this period fell within the best-practice budget credibility threshold, indicative of strong budget credibility and reliable budget execution at both the state and government levels.

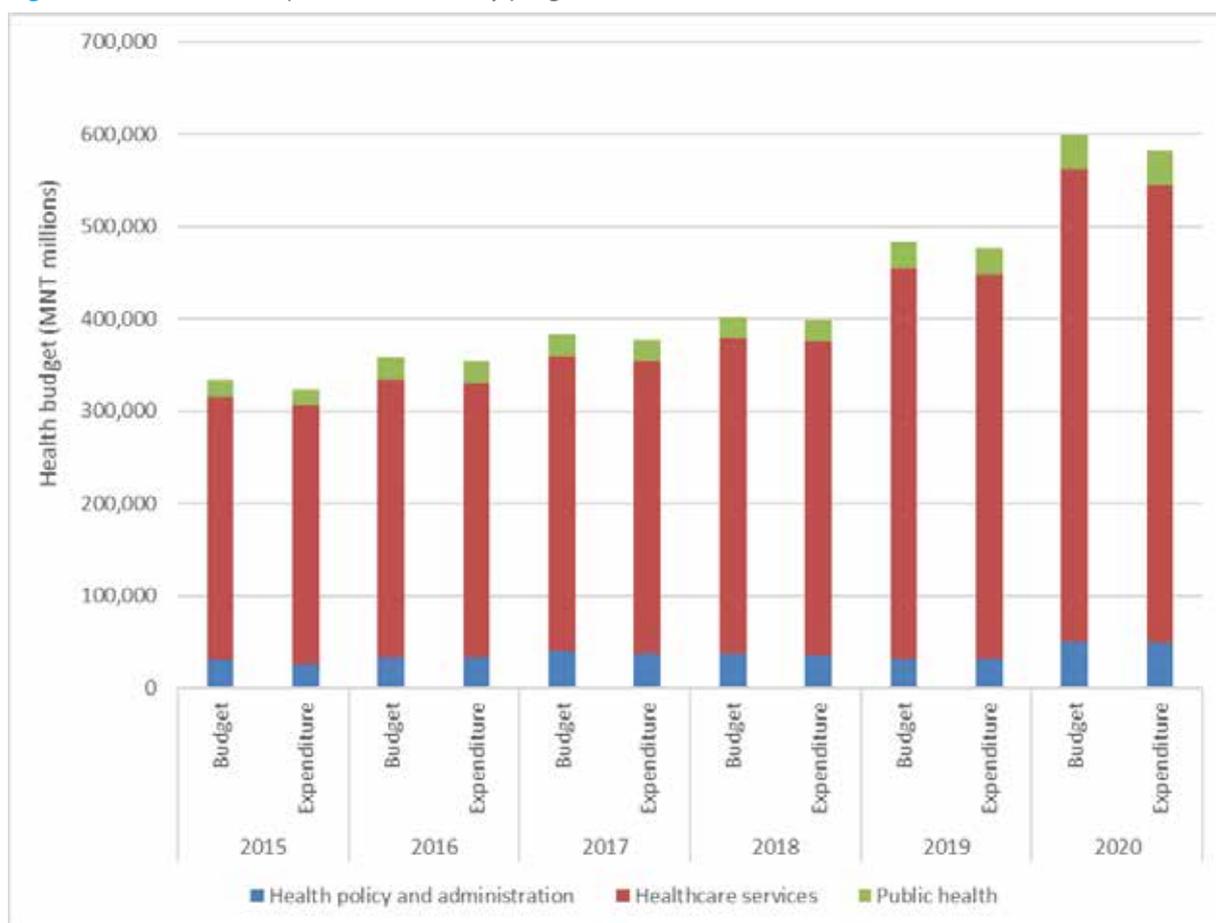
**Table 67** Budget execution rates for state and local government health budgets, 2015 to 2020

	2015	2016	2017	2018	2019	2020
State government budget	96.79%	98.94%	102.82%	99.13%	99.27%	96.42%
Local government budgets	97.68%	98.16%	99.46%	99.82%	97.13%	98.26%
<b>Total</b>	<b>97.05%</b>	<b>98.72%</b>	<b>101.87%</b>	<b>99.32%</b>	<b>98.63%</b>	<b>96.96%</b>

Source: Own calculations, based on data received from Ministry of Finance, 2021

## 6.2 Trends in expenditure by programme

Both state and local government health budgets consist of a number of programmes that govern health services in Mongolia. Figure 171 below plots the trends in budget allocations and actual expenditures across these various programmes between 2015 and 2020. As can be seen, health budget allocations and expenditures increased moderately between 2015 and 2019, both overall and in each of the component health programmes, with notable growth in the *Healthcare Services* programme in particular. Again, 2020 saw a significant increase in health budget allocations and expenditures, observable across all component programmes of the health budget.

**Figure 171** Health expenditure trends by programme, 2015 to 2020

Source: Own calculations, based on data received from Ministry of Finance, 2021

Table 68 below highlights the compound annual growth rates and trends in proportional contributions of component health programmes to total government health budgets between 2015 and 2019. As is evident, compound annual growth rates in all three programme areas were positive, indicative of nominal

growth in each. However, while the nominal growth rates for *Healthcare Services* (10.30%) and *Public Health* (13.30%) were both well above the average annual CPI inflation rate over this period, indicative of real growth in these allocations, nominal growth in the *Health Policy and Administration* programme (0.91%) was below, indicative of a decrease in allocations to this programme in real terms. This deprioritisation of the *Health Policy and Administration* programme is further evidenced by the large decline in its proportional contribution to overall health budgets between 2015 and 2019, of 28.40%. The *Public Health* programme, meanwhile, has clearly been prioritised over this period, with this programme exhibiting the highest growth rates overall.

**Table 68** *Proportional and compound annual growth rates in contributions of health programmes to total health budgets, 2015 to 2019*

	2015		2019		Growth	
	Total Budget	% Total Budget	Total Budget	% Total Budget	Actual	Proportional
Health policy and administration	30 577	9.16%	31 707	6.56%	0.91%	-28.40%
Healthcare services	285 404	85.47%	422 370	87.33%	10.30%	2.18%
Public health	17 940	5.37%	29 560	6.11%	13.30%	13.77%

Source: Own calculations, based on data received from Ministry of Finance, 2021

Table 69 below presents budget execution rates for each of the programmes between 2015 and 2020. Budget execution rates were, again, good across all programmes and all years, with the exception of the *Health Policy and Administration* programme, which underspent its allocated budget in 2015 – actual expenditures 84.35% of its allocated budget – and in 2017 – 92.69%. Granted the relatively small contribution this programme makes to the overall health budget, these incidents of poor budget credibility and execution do not have any effect on the credibility of health budgets overall, but such incidents, nonetheless, remain of concern.

**Table 69** *Budget execution rates by health programme, 2015 to 2020*

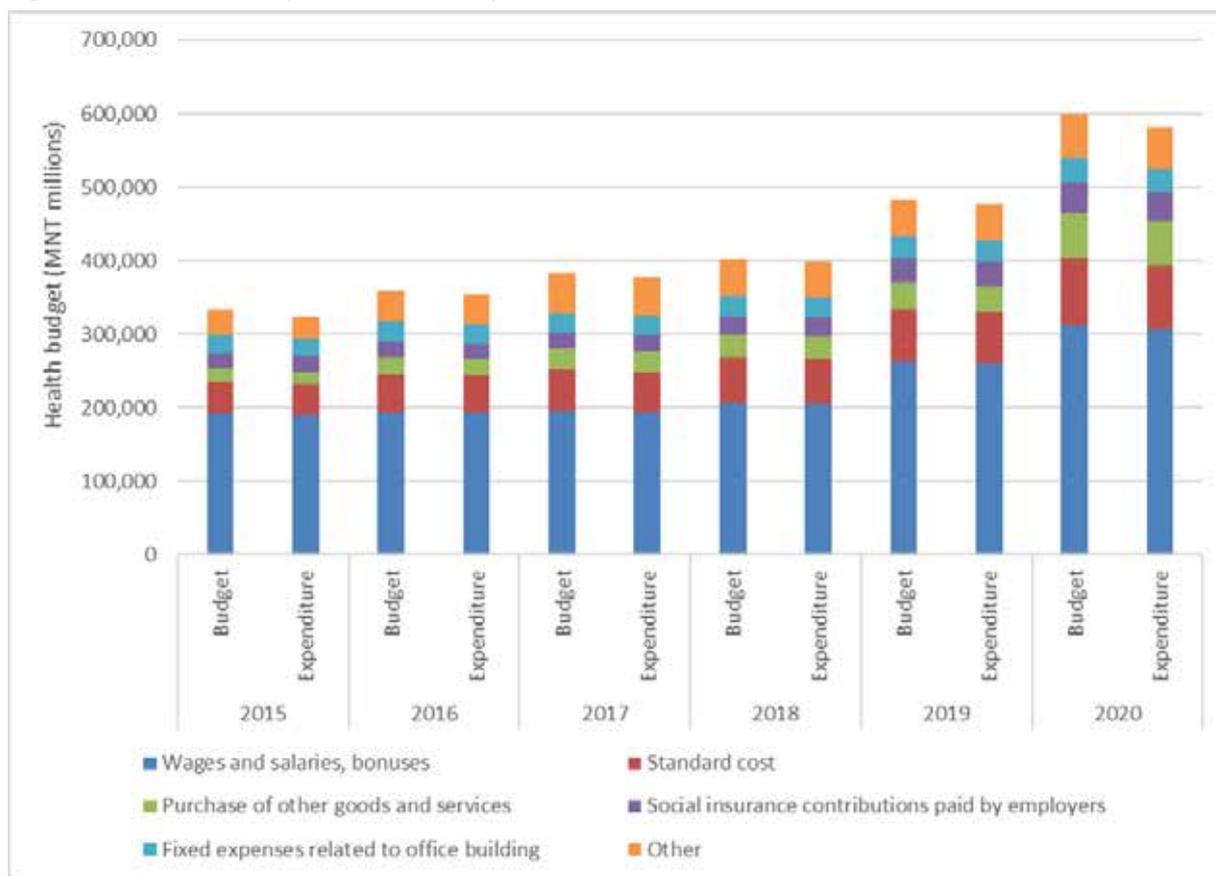
	2015	2016	2017	2018	2019	2020
Health policy and administration	84.35%	99.32%	92.69%	99.07%	98.97%	96.79%
Healthcare services	98.40%	98.72%	99.08%	99.44%	98.61%	96.89%
Public health	97.17%	97.83%	98.54%	97.93%	98.46%	98.10%
<b>Total</b>	<b>97.05%</b>	<b>98.72%</b>	<b>98.38%</b>	<b>99.32%</b>	<b>98.63%</b>	<b>96.96%</b>

Source: Own calculations, based on data received from Ministry of Finance, 2021

### 6.3 Expenditure by economic classification

Figure 172 below plots health expenditure trends in Mongolia, between 2015 and 2020, by economic classification. As can be seen, *wages and salaries, bonuses* represents the largest contributor to health expenditures, accounting for more than half across the period. The next largest contributor is *standard cost*, which covers expenses of core activities in the health sector. *Purchases of other goods and services* – which includes current expenditures of programme and project implementation units in addition to additional costs of core activities – was the third-largest contributor by economic classification in 2020. These economic classifications represent the core goods and services budget in the health sector, essential for the provision of health services.

**Figure 172** Health expenditure trends by economic classification, 2015 to 2020



Source: Own calculations, based on data received from Ministry of Finance, 2021

Table 70 below highlights the compound annual growth rates and trends in proportional contributions of these economic classifications of expenditure to total government health budgets between 2015 and 2019. As is evident, compound annual growth rates are positive across all economic classifications, indicative of an across-board nominal increase in budgetary allocations to these economic classifications. Furthermore, these nominal growth rates were higher than average annual CPI inflation (5.14%) across this period for all bar one of these economic classifications – *fixed expenses related to office building*, which only grew at a compound annual growth rate of 4.66%. This is indicative of real growth across the remainder of the economic classifications in the health sector. The highest rates of growth were observed within the two core contributors to goods and services expenditure in the health sector – *standard cost* (14.24% CAGR) and *purchase of other goods and services* (18.68% CAGR) – indicative of a prioritisation of goods and services expenditures in the health sector, a critical development for the provision of accessible and equitable health services.

**Table 70** Proportional and compound annual growth rates in economic classification of health budgets, 2015 to 2019

	2015		2019		Growth	
	Total Budget	% Total Budget	Total Budget	% Total Budget	CAGR	Proportional
Wages and salaries, bonuses	192 788	57.73%	262 572	54.29%	8.03%	-5.96%
Standard cost	41 885	12.54%	71 337	14.75%	14.24%	17.59%
Purchase of other goods and services	18 394	5.51%	36 492	7.55%	18.68%	36.98%
Social insurance contributions paid by employers	21 216	6.35%	33 073	6.84%	11.74%	7.63%
Fixed expenses related to office building	24 950	7.47%	29 930	6.19%	4.66%	-17.17%
Other	34 687	10.39%	50 233	10.39%	9.70%	-0.01%

Source: Own calculations, based on data received from Ministry of Finance, 2021

Table 71 below presents budget execution rates for each of the economic classifications of expenditure across the period between 2015 and 2020. Budget execution rates were, again, good across all economic classifications and years with the exception of *purchase of other goods and services* in 2015, *standard cost* in 2020, and the combined *other* economic classifications in 2015, 2017 and 2020. In all instances, funds allocated to these economic classifications were underspent during the year in question. This is particularly problematic in the goods and services space, as such expenditures are critical for the adequate provision of healthcare services.

**Table 71** Budget execution rates by economic classification, 2015 to 2020

	2015	2016	2017	2018	2019	2020
Wages and salaries, bonuses	99.08%	99.27%	99.14%	99.33%	99.24%	98.81%
Standard cost	98.25%	98.69%	99.29%	99.46%	97.78%	91.86%
Purchase of other goods and services	93.99%	96.79%	99.39%	98.94%	96.28%	98.29%
Social insurance contributions paid by employers	98.77%	99.00%	99.28%	99.25%	99.20%	96.91%
Fixed expenses related to office building	96.05%	97.46%	97.65%	98.20%	98.08%	95.33%
Other	84.84%	97.88%	94.31%	98.95%	96.31%	94.86%
<b>Total</b>	<b>96.97%</b>	<b>98.72%</b>	<b>98.38%</b>	<b>99.19%</b>	<b>98.43%</b>	<b>96.96%</b>

