

REPORT OF THE

**Launching ceremony of ILO/Japan Project on
Building and Promoting Social Protection and
Employment Support Services for Vulnerable Groups in
Mongolia, Learning from ASEAN**

and of the third

**ASSESSMENT BASED NATIONAL DIALOGUE ON SOCIAL
PROTECTION AND EMPLOYMENT SUPPORT:**

**ASSESSING THE COST OF A SOCIAL PROTECTION FLOOR
IN MONGOLIA: METHODOLOGY AND PRELIMINARY
RESULTS**



**Ulaanbaatar, 2 May 2014
Temuujin Hall, Chinggis Khaan Hotel,**

Contents:

1. Background
2. Welcome remarks on occasion of official Launching of ILO/Maps Project” Building and Promoting Social Protection and Employment Support Services for vulnerable groups in Mongolia, learning from ASEAN”.
3. Presentation: “Taking forward the recommendations of the assessment of social protection and employment support: assessing the cost of a social protection floor in Mongolia” by Celine P. Bista, CTA, ILO MAPS
4. Working group sessions
5. Working group presentations
6. Presentation: “The Rapid Assessment Protocol (RAP), a tool to estimate the costs of social protection floors: Preliminary results of the RAP Mongolia” by Celine P. Bista CTA, ILO MAPS and Batsukh T, consultant, ILO MAPS
7. Presentation: “Social protection fiscal space in Mongolia: current situation and medium term assumption” by Ms. V.Rentsenkhand, Senior Officer MoF
8. Closing remarks of the Third ABND: Assessing the cost of social protection floors in Mongolia: Methodology and Preliminary results

1. Background

In September 2013, the Government, notably the Ministry of Population Development and Social Protection (MPDSP) and the UN Country Team for Mongolia have launched the Assessment Based National Dialogue (ABND) on Social Protection and Employment support services (SP-ES).

During the first step of the ABND exercise, the development of the assessment matrix consists in (i) mapping for each of the four guarantees of the SPF an inventory of existing social security, social protection and poverty alleviation programmes, (ii) identifying policy gaps and implementation issues, and (iii) preparing a number of recommendations for the design and implementation of further social protection provisions with the aim of guaranteeing at a minimum the SPF to all the population.

Between September (launch of the ABND or Dialogue #1) and end of November 2013, the assessment matrix has been developed with all stakeholders involved in social protection in Mongolia, ministries and government agencies, social partners, civil society, academia and development partners, through national and local consultations.

The validation of the assessment matrix and key recommendation workshop (Dialogue#2) was held on 05 December 2013 in Ulaanbaatar. The workshop was attended by the Vice Minister of Population Development and Social Protection Mr E.Tamir, the Programme analyst of the ILO Country office for China and Mongolia Mrs. Samina Hasan and over 60 participants from ministries, agencies, local government institutions, academia, NGOs and UN agencies.

During December 2013 and May 2014, the key recommendations were selected, the scenarios are developed and costing of scenarios was estimated. On 13 March, a technical working group composed of experts and practitioners from MPDSP and Ministry of Labour, and the UN Working Group on Social Protection have converted the key recommendations into scenarios that can be further "costed". These scenarios are specific social protection provisions that need to be introduced or further expanded to fill the gaps and guarantee at least a comprehensive social protection floor for all the population in Mongolia. The costs of these provisions is being calculated and projected over the 2014-2020 period using the ILO-UNICEF costing tool called the Rapid Assessment Protocol (RAP).

The third ABND exercise took place on the 2nd of May with the aim to share with all stakeholders the methodology of the RAP and preliminary results of the costing. In the morning session the official launching of the ILO MAPS project took place. Around one hundred technical staff and directors from relevant government institutions, workers and employers' organizations, UN agencies, civil society representatives and other development partners that are dealing with social protection and employment support policies and programmes.

The participants of the Launching ceremony and the Third Assessment Based National Dialogue.