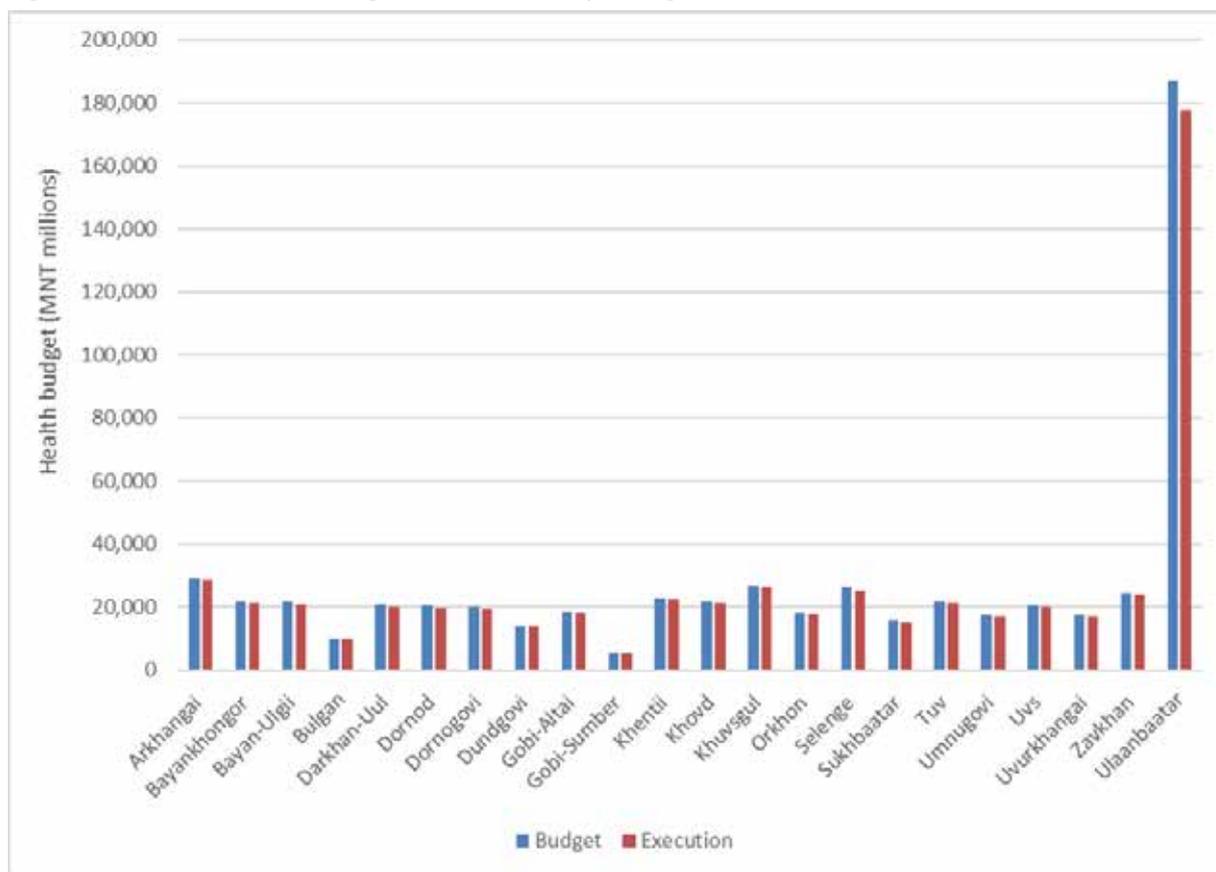
Source: Own calculations, based on data received from Ministry of Finance, 2021

## 6.4 Trends in expenditure by local government administrative area

Figure 173 below presents the total health budget allocations and actual expenditures for the local government administrative areas for 2019.<sup>78</sup> Ulaanbaatar dominates the local government health sector budget allocations and expenditures, accounting for more than a quarter in 2019, with an overall health budget of MNT124 billion. This is understandable since Ulaanbaatar is home to about 45% of Mongolia's population, and there is a high concentration of secondary and tertiary facilities in the capital city, both of which will drive health budgets up significantly. Beyond that, health budgets are distributed fairly evenly across aimags, with Khövsgöl having the largest health budget in 2019 – at MNT22.4 billion – and Govisumber, a notable outlier, the smallest at only MNT4.3 billion. The remaining aimags' health budgets all ranged between MNT11 billion and MNT22 billion.

78 Note that analyses disaggregated at the aimag level, here and later in this section, are not possible for 2020 due to transfers from state to local governments no longer identifying the specific aimags to which funds were transferred.

**Figure 173** Total health budget and execution by local government sub-division, 2019



Source: Own calculations, based on data received from Ministry of Finance, 2021

Budget execution rates were also strong across all local government administrative areas, with all aimags and Ulaanbaatar having budget execution rates that fell within the 5% good practice credibility threshold, as shown in Table 72 below. Despite all local government sub-divisions falling within this good practice threshold, it must be noted that all sub-divisions also underspent relative to their budget allocations – albeit to a negligible level. This is indicative of some room for increased health expenditures at the local government level, within existing budgetary allocations.

**Table 72** Budget execution rates by local government sub-division, 2019

	Budget Execution (%)
Arkhangai	98.82%
Bayankhongor	99.25%
Bayan-Ulgii	96.36%
Bulgan	97.95%
Darkhan-Uul	96.05%
Dornod	97.40%
Dornogovi	97.10%
Dundgovi	98.14%
Gobi-Altai	97.97%
Gobi-Sumber	94.96%
Hovd	99.33%
Khentii	98.21%
Khuvsgul	99.16%
Orkhon	98.27%
Selenge	96.27%
Sukhbaatar	96.84%
Tuv	97.15%
Umnugovi	98.01%
Uvs	97.94%
Uvurkhangai	98.02%
Zavkhan	98.25%
Ulaanbaatar	95.08%

Source: Own calculations, based on data received from Ministry of Finance, 2021

Table 73 below highlights the change in the proportional contribution of each local government sub-division's health budget to the overall health budget in Mongolia between 2015 and 2019. As can be seen, proportional contributions have remained largely consistent across aimags and Ulaanbaatar, with the exception of Govisumber, which saw its proportional contribution grow significantly from 0.19% of total health budget in 2015 to 0.90% in 2019. The only other aimag to experience a change in its proportional contribution larger than 10% was Umnugovi, which grew from 2.73% of the total health budget in 2015 to 3.07% in 2019 – a 12.47% increase.

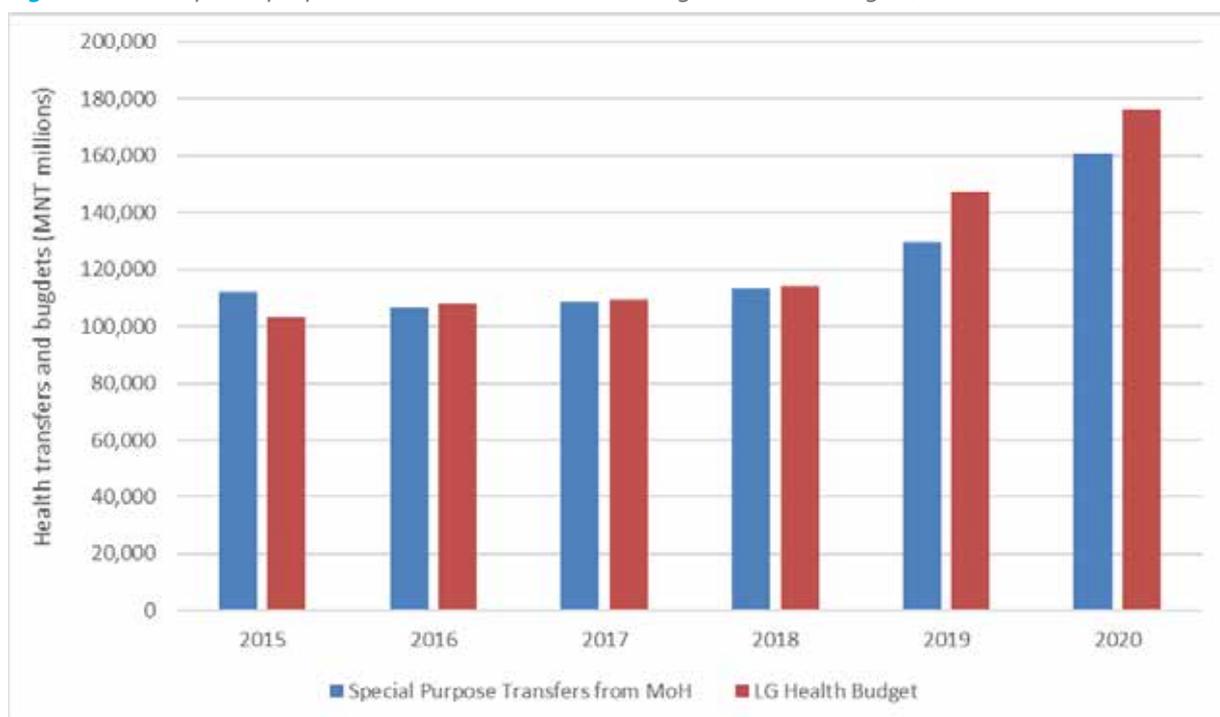
**Table 73** Proportional change in contribution of local government sub-division health budgets to total health budgets, 2015 to 2019

	2015	2019	% Change
Arkhangai	4.05%	3.76%	-7.14%
Bayankhongor	4.26%	3.98%	-6.52%
Bayan-Ulgii	3.77%	3.75%	-0.68%
Bulgan	3.10%	2.93%	-5.57%
Darkhan-Uul	3.65%	3.43%	-5.90%
Dornod	3.63%	3.62%	-0.52%
Dornogovi	3.17%	3.36%	6.20%
Dundgovi	2.47%	2.53%	2.04%
Gobi-Altai	3.60%	3.40%	-5.67%
Gobi-Sumber	0.19%	0.90%	373.24%
Hovd	3.88%	3.83%	-1.07%
Khentii	3.91%	3.80%	-2.97%
Khuvsgul	4.78%	4.71%	-1.47%
Orkhon	3.12%	3.05%	-2.30%
Selenge	4.40%	4.64%	5.49%
Sukhbaatar	2.67%	2.67%	0.29%
Tuv	3.91%	3.90%	-0.24%
Umnugovi	2.73%	3.07%	12.47%
Uvs	4.01%	3.75%	-6.52%
Uvurkhangai	4.23%	4.46%	5.35%
Zavkhan	4.38%	4.38%	-0.08%
Ulaanbaatar	26.09%	26.09%	0.01%

Source: Own calculations, based on data received from Ministry of Finance, 2021

These local government budgets are, as discussed in the funding flow diagram (Figure 156), funded through special purpose transfers from state government to local government authorities, which dispersed them to local government health authorities that use them to fund health services provided by local health service providers. As a result, it is important to interrogate the degree to which these transfers translate into actual expenditures on health at the local government level, i.e. establish the degree to which local government health authorities are fulfilling their obligation to the state government in the provision of health services.

Figure 174 below plots the trend in these transfers, as compared to the local government health budgets they are designated to fund, between 2015 and 2020. As can be seen, these special purpose transfers and local government health budgets are closely aligned across the period under review, with three exceptions – 2015, in which special purpose transfers exceeded local government budgets, indicative of under-utilisation of such transfers; and 2019 and 2020, in which local government budgets exceeded the transfers, indicative of either over-spending or supplementation with other funding sources by local government health authorities.

**Figure 174** Special purpose transfers from MOH vs local government budgets, 2015 to 2020

Source: Own calculations, based on data received from Ministry of Finance, 2021

Table 74 below disaggregates the above trends to observe the degree to which these special purpose transfers have translated into actual health budget allocations by local government sub-division between 2015 and 2019. As can be seen, under-utilisation of the transfers was endemic across all local government sub-divisions in 2015 – with the exception of Khentii and Uvs, which both had health budgets in line with transfers received, although these two aimags were later the only two to overspend relative to their transfers in 2016. Similarly, in 2019, all local government sub-divisions overspent significantly relative to transfers received, with the sole exception of Orkhon, which, at 102.43% execution, fell within the 5% credibility threshold. This suggests system-wide reasons for the under-utilisation and over-spending in these years rather than issues in each aimag. What is encouraging is the fact that, broadly speaking, transfers from the MOF to local governments translated into actual expenditures on health in local government areas, highlighting the fact that local government authorities are adhering closely to their mandate to provide healthcare services to their citizens.

**Table 74** Local government health budgets as a proportion of special purpose transfers from the MOH

	2015	2016	2017	2018	2019
Arkhangai	91.03%	100.00%	100.00%	100.00%	113.91%
Bayankhongor	92.95%	100.00%	100.00%	100.00%	116.29%
Bayan-Ulgii	89.92%	100.25%	100.00%	100.06%	115.21%
Bulgan	90.72%	100.00%	100.00%	100.00%	119.46%
Darkhan-Uul	85.95%	100.00%	100.00%	101.44%	117.47%
Dornod	92.28%	100.00%	100.00%	100.00%	109.70%
Dornogovi	94.26%	100.00%	100.07%	100.00%	112.15%
Dundgovi	93.17%	100.00%	100.00%	100.02%	114.45%
Gobi-Altai	90.27%	100.00%	100.00%	100.00%	112.58%
Govisumber				100.00%	121.68%
Hovd	89.93%	100.00%	100.00%	100.00%	113.23%
Khentii	100.21%	107.46%	100.00%	100.00%	108.60%
Khövsgöl	94.29%	100.00%	100.00%	100.00%	116.80%
Orkhon	84.82%	100.02%	100.00%	100.00%	102.43%
Selenge	87.12%	100.00%	100.00%	100.00%	116.19%
Sukhbaatar	82.00%	100.00%	100.24%	100.00%	114.70%
Tuv	89.41%	100.00%	100.00%	100.00%	117.21%
Umnugovi	85.54%	100.02%	100.05%	100.04%	114.22%
Uvs	100.50%	108.40%	100.00%	100.00%	114.24%
Uvurkhangai	85.79%	100.00%	100.00%	100.00%	116.64%
Zavkhan	90.60%	100.01%	100.18%	112.04%	131.16%
Ulaanbaatar	94.35%	100.00%	100.00%	101.44%	104.17%

Source: Own calculations, based on data received from Ministry of Finance, 2021

## 7. ASSESSING CHILD HEALTH EXPENDITURES

Assessing child-related expenditures within Mongolian child health budgets presents a particular challenge in Mongolia. Traditionally, a child health budget analysis would interrogate health budgets and identify programmes and activities within the budget structure that relate specifically to children.

**Table 75** Child-specific budget programmes and activities, 2015 to 2020

	2015	2016	2017	2018	2019	2020
Vaccination budget activity expenditure (MNT millions)	0	0	0	7 983	7 958	8 958
% of total health expenditure	0.00%	0.00%	0.00%	1.22%	1.12%	1.04%

Source: Own calculations, based on data received from Ministry of Finance, 2021

However, a brief review of the programmes and activities that comprise the state- and local government-level health budgets (Table 75) finds no child-specific budget programmes and only one budget activity – the vaccination activity in the MOH budget – that could be deemed child-specific. Budget allocations to this activity were only made in 2018, 2019 and 2020, amounting to 1.22%, 1.12% and 1.04% of total health expenditure in these three years, respectively. Whilst these are the only budget allocations made to child-specific programmes or activities, to suggest that the Government of Mongolia only spent 1.04%

of its total health budget on children in 2020 would be grossly misleading.

Health is a good consumed by all members of a society and, as such, government investments in health benefit all its citizens who access the health services provided through government funding. The proportion of benefit that accrues to a single cohort of society, and the proportion of the budget that could be deemed to benefit to this cohort, should therefore be determined by the proportion of the service that is utilised by that particular cohort. This provides a better alternative to merely dividing the total expenditure in a sector by the population, as this approach fails to take into account *actual usage* of the service.

To this end, detailed data on health system usage from the MOH were used to determine the proportional use of health services by children in Mongolia between 2015 and 2020, which enabled the calculation of the proportional child health expenditure allocations, based on the previous section. Table 76 below summarises this process. It presents information on total inpatients treated, total inpatient bed days and total outpatient examinations in Mongolia, and the proportion of the service utilised by children between 2015 and 2020.

**Table 76** Total and proportional child health system usage by service type, 2015 to 2020

	2015	2016	2017	2018	2019	2020
Inpatients Treated	784 881	849 051	853 838	902 439	927 293	836 277
o/w Children	177 851	211 355	197 785	213 731	211 991	160 959
% Children	22.66%	24.89%	23.16%	23.68%	22.86%	19.25%
Inpatient Bed Days	5 735 344	6 135 519	6 109 901	6 405 724	6 479 486	5 800 186
o/w Children	1 318 787	1 534 996	1 415 797	1 512 140	1 483 582	1 134 922
% Children	22.99%	25.02%	23.17%	23.61%	22.90%	19.57%
Outpatient Examinations	16 620 444	17 006 503	17 567 757	17 452 458	18 883 404	17 540 498
o/w Children	5 250 701	5 258 204	5 319 243	5 199 502	5 709 651	4 578 379
% Children	31.59%	30.92%	30.28%	29.79%	30.24%	26.10%

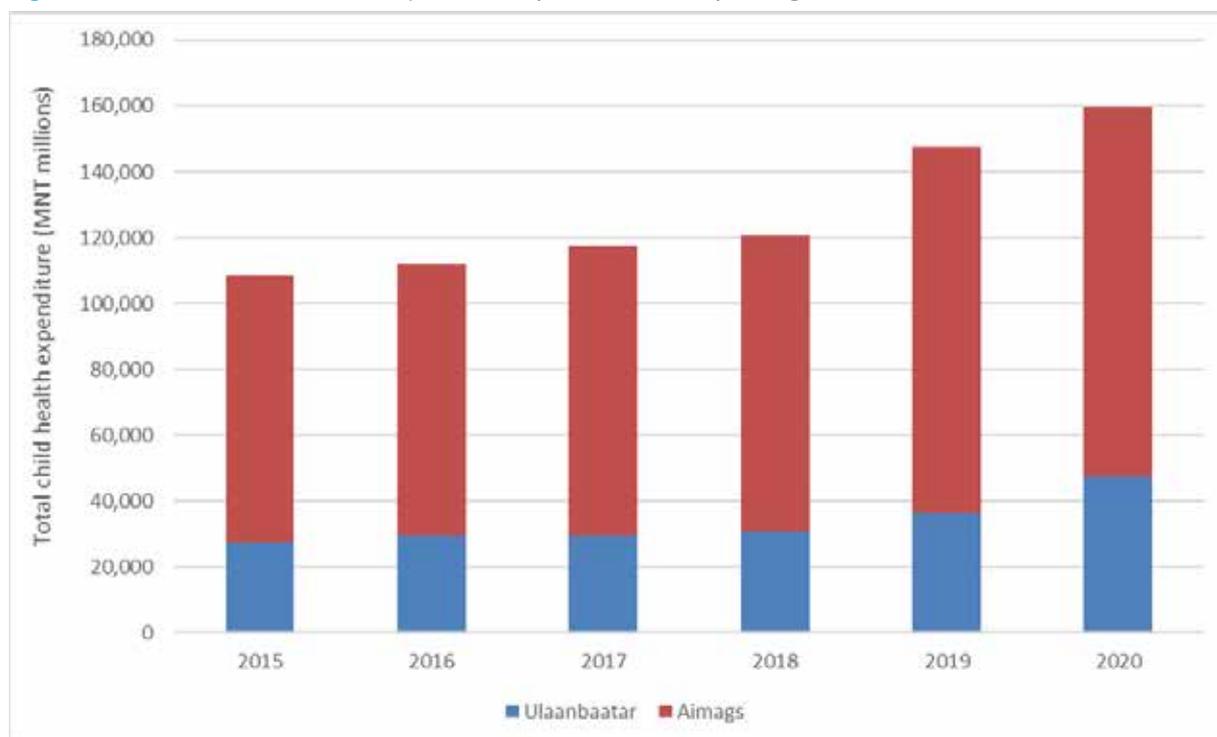
Source: Own calculations, based on data received from Ministry of Health, 2021

Children comprised, on average, 22.75% of the total inpatients treated by the Mongolian health system between 2015 and 2020. There were moderate year-on-year differences with the exception of 2020, as the COVID-19 pandemic likely saw a significant increase in elderly patients. These child inpatient visits, in turn, accounted for an average of 22.88% of total inpatient bed days in Mongolia over this period, which suggests that bed days per inpatient admission for children was equivalent to the population average. Children comprised a greater proportion of outpatient examinations conducted, accounting for an average of 29.82% of total outpatient examinations between 2015 and 2020, with moderate year-on-year differences until 2020 where, again, a notable decrease in child outpatients is observed, likely also due to the Covid-19 pandemic. The proportions calculated for each aimag in Mongolia allow for a system-use-weighted estimation of total child health expenditures in the country.

Figure 175 below provides a high-level overview of trends in total child health expenditures by the local governments, disaggregated between Ulaanbaatar and the aimags, using weights for each as discussed above. Total child health expenditures in Mongolia increased steadily between 2015 and 2019, from MNT108 billion in 2015 to MNT148 billion in 2019, at an annual growth rate of 8.06% – which, by virtue of being larger than the annual CPI inflation growth rate of 5.14% over the same period, is indicative of growth in child health expenditures in both nominal and real terms. Such positive, and larger-than-inflation, growth rates were observed across both broad local government groups – with an annual growth rate of 7.50% in Ulaanbaatar, and 8.25% in aimags – indicative of real growth in child health expenditures

across the board. The moderately higher annual growth rate in aimags, relative to Ulaanbaatar, resulted in a shift of the proportional child health budgetary allocations towards aimags, from 74.96% in 2015, to 75.47% in 2019.

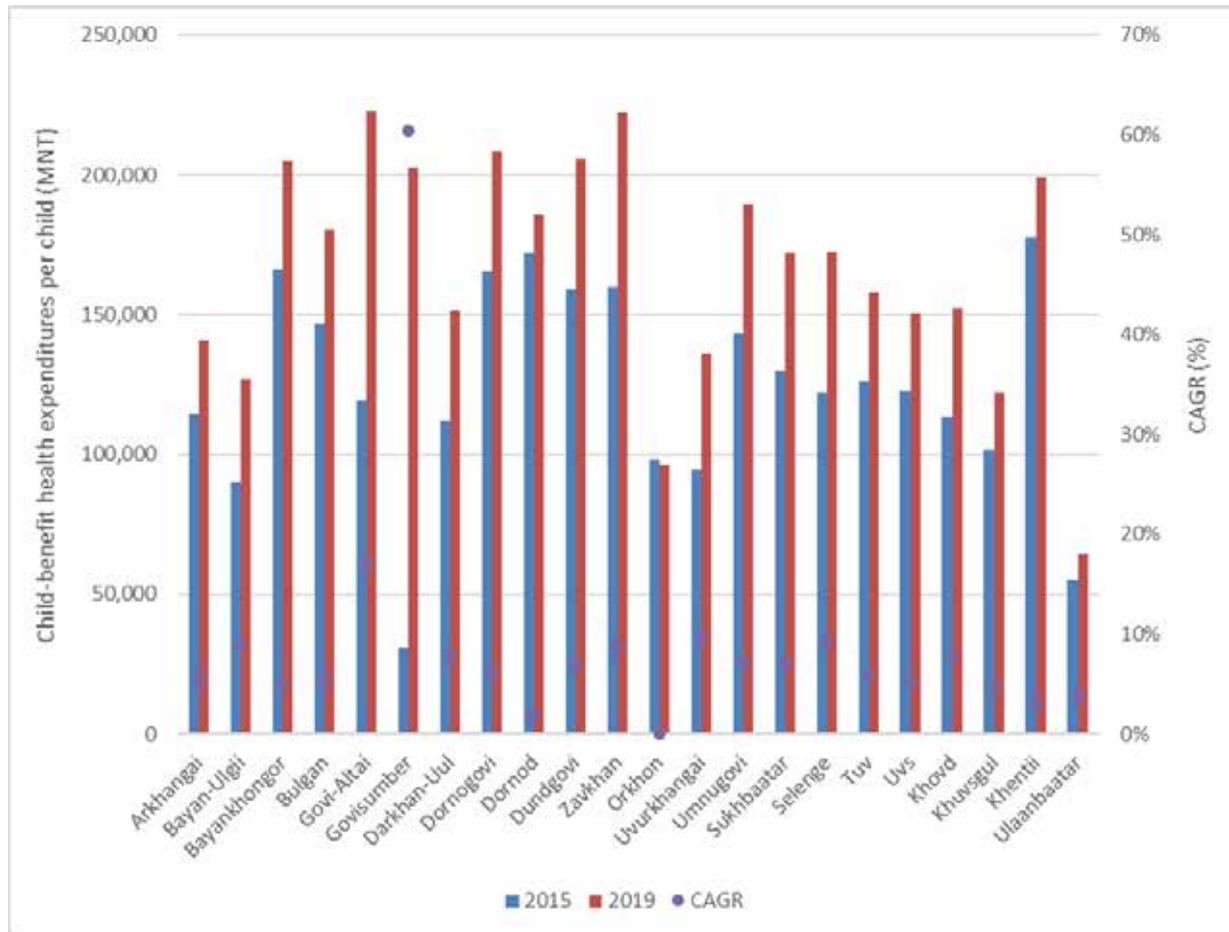
**Figure 175** Total child health expenditure by broad health system government sub-division, 2015 to 2020



Source: Own calculations, based on data received from Ministries of Finance and Health, 2021

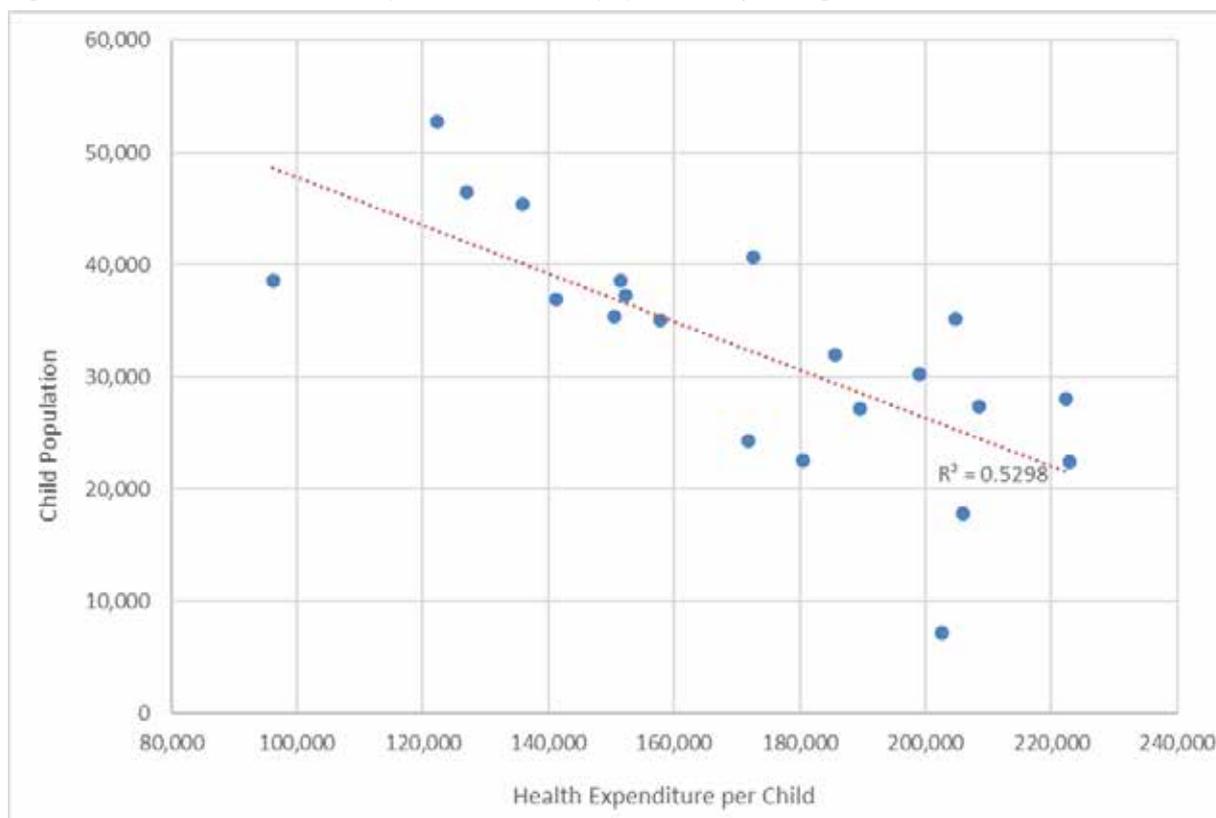
Whilst total child health expenditures are useful for a broad analysis of expenditure trends, such an analysis provides little scope for interrogating child health benefit incidence, nor for understanding the comparative adequacy of child health expenditures. To do so requires both a disaggregation of child health expenditures by local government sub-division, given this is the level of administration of health services in Mongolia, and that expenditures are observed through a per-child, rather than a total expenditure, lens.

Figure 176 below disaggregates the above analysis by these two metrics to interrogate regional differences in per-child health expenditures by regional sub-division, and assess trends in such per-child health expenditures between 2015 and 2019. As can be seen, per-child health expenditures vary significantly across local government sub-divisions, with Ulaanbaatar exhibiting the lowest per-child health expenditures in 2019 – at MNT64 442 per child – and Gobi-Altai exhibiting the highest per-child health expenditures in 2019 – at MNT222 952 per child – more than three times the rate in Ulaanbaatar. Also evident in Figure 176 is the fact that per-child health expenditures increased across all local government sub-divisions, with the sole exception of Orkhon, in which per-child expenditures contracted, albeit slightly. The remainder of the aimags exhibited marked increases in per-child health expenditures between 2015 and 2019, with the majority having per-child health expenditure annual growth rates in excess of 5%. Govisumber is the notable outlier with its large increase in its health budget between 2015 and 2019.

**Figure 176** Total per-child health expenditures by local government sub-division, 2015 to 2019

Source: Own calculations, based on data received from Ministries of Finance and Health, 2021

There are a number of potential drivers of the regional disparities in per-child health expenditures in Mongolia. However, as Figure 177 below illustrates, there is a clear negative relationship between total child population and per-child health expenditures, such that local government sub-divisions with larger overall child populations are likely to have smaller per-child health expenditures. The coefficient of determination ( $R^2$ ) value (0.5298) of the trendline presented in Figure 177 below suggests that more than half of the variance in per-child health expenditure can be explained by variance in total child population. This suggests that economies of scale are present in child health financing, such that additional units of child health services can be produced at a decreasing rate of average input costs. Such economies of scale would also explain why Ulaanbaatar, home to nearly half of Mongolia's children, exhibits the lowest per-child health expenditures.

**Figure 177** Per-child health expenditure vs. child population by local government sub-division, 2019

Source: Own calculations, based on data received from Ministries of Finance and Health, 2021

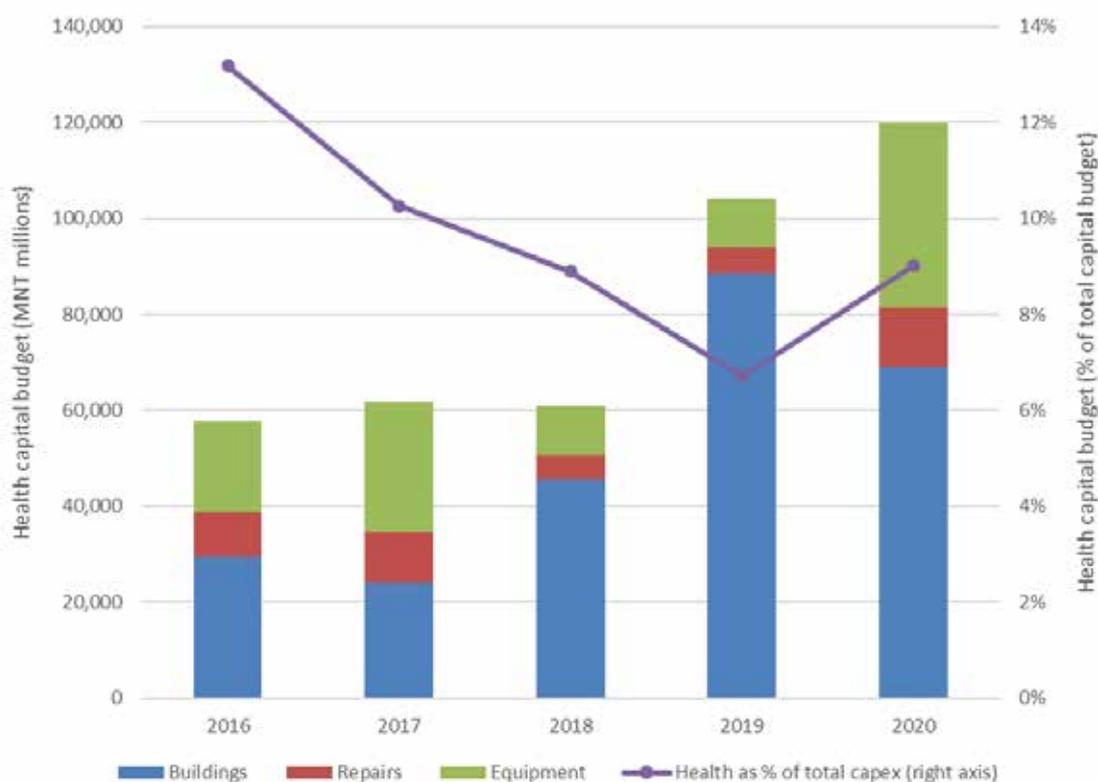
## 8. HEALTH CAPITAL EXPENDITURES

### 8.1 Trends in health capital expenditure

Figure 178 below plots overall trends in health capital expenditure between 2016 and 2020. Total capital expenditures (bar graph on the left-hand side) in the health sector remained fairly consistent between 2016 and 2018, rising from MNT58 billion to MNT61 billion over this period, before exhibiting significant growth in 2019 and 2020 to MNT120 billion. Figure 178 also plots health capital expenditures as a proportion of total government capital expenditures (line graph on right-hand side). Health capital expenditures decreased as a share of total capital expenditures between 2016 and 2019 – from 13.18% of total capital expenditure in 2016 to 6.71% in 2019 – before an uptick to 9.01% in 2020. The overall trend signals a deprioritisation of health expenditures in government’s capital expenditure priorities over this period.

Looking at the bar graph, each column is broken down by classification. Capital investments in buildings represent the largest contribution to health capital investments between 2016 and 2020, accounting for MNT257 billion, or 63.53%, over the period. As much as 84.95% of that was spent in 2018. Expenditure on equipment was the second-largest contributor to health sector capital expenditures, accounting for MNT105 billion, or 25.91%, between 2016 and 2020, while expenditures on repairs accounted for the remaining MNT43 billion.

**Figure 178** Health capital expenditure by classification and as a % of total capital expenditure, 2016 to 2020

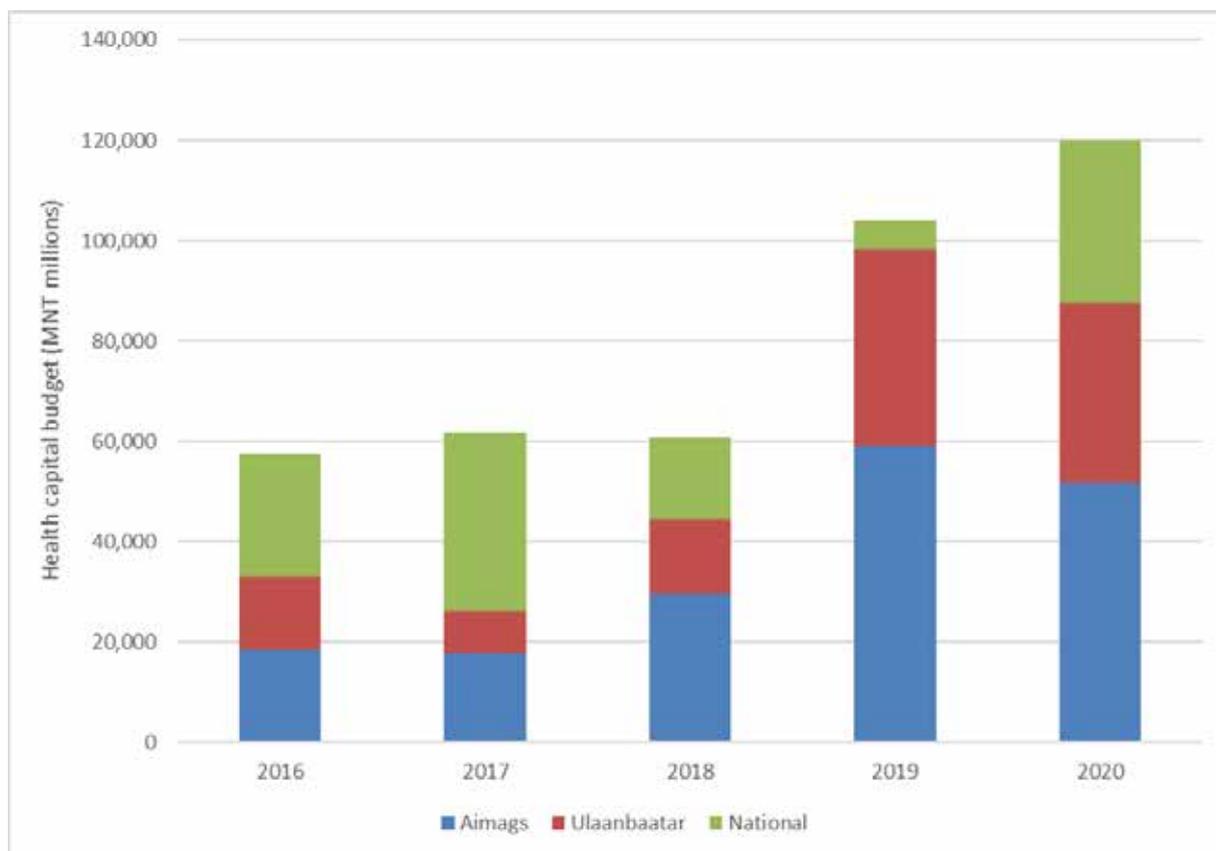


Source: Own calculations, based on data received from Ministries of Finance and Health, 2021

Capital expenditures in the health sector are broadly split between Ulaanbaatar on the one hand and the 21 aimags on the other, with trends in this split presented in Figure 179 below. Figure 179 shows that there is a number of capital expenditures that are not dedicated to a specific local government subdivision, but are more general in nature – for example, allocations dedicated to the nationwide provision of equipment to health facilities, or to the maintenance of such facilities. These are captured separately in Figure 179 as national expenditures.

Figure 179 shows that the majority (60.91%) of dedicated health capital expenditures were allocated to aimags, with the remaining 39.89% dedicated to facilities in Ulaanbaatar. Figure 179 also shows significant variance in the proportion of health capital expenditures that were non-specific in nature. Cross-referencing Figure 179 with Figure 178 shows that the proportion of non-specific expenditures aligns closely with the proportion of expenditures dedicated to repairs and equipment, granted that such expenditures are, as mentioned previously, captured as general, rather than specific, investments.

**Figure 179** Total health capital expenditure by broad health system government sub-division, 2016 to 2020

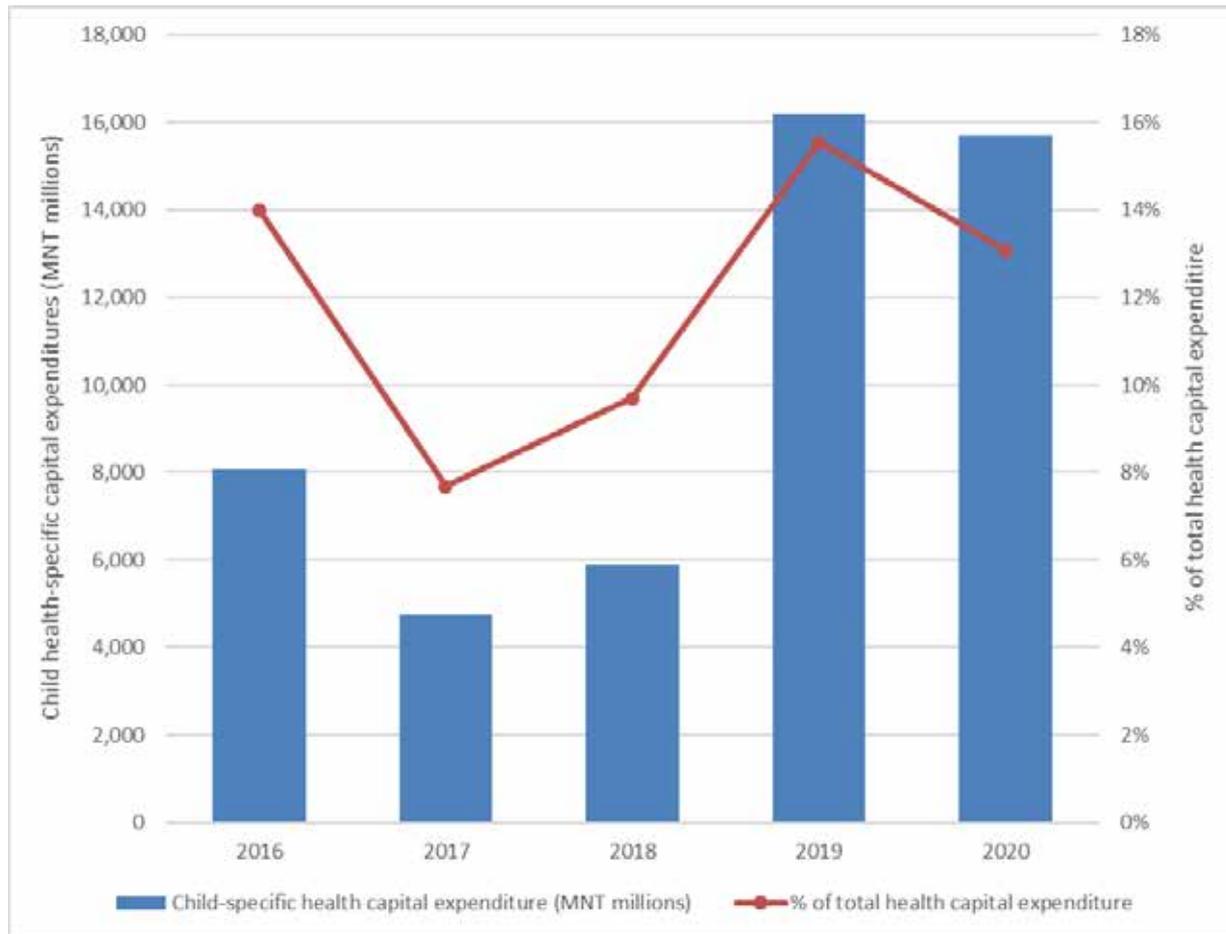


Source: Own calculations, based on data received from Ministries of Finance and Health, 2021

## 8.2 Assessing child health capital expenditure

Unlike the structure of recurrent health expenditures in Mongolia, which identifies no child-specific budget programmes and only one budget activity – the vaccination activity in the state MOH budget, capital expenditures in Mongolia are largely presented at the level of the health facility, or its category, which allows for clearer identification of expenditures that are child-specific in nature – namely, those expenditures dedicated to facilities such as children’s hospitals or maternity hospitals.

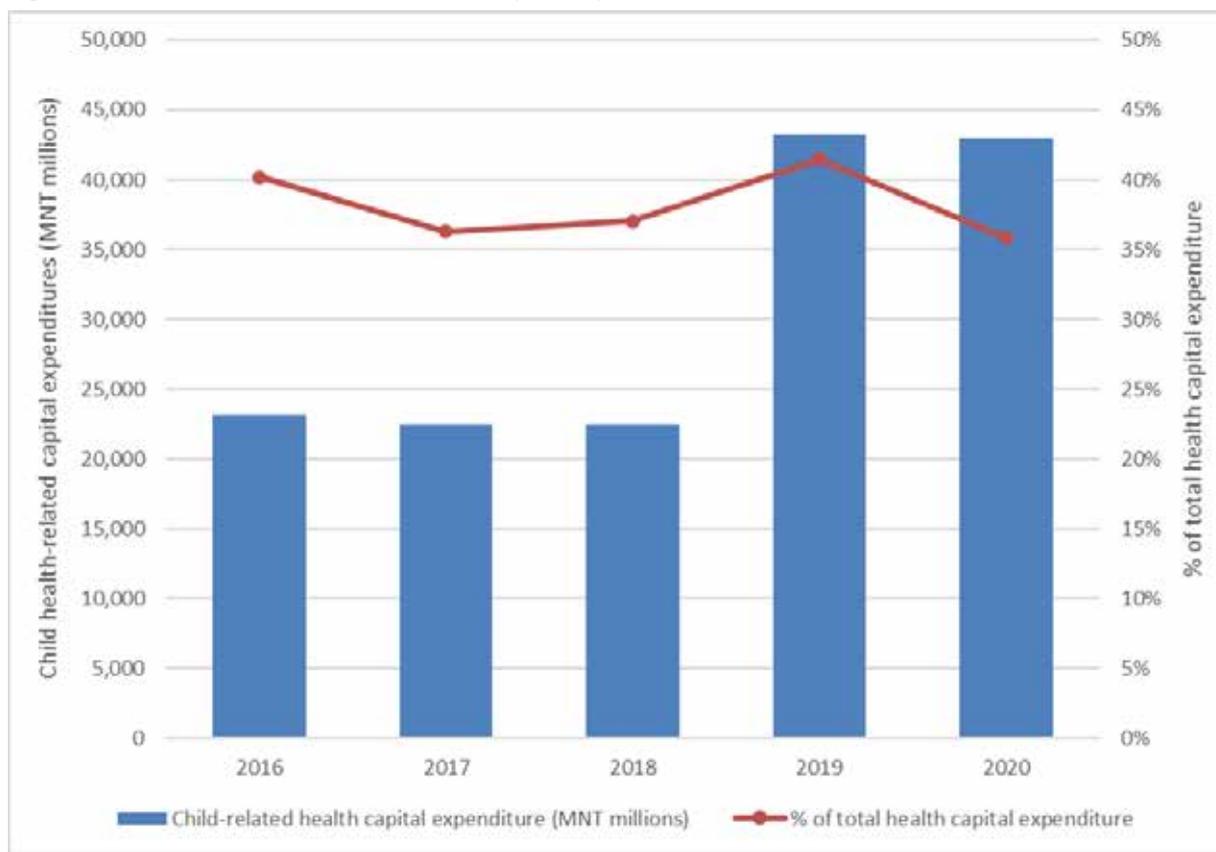
Figure 180 below plots trends in such child-specific health capital expenditures in Mongolia between 2016 and 2020, both in nominal terms and as a proportion of total health capital expenditures. As can be seen, child-specific health capital expenditures decreased between 2016 and 2018 from MNT8 billion to MNT6 billion, before increasing dramatically in 2019 to a high of MNT16 billion, an amount which remained fairly consistent into 2020. The proportion of the total health capital budget dedicated to child-specific expenditures also increased dramatically in 2019, accounting for 15.55% of such expenditures in 2019, and 13.09% in 2020.

**Figure 180** Child health-specific health capital expenditures, 2016-2020

Source: Own calculations, based on data received from Ministries of Finance and Health, 2021

However, whilst the above analysis does identify child-specific health capital expenditures, this does not fully capture the entirety of health capital expenditures that are of direct benefit to children in each of the years under review. Indeed, as mentioned above, health is a good consumed by all members of a society, so government investments in health benefit all citizens who consume the health services provided through government funding. Unlike recurrent expenditures, however, the benefits of a capital investment are not consumed entirely within the year in which the investment is made, but are spread out over the life-cycle of the capital investment made. In the absence of information regarding the life-cycle of the capital investments made in the five-year period under review, usage rates in all years subsequent to the investment represent the best means for assessing proportional benefit of a capital investment. To this end, detailed data on health system usage from the MOH were used to determine the proportional use of health services by children in Mongolia between 2016 and 2020, which in turn was used to determine proportional child-benefit health capital expenditure allocations.

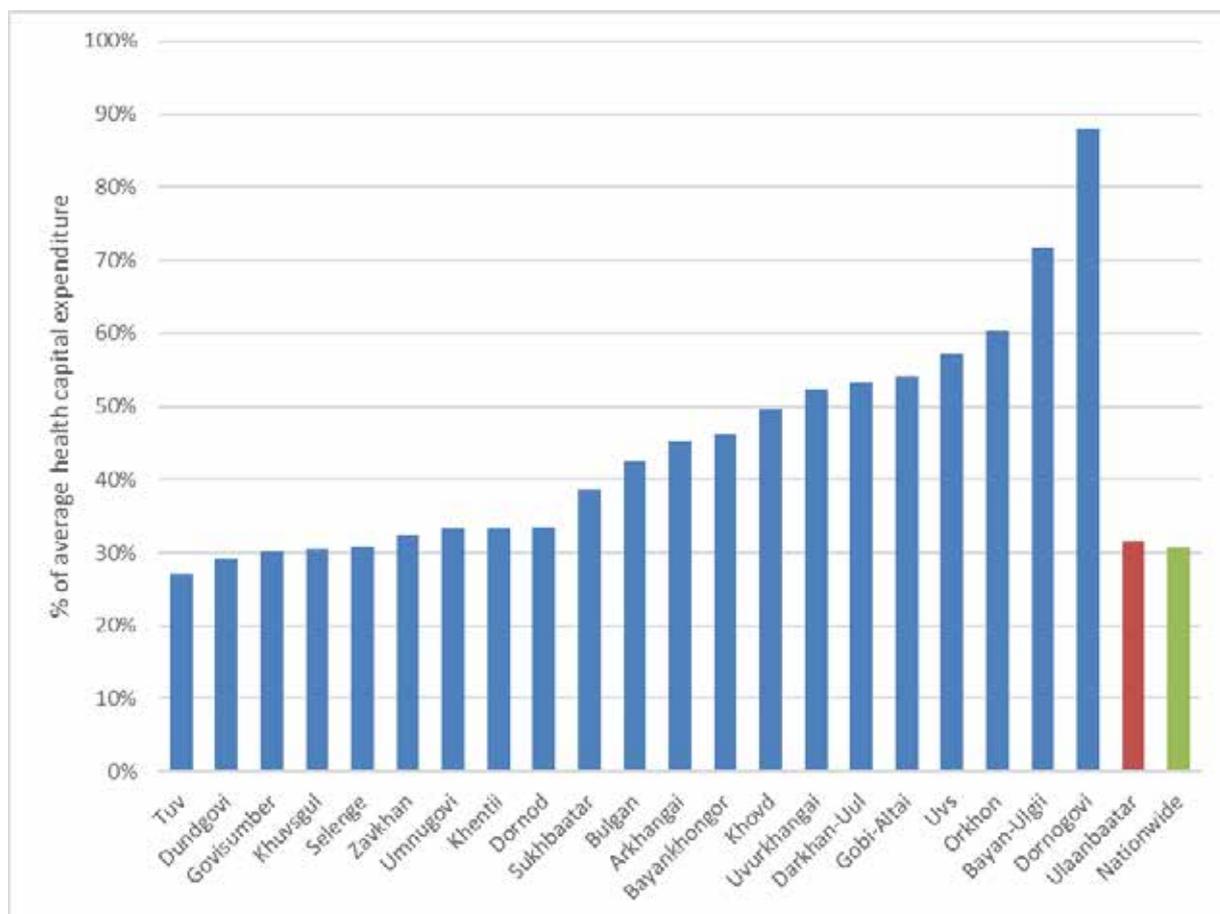
Figure 181 below presents the results of this analysis, illustrating that child-related health capital expenditures remained almost completely flat between 2016 and 2018, decreasing slightly from MNT23.2 billion in 2016 to MNT22.5 billion in 2018, and proportional allocation remained similarly flat over this period. In line with the dramatic increase in total health capital expenditures in 2019, child-related health capital expenditures almost double in 2019, to MNT43.2 billion, before flattening in 2020 at MNT43.0 billion.

**Figure 181** Child health-related health capital expenditures, 2016 to 2020

Source: Own calculations, based on data received from Ministries of Finance and Health, 2021

Finally, Figure 182 interrogates the average proportional health capital expenditures related to children by aimag – and Ulaanbaatar – between 2016 and 2020. Note that proportional capital expenditures on child-health related investments varied significantly across aimags, from an average of 27% in Tuv to 88% in Dornogovi. The average proportion of child health-related expenditures in each aimag was driven largely by the presence of child health-specific investments – the construction of a maternity hospital in Dornogovi and a children’s hospital in Bayan-Ulgii, for example.

**Figure 182** Average proportional health capital expenditures related to children by government sub-division, 2016-2020



Source: Own calculations, based on data received from Ministries of Finance and Health, 2021

## 9. ASSESSING THE EFFICIENCY OF HEALTH EXPENDITURES

A comprehensive analysis of child health expenditures requires not just an analysis of trends in, and composition of, health expenditures, and an interrogation of child-targeting and child benefit in such expenditures, but also requires examination of the efficiency of such expenditures in achieving targeted child health outcomes. Understanding the efficiency of expenditures underpins much of traditional economic analysis, and yet, despite this, methods for the estimation of efficiency remain a relatively new addition to the field. Whilst a number of approaches to the estimation of efficiency are now available, data envelopment analysis (DEA) is the most widely used approach in studies interrogating efficiency in health care, at both the health facility level and the aggregate level (Kibambe and Koch, 2007).

DEA is a method for measuring the efficiency of decision-making units using linear programming techniques to envelop observed input-output vectors as tightly as possible (Ji and Lee, 2010). DEA allows multiple inputs and outputs to be considered simultaneously, and provides efficiency scores for each decision-making unit under review in terms of proportional change in inputs or outputs. DEA models can therefore be specified as either input-oriented, which minimises inputs while satisfying at least the given output levels; or output-oriented, which maximises outputs without requiring more of any observed input values. The requisite data for conducting a DEA are: a set of comparable decision-making units that are in some way responsible for the input-output vectors under review; a set of measurable physical inputs to the vector under review; and a set of measurable physical outputs from the vector under review.

Within the health space, the decision-making units for a DEA – individual facilities, regional health departments or national health ministries – are largely determined by the scope of the study. The inputs to an estimation of productive efficiency in health, meanwhile, are clear – hospital beds, medicines, doctors and nurses – which, as illustrated in the previous section, also comprise the vast majority of government health expenditures. Indeed, these elements are universally applied in DEA-based approaches to estimations of productive efficiency in the health sector. The estimation of health outputs for a DEA are, however, more complicated. Health facilities produce a multitude of intermediate goods – hospital bed days, inpatient and outpatient visits, and procedures performed – which all contribute to a single end goal, namely, the improvement of patients’ health. A clear final output of health investments, but one that is particularly difficult to measure. Indeed, it is due to the complexities inherent in measuring the true output of health investments that DEAs of health facility production efficiencies typically focus on the production of the aforementioned intermediate goods as outputs (Kibambe and Koch, 2007).

The data used in these DEAs is comprehensive annual service delivery data compiled by the MOH detailing myriad inputs to, and outputs of, health service delivery across Mongolia, disaggregated by level of the health system and by aimag (with a separate set of data for Ulaanbaatar) between 2015 and 2018. The aimags and the capital city represent the decision-making units for this analysis.

Within this data, three input variables were available across all decision-making units, namely: number of active beds, number of doctors and number of nurses. In addition to being the chief inputs to health service delivery, these comprise the largest contributors to health budgets annually. Four output variables were also calculated from the data, namely: total inpatient days, total child inpatient days, total outpatient visits and total child outpatient visits. Given the child-specific lens of this analysis, the child-related outputs were used in the efficiency estimations. A summary of the data is provided in Table 77 below.

**Table 77** Summary statistics of full health system DEA data

	2015	2016	2017	2018
<b>Input Variables</b>				
Active Beds	487.38 (155.208)	529.76 (159.580)	551.00 (168.326)	572.81 (183.596)
Doctors	177.57 (49.165)	191.14 (57.028)	197.48 (56.105)	203.52 (59.309)
Nurses	259.95 (74.054)	265.67 (76.836)	268.10 (77.777)	274.81 (81.010)
<b>Output Variables</b>				
Children Inpatient Days	29 133.89 (9 652.247)	34 428.03 (11 075.036)	30 923.51 (9 824.548)	32 434.71 (10 270.742)
Children Outpatient Visits	103 285.10 (38 758.518)	103 458.90 (40 192.086)	105 924.90 (39 915.690)	103 727.57 (38 771.589)

Source: Own calculations, based on data received from Ministry of Health, 2021

The choice of orientation for DEAs typically depends on whether decision-makers have greater influence over amending levels of inputs or outputs to the input-output vector of interest. Given that government expenditures on health are a direct determinant of inputs to the health system, an input-oriented model was selected. This model type provides information on the extent to which inputs can be reduced without impacting on the level of output.

The main results of the DEA, applied to the full health system dataset, are presented in Table 78 below. Table 78 shows that average efficiency scores vary significantly across aimags, while efficiency scores and relative rankings for individual aimags remain fairly consistent across the years. This suggests that

there are large variations in the efficiency of health expenditures relative to child health outcomes across aimags, and that levels of efficiency, or indeed inefficiency, within aimags are relatively constant. Indeed, so consistent that the average efficiency level barely moved across the four years under observation, although there was moderate improvement in average efficiency each year, indicative of moderate improvements in overall efficiency. Across the four years, Bayan-Ulgii was the most efficient aimag, achieving an efficiency score of 100% in each of the years under observation. At the opposite end of the efficiency scale, Tuv was the least efficient, achieving the lowest annual efficiency scores in all four years, with a four-year average efficiency score of 63.63%.

**Table 78** Annual and average efficiency scores, and rankings, for full health system DEA

	2015		2016		2017		2018		Total	
	Efficiency	Rank								
Arkhangai	76.79%	16	79.52%	14	88.80%	9	88.88%	10	83.50%	12
Bayan-Ulgii	100.00%	1	100.00%	1	100.00%	1	100.00%	1	100.00%	1
Bayankhongor	82.25%	12	79.42%	15	82.13%	14	82.60%	17	81.60%	15
Bulgan	64.57%	20	68.03%	19	75.20%	18	89.29%	8	74.27%	19
Gobi-Altai	66.66%	19	63.76%	20	69.44%	20	67.60%	20	66.87%	20
Govisumber	100.00%	1	100.00%	1	88.43%	11	93.89%	6	95.58%	5
Darkhan-Uul	95.48%	7	96.73%	6	100.00%	1	100.00%	1	98.05%	4
Dornogovi	100.00%	1	100.00%	1	78.48%	17	87.52%	11	91.50%	7
Dornod	100.00%	1	100.00%	1	99.87%	5	95.25%	4	98.78%	3
Dundgovi	72.41%	18	82.72%	13	88.81%	8	85.54%	14	82.37%	13
Zavkhan	76.14%	17	76.67%	18	79.69%	16	83.92%	16	79.10%	17
Orkhon	93.00%	9	78.53%	17	72.18%	19	67.66%	19	77.84%	18
Uvurkhangai	81.74%	13	83.53%	11	90.25%	7	86.69%	12	85.55%	11
Umnugovi	98.83%	5	97.12%	5	100.00%	1	100.00%	1	98.99%	2
Sukhbaatar	81.37%	14	79.16%	16	81.35%	15	82.42%	18	81.07%	16
Selenge	87.02%	10	92.70%	8	88.02%	12	89.38%	7	89.28%	9
Tuv	60.75%	21	62.89%	21	64.83%	21	66.06%	21	63.63%	21
Uvs	83.66%	11	87.28%	10	100.00%	1	88.90%	9	89.96%	8
Hovd	96.82%	6	93.74%	7	93.22%	6	94.42%	5	94.55%	6
Khövsgöl	77.11%	15	83.20%	12	83.46%	13	85.62%	13	82.35%	14
Khentii	94.90%	8	87.31%	9	88.57%	10	84.40%	15	88.80%	10
<b>Average</b>	<b>85.21%</b>		<b>85.35%</b>		<b>86.32%</b>		<b>86.67%</b>		<b>85.89%</b>	

Source: Own calculations, based on data received from Ministry of Health, 2021

As mentioned previously, there are large discrepancies in the component facilities that comprise the health sector across the various aimags in Mongolia, with secondary and tertiary facilities only present in some aimags. Given this, there is a possibility that the presence of secondary- and tertiary-level facilities in some aimags, and not in others, may crowd out determinants of efficiencies within those healthcare facilities that are common across all aimags, namely primary healthcare facilities. As a result, a second DEA was conducted using the same dataset, and the same categories of decision-making units, input and output, but instead drawing data exclusively for primary healthcare facilities. A summary of the data used in this analysis is presented in Table 79 below.

**Table 79** Summary statistics of primary health DEA data

	2015	2016	2017	2018
<b>Input Variables</b>				
Active Beds	149.48 (78.028)	165.52 (77.914)	177.57 (84.872)	186.00 (90.698)
Doctors	59.10 (16.483)	64.10 (18.420)	65.05 (18.798)	64.86 (18.936)
Nurses	101.76 (34.808)	101.67 (34.087)	100.52 (33.290)	103.48 (36.294)
<b>Output Variables</b>				
Children Inpatient Days	7 731.43 (3 782.089)	9 434.25 (4 668.644)	8 326.43 (3 729.197)	8 355.88 (3 704.452)
Children Outpatient Visits	49 337.30 (18 514.197)	50 379.39 (19 571.568)	49 195.50 (18 538.343)	46 391.94 (17 340.513)

Source: Own calculations, based on data received from Ministry of Health, 2021

The main results of the DEA are presented in Table 80, below. Table 80 shows that average efficiency scores vary significantly across aimags while efficiency scores and relative rankings for individual aimags remain fairly consistent across years – although less so than under the full health system dataset. This again suggests large variations in the efficiency of primary-level health expenditures relative to child health outcomes across aimags, and that levels of efficiency, or indeed inefficiency, within aimags are relatively constant. This analysis also saw a much more notable increase in the average efficiency scores across the four years under observation; while the average efficiency score for 2015, at 84.69%, was closely aligned with the average efficiency score for the full health system in the same year, at 85.21%, at the primary level specifically, this average efficiency score rose to 89.62% by 2018, indicative of significant improvements in the average efficiency of primary-level health expenditures relative to child health outcomes. Interestingly, there was little variation in the overall ranking of aimags across the two analyses, with the obvious exception of Orkhon, which was among the least efficient aimags when observing the entire health system, but the most efficient when observing the primary level in isolation.

**Table 80** Annual and average efficiency scores, and rankings, for primary health DEA

	2015		2016		2017		2018		Total	
	Efficiency	Rank								
Arkhangai	81.56%	11	85.85%	10	91.92%	9	98.49%	7	89.46%	9
Bayan-Ulgii	100.00%	1	100.00%	1	95.61%	6	93.88%	9	97.37%	4
Bayankhongor	90.68%	6	81.50%	14	75.59%	16	76.73%	18	81.13%	13
Bulgan	81.22%	13	68.47%	18	74.96%	17	79.85%	16	76.13%	18
Gobi-Altai	98.50%	5	32.29%	21	75.77%	15	75.66%	19	70.56%	21
Govisumber	100.00%	1	98.74%	6	94.92%	7	100.00%	1	98.42%	3
Darkhan-Uul	100.00%	1	100.00%	1	100.00%	1	100.00%	1	100.00%	1
Dornogovi	81.55%	12	86.63%	9	77.83%	12	82.76%	15	82.19%	12
Dornod	81.08%	14	84.37%	11	96.66%	5	84.01%	14	86.53%	10
Dundgovi	87.50%	9	66.98%	19	67.89%	19	74.58%	21	74.24%	19
Zavkhan	77.45%	17	74.83%	16	77.55%	14	75.36%	20	76.30%	17
Orkhon	100.00%	1	100.00%	1	100.00%	1	100.00%	1	100.00%	1
Uvurkhangai	89.76%	7	88.16%	8	93.36%	8	100.00%	1	92.82%	7
Umnugovi	70.64%	19	76.86%	15	77.64%	13	92.12%	12	79.32%	14
Sukhbaatar	79.59%	15	83.25%	13	74.78%	18	79.02%	17	79.16%	15
Selenge	76.74%	18	74.81%	17	78.07%	11	84.14%	13	78.44%	16
Tuv	70.22%	20	83.73%	12	81.62%	10	93.81%	10	82.35%	11
Uvs	79.12%	16	94.74%	7	100.00%	1	100.00%	1	93.47%	6
Hovd	88.91%	8	100.00%	1	100.00%	1	100.00%	1	97.23%	5
Khövsgöl	60.97%	21	63.53%	20	67.58%	20	97.82%	8	72.48%	20
Khentii	82.99%	10	100.00%	1	-	-	93.69%	11	92.23%	8
<b>Average</b>	<b>84.69%</b>		<b>83.08%</b>		<b>85.09%</b>		<b>89.62%</b>		<b>85.70%</b>	

Source: Own calculations, based on data received from Ministry of Health, 2021

Whilst the above analyses provide clear evidence of the level of, and trends in, efficiency in child health expenditures in Mongolia, it is important to interrogate the cause of the efficiency gaps identified in the DEAs.

The post-estimation method traditionally used to interrogate the determinants of efficiency gaps among decision-making units is tobit regression analysis. Tobit models are employed in situations in which the observed range of the dependent variable (efficiency scores, in this instance) are censored, or limited in some manner (capped at 100%, in this instance). Two separate tobit models were specified, one for each DEA, with various possible determinants of child health expenditure efficiency included for each aimag, namely: total child health budgets, total child health budgets per child, number of doctors per 1 000 children, number of nurses per 1 000 children, average life expectancy, GDP per capita and poverty gap.

The results of these tobit regressions are presented in Table 26 below.

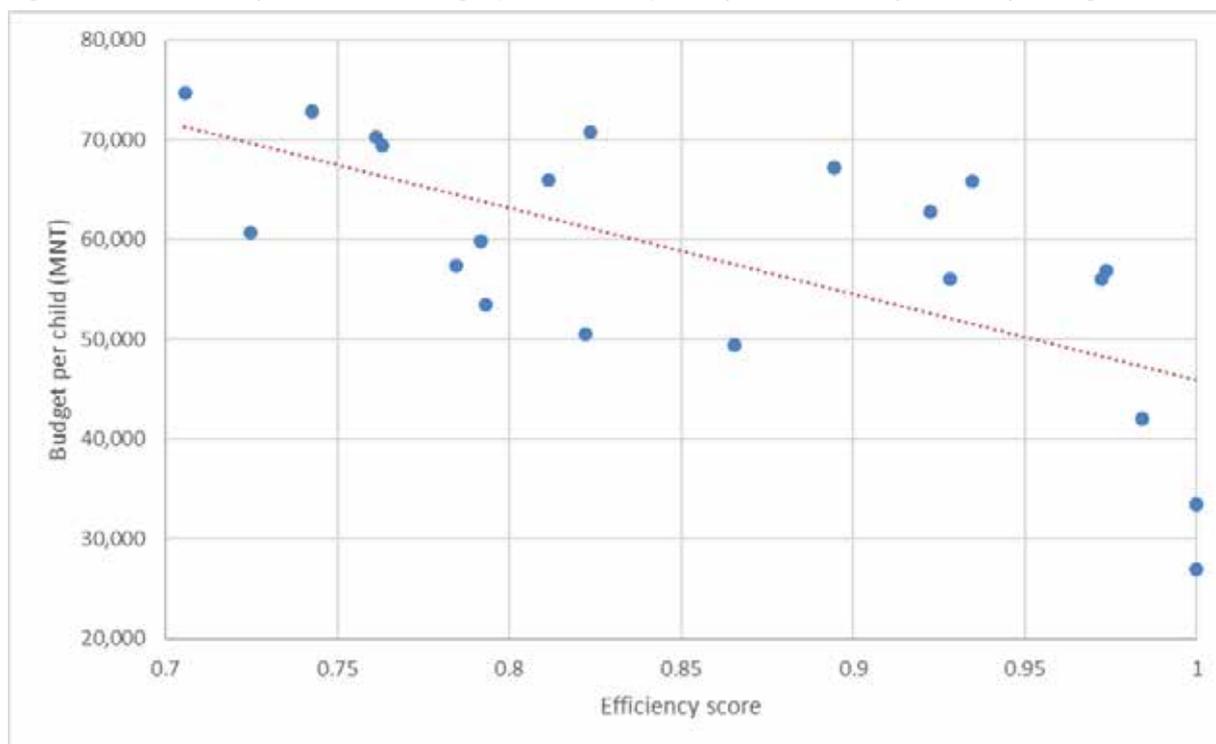
**Table 81** *Coefficients of the tobit models for full and primary health system efficiencies*

theta	All health expenditure	Primary level only
Log of total child health budget	0.0032749	-0.0184492
Log of health budget per child	.0381074	-0.4171937**
Doctors per 1,000 children	0.0001035	0.0210827
Nurses per 1,000 children	-0.0279591	-0.0152257
Life expectancy	-0.0055631	-0.0013034
GDP per capita	-0.0034968	0.0062385
Poverty gap	0.0016069	0.0066131

Source: Own calculations, based on data received from Ministry of Health, 2021

Table 26 shows that none of the variables included in either model has a statistically significant relationship with child health expenditure efficiency scores, with one exception – child health budget per child in the primary-level model. Here, the coefficient for log of child health budget per child is negative, and statistically significant at the 5% level of significance. This suggests that per child health expenditures in aimags are negatively related to the child health expenditure efficiency scores of aimags in a statistically significant manner. In other words, child health expenditure efficiencies decrease as per child health expenditures increase at the primary health level. The fact that neither ratio of doctors to children nor ratio of nurses to children exhibit a similar relationship suggests that this relationship does not occur exclusively through over-supply of doctors and nurses, but rather speaks to broader issues with the inefficiencies of scale associated with the effectiveness of health expenditures, which will be discussed further in Section 11 below.

Figure 183 below plots the primary-level health budget per child against primary-level health expenditure efficiency scores, as drawn from the DEA. The blue dots represent individual aimags and the orange line is a trendline of the relationship between these two variables. There is a clear negative relationship between the two indicators, further evidence of the issues with effectiveness of child health expenditures.

**Figure 183** Primary-level health budget per child and primary-level efficiency scores, by aimag

Source: Own calculations, based on data received from Ministries of Finance and Health, 2021

## 10. ASSESSING THE EQUITY OF HEALTH EXPENDITURES

In addition to efficiency, an important metric against which to assess child health expenditures is equity. The provision of quality and efficient healthcare systems will only result in improved health care outcomes if health care is both equitable and accessible. Equity is an overarching theme in all the policies, plans and programmes that govern the Mongolian health system, with equity and accessibility explicitly mentioned in all of the strategic documents, as summarised in Table 63. An equitable health system is one in which both financing and benefit incidence accrue in a manner that equity is promoted – more socioeconomically deprived households have equal access to health care regardless of ability to pay, and are able to benefit from healthcare services in an equitable manner.

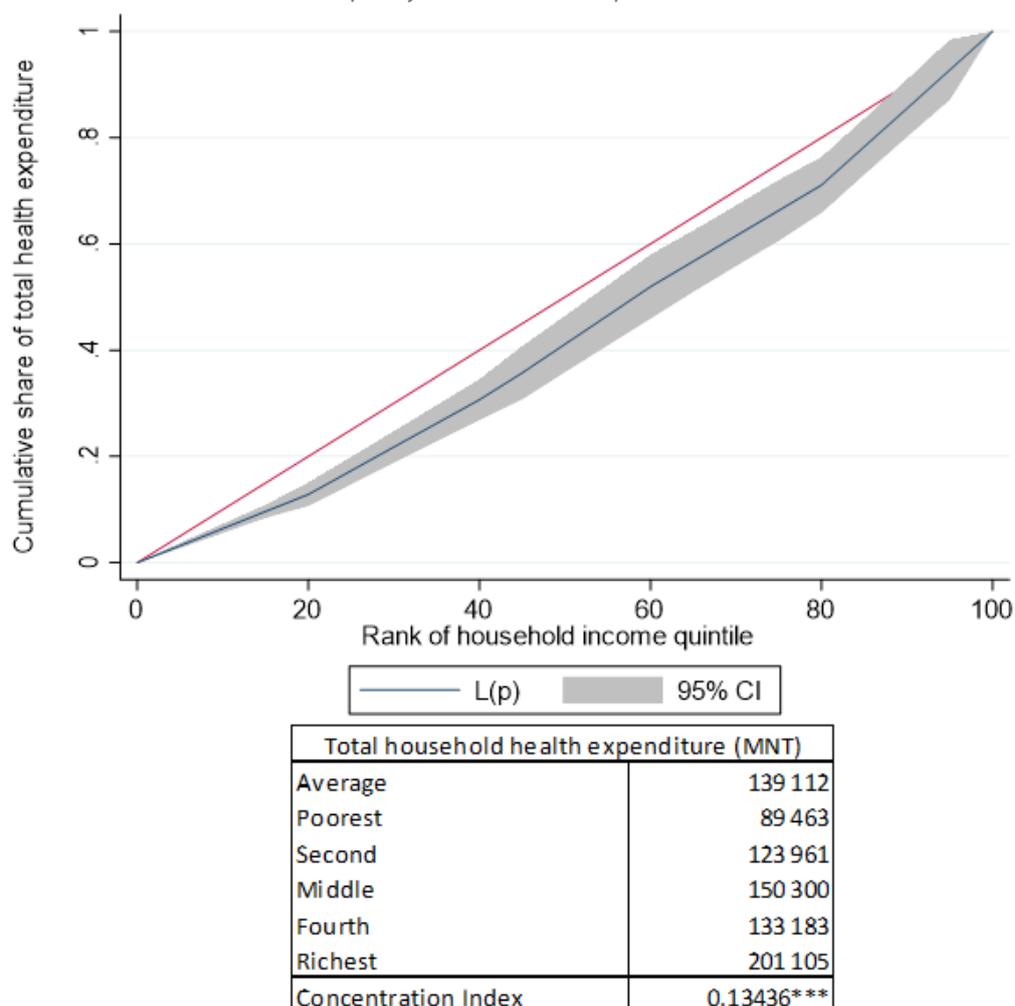
Equity analyses in health systems are broadly split into two categories – health financing incidence and health benefit incidence. Health financing incidence analyses assess how the burden of health financing is distributed in relation to household ability to pay, while health benefit incidence analysis considers which socioeconomic groups receive what benefit from using health services. To conduct such analyses requires a household dataset that includes some measure of socioeconomic status, information on health service utilisation (benefit analysis) and information on contributions to health services (financing analysis), and in a format that enables the latter indicators to be plotted against the former.

Concentration indices are commonly used to measure inequality in one variable – for example, access to healthcare – over the distribution of another – such as household income. Concentration indices are most commonly applied to the measurement of socioeconomic-related inequality in health (O'Donnell *et al.*, 2016). These indices highlight the socioeconomic gradient in the outcome of interest, through the use of concentration curves. Specifically, concentration curves plot the cumulative proportion of one variable against the cumulative proportion of the population as ranked by another variable. In health-related analyses, concentration curves typically plot the cumulative proportion of the population by a measure of socioeconomic status, beginning with the least advantaged and ending with the most advantaged, against

the cumulative proportion of a health indicator of interest. The 45° line of equality signifies the absence of inequality – if the concentration curve lies above the diagonal, the health indicator is concentrated among the less advantaged, while if the concentration curve lies below the diagonal, then the health indicator is concentrated among the more advantaged. Similarly, if a concentration index is negative, the health indicator is concentrated among the less advantaged, whilst if a concentration index is positive, then the health indicator is concentrated among the more advantaged. Concentration indices and curves therefore represent a useful mechanism for assessing the equity of provision of care in the health system in Mongolia, and, consequently, the equity of health expenditures by the Government of Mongolia.

The data used in these equity analyses is taken from the 2018 HSES – a nationally representative household survey covering myriad health and socioeconomic indicators – conducted by the Mongolian National Statistics Office. Data on income were used to compile a household income indicator for each household in the dataset, which served as the socioeconomic status measure against which health indicators could subsequently be plotted to determine the concentration curves and indices, and be used to interrogate extant levels of inequality in the Mongolian health system.

The health financing incidence set of analyses interrogated the distribution of household health expenditures and other contributions against socioeconomic status. The first relationship interrogated was between household income – a proxy for ability to pay – and total health expenditures. The results are presented in Figure 184 below. In Figure 184, the concentration curve dips below the line of equity across the entire distribution, suggesting that total health expenditures are concentrated among households with higher total household income – or, more specifically, that richer households pay more in absolute terms for health services than poorer households. Indeed, the table below the graph shows that average household expenditure on health care among the poorest quintile (MNT89 463) is considerably lower than the average (MNT139 112), and the highest quintile (MNT201 105). The positive concentration index of 0.13436 also illustrates the concentration of higher total health expenditures among the wealthy, with this relationship statistically significant at the 1% level. These findings suggest that the health financing system in Mongolia is, at least, somewhat progressive in absolute terms, such that the absolute economic burden of health care is larger for wealthier households.

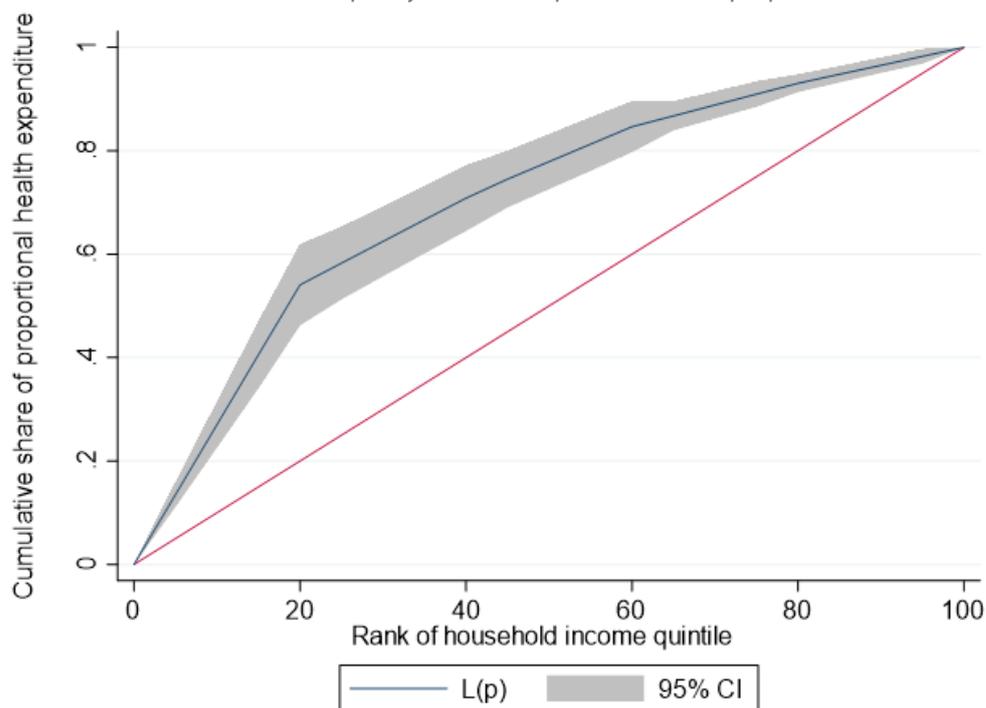
**Figure 184** Socioeconomic inequality in total health expenditures

Source: Own calculations, based on the Household Socioeconomic Survey, 2018

However, a government health financing system is only deemed to be progressive if poorer households contribute a smaller proportion of their *ability to pay* to finance health services when compared to richer households, rather than merely paying less in absolute terms (Ataguba *et al.*, 2018). So, to truly interrogate the equity of the current health financing system in Mongolia, an analysis of health expenditures relative to ability to pay was required.

Figure 185 below presents the relationship between household income and total health expenditures, expressed as a proportion of household income. The concentration curve now lies well above the line of equity, which suggests that proportional health expenditures are concentrated among households with lower total household income – or, more specifically, that poorer households pay proportionally more for health services than do richer households. Further evidence of this can be seen in that, on average, households in the poorest income quintile spend 8.14% of their total household income on health care, which is higher than the total average of 3.01%, and substantially higher than the average among the wealthiest quintile cohort, which is 1.05%. The negative concentration index of -0.41102 also illustrates the concentration of higher proportional health expenditures among the poor, with this relationship again statistically significant at the 1% level.

This evidence suggests that the current health financing system in Mongolia is in actual fact regressive, in that poorer households contribute a significantly larger proportion of their ability to pay to finance health services than do wealthier households.

**Figure 185** Socioeconomic inequality in health expenditures as a proportion of household income

Proportional household health expenditure	
Average	3.01%
Poorest	8.14%
Second	2.52%
Middle	2.04%
Fourth	1.27%
Richest	1.05%
Concentration Index	-0.41102***

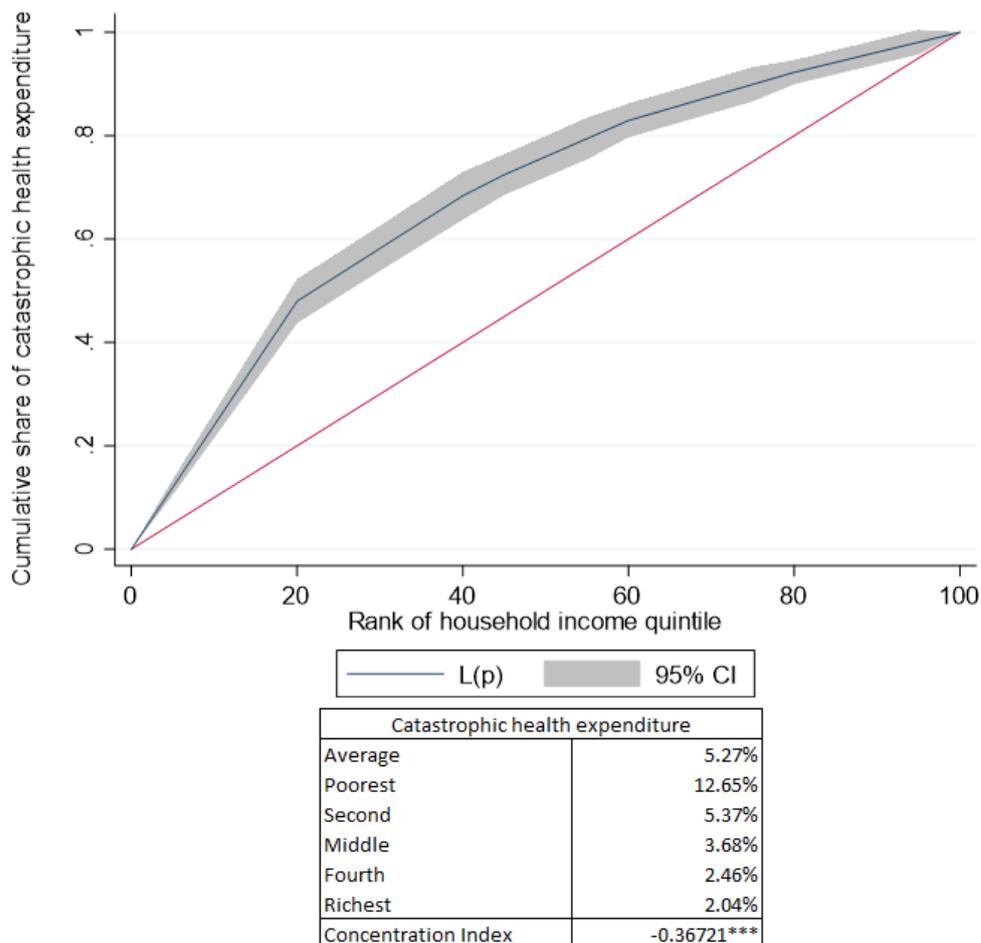
Source: Own calculations, based on the Household Socioeconomic Survey, 2018

Of particular concern in regressive health financing systems is the incidence of catastrophic health expenditures – those out-of-pocket payments for health that exceed a predetermined threshold, resulting in a reduction in people’s ability to pay for other essential items. This is particularly problematic among poorer cohorts, where catastrophic health expenditures often lead to further impoverishment. Although there is no universally agreed benchmark for what constitutes a catastrophic level of health expenditure, a figure of 10% of total household income is widely employed in the literature.

Figure 186 below presents the concentration curve and index for catastrophic health expenditures in Mongolia, using this 10% of total household income threshold. The concentration curve again lies well above the line of equity, suggesting that catastrophic health expenditures are concentrated among households with lower total household income – or, more specifically, that poorer households are more likely to make out-of-pocket payments for health services that exceed 10% of total household income than richer households. Indeed, this is evident from the fact that, as shown in the table below the graph, 12.65% of households from the poorest income quintile experience catastrophic health expenditures, relative to the total average of 5.27%, and the average among households from the wealthiest quintile of only 2.04%. The negative concentration index of -0.36721 also illustrates the concentration of catastrophic health expenditures among the poor, with this relationship again statistically significant at the 1% level.

This evidence suggests that the regressive nature of the current health financing system in Mongolia is placing significant additional burden on poorer households, such that they are at risk of not being able to afford other essential items, or of falling further into poverty, as a result of health expenditures.

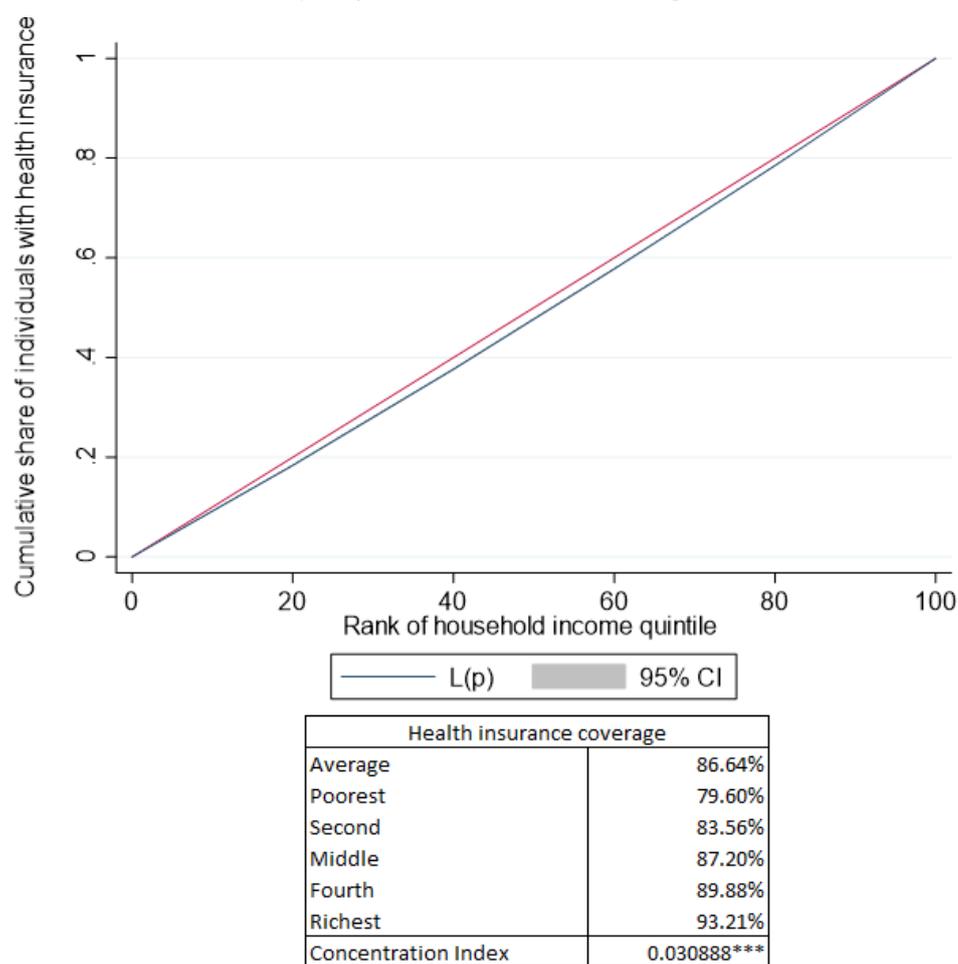
**Figure 186** Socioeconomic inequality in incidence of catastrophic healthcare expenditures



Source: Own calculations, based on the Household Socioeconomic Survey, 2018

A key tool in the development of a more progressive health financing system, and in offering financial protection against catastrophic health expenditures, is the provision of social health insurance to the poor. The high levels of social health insurance coverage, and the important role that social health insurance plays in the Mongolian health financing system specifically, have already been discussed at length. Figure 187 below decomposes these high rates of social health insurance coverage in Mongolia by income quintile. This concentration curve lies slightly below the line of equity throughout the distribution, suggesting that health insurance coverage is concentrated among households with higher total household income. In other words, richer households are more likely to be covered by health insurance than poorer households. Indeed, as the table below the graph shows, health insurance coverage among households from the poorest income quintile, whilst high at 79.60%, is below both the total average (86.64%) and the wealthiest households (93.21%). Given that health insurance is an important means of financial protection against catastrophic health expenditure, and an important tool in developing a progressive health financing system, this unequal distribution in coverage, which is statistically significant at the 1% level, is concerning.

**Figure 187** Socioeconomic inequality in health insurance coverage

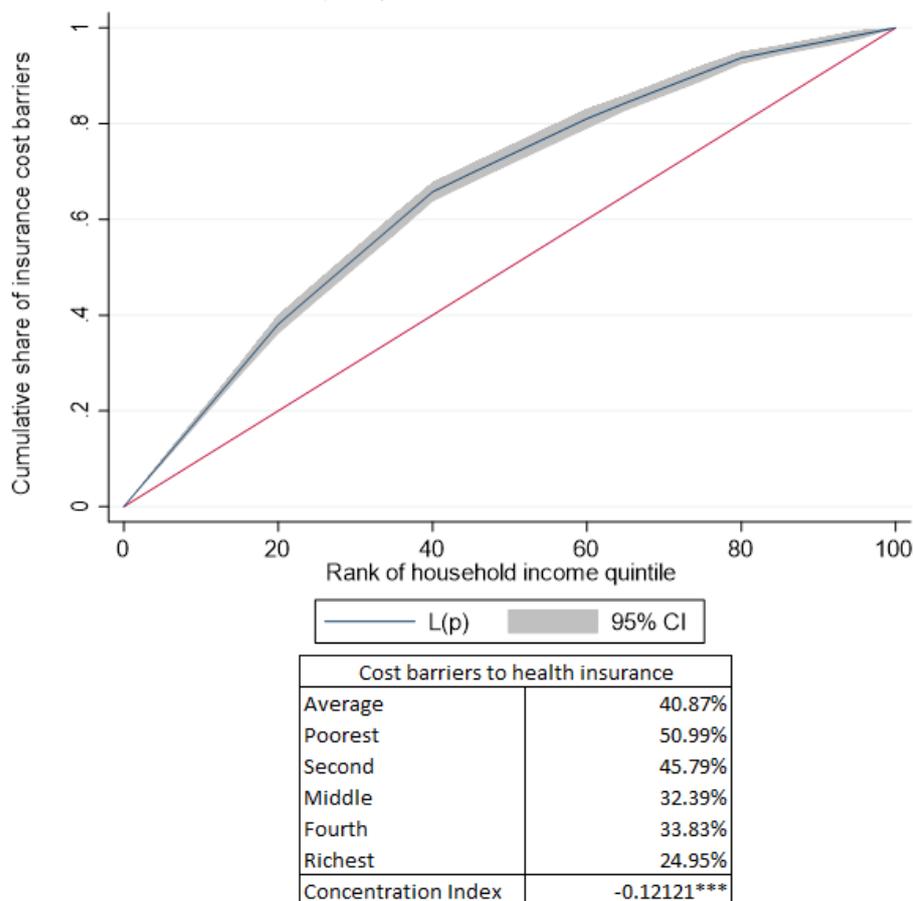


Source: Own calculations, based on the Household Socioeconomic Survey, 2018

It is equally important to not only interrogate the distribution of social health insurance coverage, or indeed the lack thereof, in Mongolia, but also to understand, in incidents of lack of social health insurance coverage, the underlying cause in order to determine whether this is similarly underpinned by socioeconomic status.

Figure 188 below restricts the population to exclusively those that do not have health insurance, and plots the socioeconomic distribution of those individuals who cite cost barriers as the chief reason for not having health insurance. As can be seen, the concentration curve lies well above the line of equity, which suggests that cost barriers to health insurance coverage are concentrated among households with lower total household income; in other words, poorer households are less likely to be covered by health insurance due to the cost implications of acquiring health insurance than richer households. This is supported by the fact that more than half of the households in the poorest income quintile that do not have health insurance cite cost barriers, whilst less than a quarter of the households from the wealthiest cohort do so. The concentration index confirms this relationship, which is statistically significant at the 1% level.

**Figure 188** Socioeconomic inequality in cost barriers to health insurance

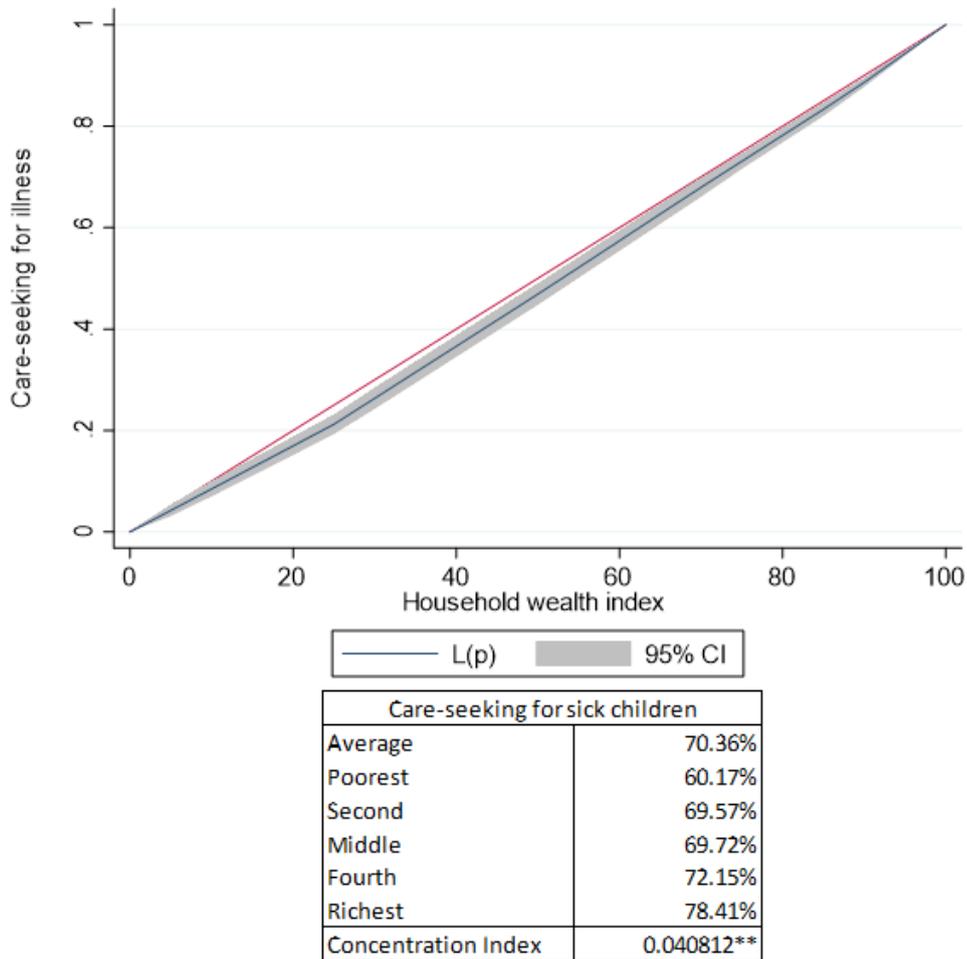


Source: Own calculations, based on the Household Socioeconomic Survey, 2018

These analyses illustrate that the current health financing system in Mongolia remains regressive in nature, with poorer households having to contribute a larger proportion of their ability to pay, being more likely to have to make catastrophic health expenditures, and being less likely to be covered by social health insurance schemes to mitigate these two problems.

Whilst the analyses have established that the burden of health financing rests more heavily on the poor, and exposed inequalities in the current health financing system in Mongolia, it is also important, for a thorough budget and expenditure analysis, to understand who benefits from the use of health services in Mongolia. It could be argued that if the socioeconomically disadvantaged benefit from the health system to a disproportionate degree, then perhaps the larger financing incidence borne by the poor could be justified.

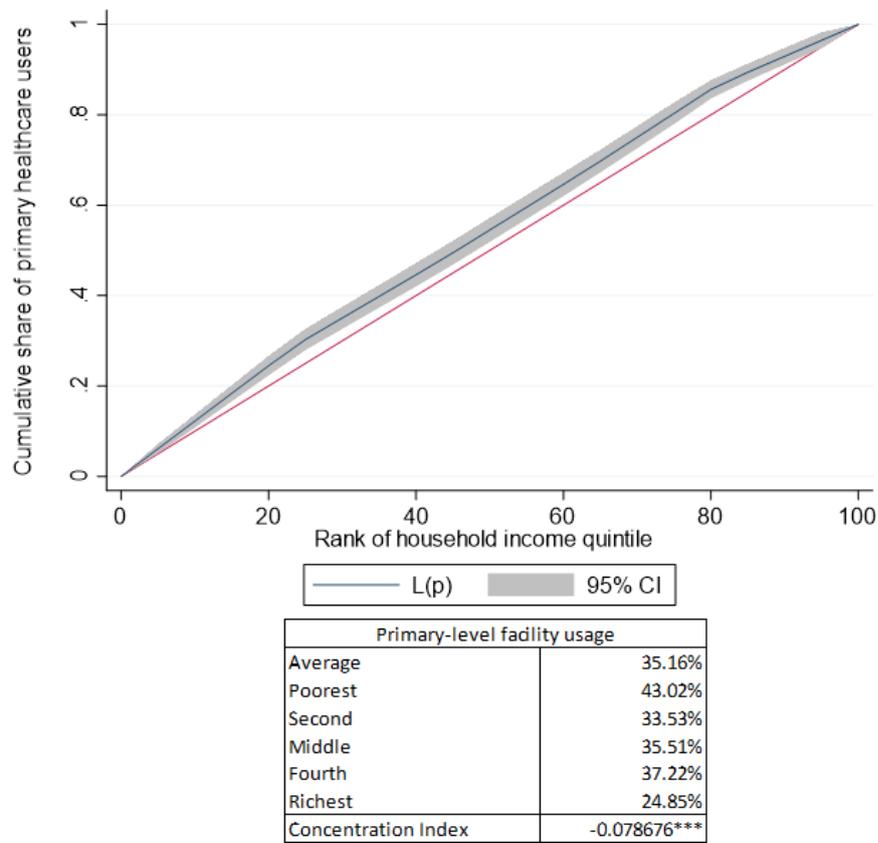
To this end, Figure 189 below uses data from the 2018 HSES to compare incidence of healthcare-seeking for ill children, with households ranked by socioeconomic status. As can be seen, the concentration curve remains below the below the line of equity throughout the distribution, suggesting that healthcare-seeking and engagement with the health system in cases of child illness is concentrated among households with higher total household income – or, more specifically, that richer households are more likely to seek, and receive, treatment for ill children than poorer households. This implies that the needs of children from wealthier households are being more readily met than the needs of children from poorer households. Given that having one’s health needs met is the core benefit received from the health system, the proportions presented here can be used as a proxy for healthcare system benefit overall, implying that the benefit provided by the health system in Mongolia currently accrues disproportionately to children from wealthier cohorts.

**Figure 189** Socioeconomic inequality in care-seeking for ill children

Source: Own calculations, based on the Household Socioeconomic Survey, 2018

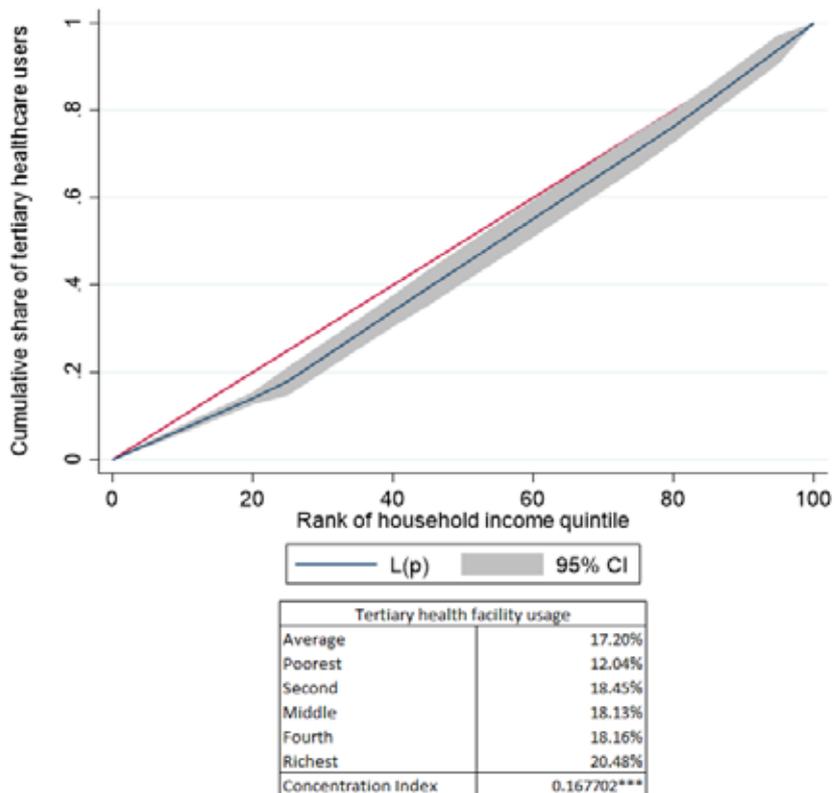
A further element of health benefit incidence analyses, when applied to an interrogation of public funding of healthcare services, is to combine utilisation rates of different types of health services across socioeconomic groups with the unit costs of the health services (as paid by government) to determine, in monetary terms, the benefit that accrues to each socioeconomic group from existing government health financing mechanisms. It is well-documented in the literature, and established in this analysis, that per unit costs of health care are lower in facilities at the lower levels of the healthcare system, both between levels (i.e. per unit costs are higher in tertiary than in primary facilities) and within levels (i.e. per unit costs are higher in inter-soum hospitals than in family health centres). Thus, an analysis of the distribution of healthcare facility usage by socioeconomic status can reveal the implicit subsidies paid by government to each socioeconomic group to cover their healthcare services. To this end, Figure 190 and Figure 191 below plot the concentration curves for the socioeconomic distribution of primary and tertiary healthcare facility usage respectively. Figure 190 shows that usage of primary healthcare facilities – for which government unit cost subsidies are lowest – is more heavily concentrated among individuals from the poorest income quintile, while Figure 191 shows that usage of tertiary healthcare facilities – for which government unit cost subsidies are highest – is more heavily concentrated among individuals from the wealthiest income quintiles. The concentration indices for both curves suggest that this relationship is statistically significant at the 1% level.

**Figure 190** Socioeconomic inequality in usage of primary healthcare facilities



Source: Own calculations, based on the Household Socioeconomic Survey, 2018

**Figure 191** Socioeconomic inequality in usage of tertiary healthcare facilities

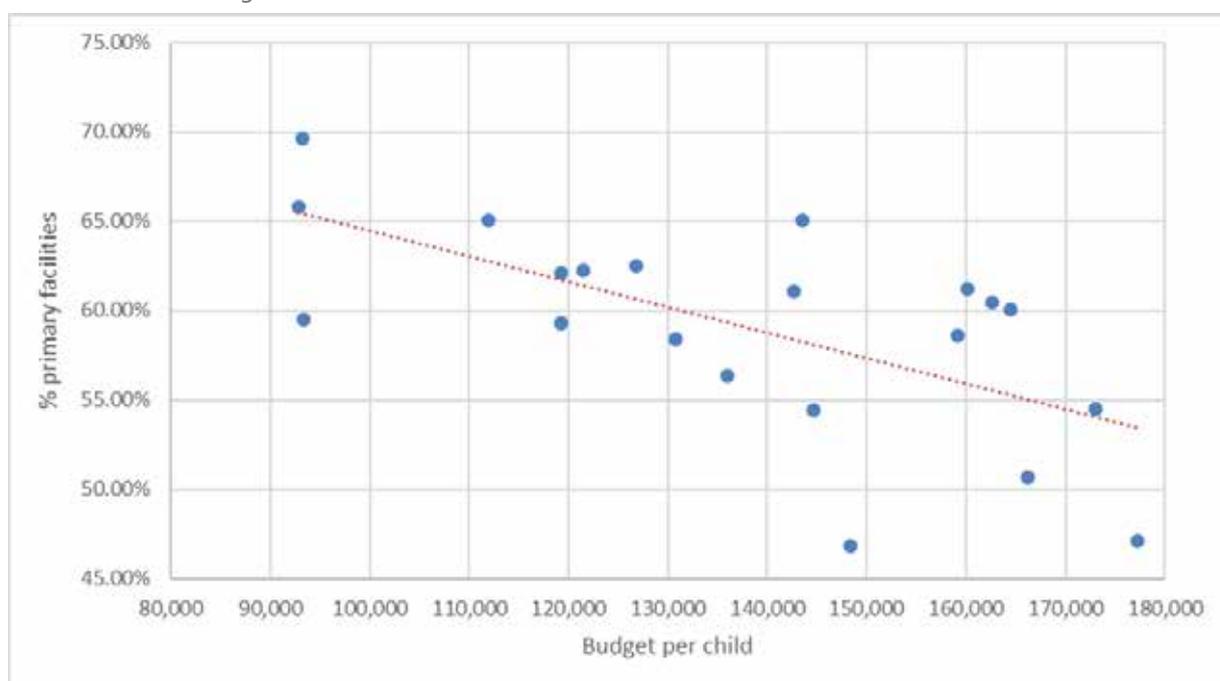


Source: Own calculations, based on the Household Socioeconomic Survey, 2018

These figures suggest that the health benefit incidence, when expressed in monetary terms as a unit cost to government of a health service multiplied by the socioeconomic group utilisation rate thereof, is pro-rich in nature, with rich households receiving a larger implicit subsidy for health care from government than poorer households.

Further evidence of this is presented in Figure 192 below, which plots proportional primary healthcare facility utilisation rates for child healthcare in aimags against per-child health expenditures in each aimag. As can be seen, increased concentration of primary facility use is associated with a decrease in the per-child expenditure, implying a lower per-unit subsidy paid to primary facilities. This, coupled with the fact that (as illustrated above) poorer households use such facilities for child healthcare more frequently, implies that lower per-child subsidies are paid to children from poorer households, emblematic of a regressive healthcare financing system that does not promote equality.

**Figure 192** Primary healthcare utilisation rates among children vs. per-child health expenditures, by aimag



Source: Own calculations, based on data received from the Ministries of Finance and Health, 2021

## 11. ASSESSING THE EFFECTIVENESS OF HEALTH EXPENDITURES

A third important factor in assessing child health expenditures is to interrogate the effectiveness of such expenditures. Effectiveness analyses in health typically seek to quantify the gains in population health that accrue from a health intervention, and compare these gains to the costs associated with the implementation of the health intervention. In this instance –an expenditure analysis for a health system – the assessment isn't of the effectiveness of the costs associated with a specific intervention, but rather of the effectiveness of the expenditures made in a specific section of the health system. In this instance, aimags represent the unit of comparison for assessing effectiveness of expenditures. In terms of quantifying the health gains associated with health interventions as a measure of the effectiveness of the health interventions, effectiveness analyses typically measure health gains in terms of DALYs, as a weighted combination of mortality and morbidity, averted by the intervention. Again, this approach is not applicable in this instance, given the lack of clear data on DALYs averted that can be attributed to broad government health expenditures. Therefore, as with the efficiency analysis, health outcomes will be

measured as the production of intermediate health goods – namely, inpatient bed days and outpatient visits – that are typically assumed to result in improved, albeit unmeasurable, health outcomes.

Table 82 below presents the results of the effectiveness analysis, comparing the cost per child patient treated across all 21 aimags and Ulaanbaatar. Aimags in which health outcomes – in this instance, treatment of a single child patient – can be achieved at the lowest unit cost are identified as being the most cost-effective in the delivery of child health services. As can be seen, there is a large discrepancy in the cost per child patient treated, with Orkhon – the most cost-effective aimag – averaging MNT22 093 per child treated, while Bulgan – the least cost-effective aimag – averages MNT80 036 per child treated.

**Table 82** Cost-effectiveness of child health expenditures, by aimag

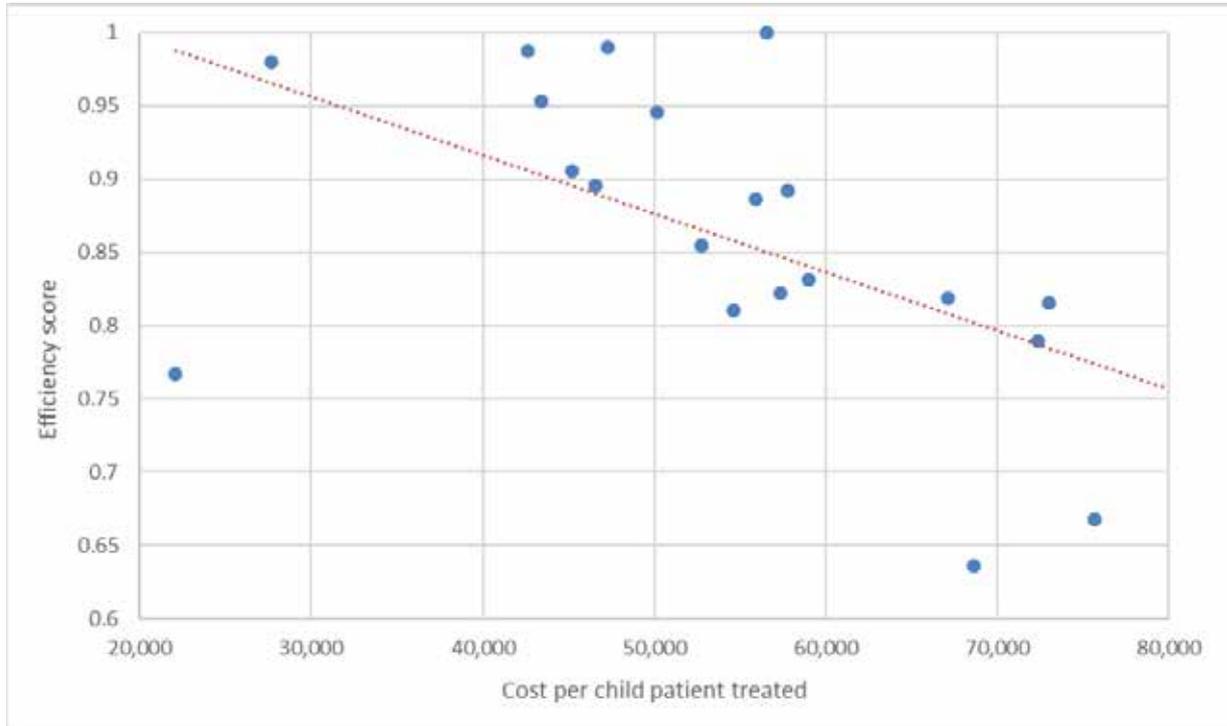
	Cost per child patient treated (MNT)	Rank
Arkhangai	58 980	15
Bayan-Ulgii	56 594	12
Bayankhongor	73 032	19
Bulgan	80 036	21
Govi-Altai	75 709	20
Govisumber	43 389	4
Darkhan-Uul	27 693	2
Dornogovi	45 195	5
Dornod	42 595	3
Dundgovi	67 096	16
Zavkhan	72 393	18
Orkhon	22 093	1
Uvurkhangai	52 760	9
Umnugovi	47 263	7
Sukhbaatar	54 637	10
Selenge	57 763	14
Tuv	68 603	17
Uvs	46 570	6
Khovd	50 151	8
Khuvsgul	57 379	13
Khentii	55 937	11
Ulaanbaatar	48 869	-

Source: Own calculations, based on data received from the Ministries of Finance and Health, 2021

Comparing these cost-effectiveness estimations with the calculated child health efficiency scores by aimag, as is done in Figure 193 below, highlights the positive relationship between cost-effective spending on health services and efficient delivery. Aimags that employ their health input resource mix – doctors, nurses and beds – most efficiently in achieving health outputs – treatment of children – are also able to provide health services in the most cost-effective manner, given that these inputs are the main cost drivers in government health budgets. Increased health expenditures per child, which is currently a driver of inefficiency in health expenditures as seen in the efficiency analysis, are only useful insofar as these expenditures are used to purchase the correct health resource mix, and this mix of resources then be used in an efficient manner to achieve an optimal child health output.

The efficiency, equity and effectiveness analyses together suggest that the Mongolian government still has some way to go in ensuring that its health expenditures – which are due to increase significantly in order to meet nationally approved targets – result in improved health outcomes for all Mongolians, and particularly the most vulnerable.

**Figure 193** Comparing cost-effectiveness and efficiencies of child health services by aimag



Source: Own calculations, based on data received from the Ministries of Finance and Health, 2021

## Annexure F – List of Role-players and Stakeholders Interviewed

To date, the following role-players have been identified:

- Ministry of Finance
- National Development Agency
- Ministry Health
- Ministry of Education and Science
- Ministry of Labour and Social Protection
- National Audit Office
- National Authority on Children
- National Committee on Gender Equality
- UNICEF units responsible for education, health, social protection and child protection
- CSO representatives

In relation to social protection and child protection, we need to consult the following stakeholders:

- 1) The Ministry of Labour and Social Protection
- 2) General Office of Social Welfare Services
- 3) Aimag's Family, Child and Youth Development Department
- 4) Aimag's children's homes and quorums