The Launching ceremony was attended by Mr. Isawa, Assistant Minister for International Affairs for the Ministry of Health, Labour and Welfare of Japan, Mr. J. Batkhuyag, Vice Minister of Labour, Ms. B. Otgonjargal, State Secretary of MPDSP, Mr Adya, Secretary General CMTU and Mr. Erdenebaatar, Vice CEO, MONEF and Mr. Tim de Meyer, Director of the ILO office for China and Mongolia as well as Mr. Togtokhsuren, Governor of Uvurkhangai aimag, and Mr. D.Jargalsaikhan, Governor of Bayanhongor aimag.



The speakers of the ILO/Japan MAPS launching workshop

2. The welcome remarks on occasion of official Launching of ILO/Maps Project” Building and Promoting Social Protection and Employment Support Services for vulnerable groups in Mongolia, learning from ASEAN.



During his welcome remarks, Mr. J. Batkhuyag, Vice Minister of Labour has expressed his thanks to Japan government for funding and ILO for implementing the Project that will help to solve one of the urging problems of Mongolia, such as a creation of job places in rural Mongolia.

He stressed also that any employed person should have sufficient income for his/her livelihood, which shall be secured by social protection. Therefore, the policies of employment promotion and social protection should have common ground that is directed to better wellbeing of all Mongolians.

Finally he wished all the success to the implementation of the Project.



Ms. B. Otgonjargal, State secretary of the Ministry of Population Development and Social Protection emphasized the growing priority of improving social protection, notably income security among older herders, informal economy workers and self-employed, as a pro-active measure to close development disparities between rural and urban areas.

She also mentioned that learning from the experience of ASEAN on establishing the social protection floor, strengthening the capacity of workers of social protection sector are some of key activities of the Project that would be beneficial for the Ministry.

Finally she expressed her believe that the discussions during the third ABND would bring up new ideas and recommendations on creating a Social Protection Floors in Mongolia.



Mr. Adiya, the Secretary General of CMTU, has stated that CMTU strongly supports the establishment of Social Protection Floor, as it would be a benefit for all. CMTU is developing the capacities in protecting its members; and have a wide network of member trade unions in all aimags and regions, including in the Project pilot aimags. Therefore, Mr. Adiya has expressed his believe that the Project will cooperate with CMTU members in the pilot aimags and the staff in the regions will learn from the project new tools and approaches.



Mr. Erdenebaatar, the deputy CEO of MONEF, has expressed the interest of employers on implementation of such a Project; that would assist MONEF in taken part in the discussion on Social protection and Employment Promotion. MONEF is developing its strategic papers in order to have a strong position on the issues, therefore, ILO Project would be an ideal support instrument to understand and develop the strategic papers.



Mr. Isawa, Assistant minister of International Affairs, Japanese Ministry of Health, Labour and Welfare, has noticed that Japanese government is pleased to support financially the implementation of the 2nd phase of ILO/Japan Project to Promote and Build Unemployment Insurance and Employment Services in Asean. The MoHLW of Japan has had a positive cooperation with Ms. Celine Peyron Bista and was satisfied with outcomes of the 1st phase of the project, therefore he expressed that he strongly believes that the second phase will be also successful.



Mr. Tim de Meyer, Director of ILO Office for China and Mongolia emphasized that the global financial crisis of 2008-09 focused global attention to a fact that only **1 out of 3 countries globally** (inhabited by 28 percent of world population) have comprehensive social protection systems covering all branches of social security as defined in ILO Convention No. 102. However, most of these social security systems cover only those in formal employment as wage or salary workers. Since then the concept of providing a minimum Social Protection Floor has been endorsed by the G20 and the ILC with the **adoption of a Recommendation** on SPFs (No. 202) in 2012.

He further stated that the new project will support the Mongolian Government and social partners to tackle this critical issue. It will also pilot an innovative youth support programme in Uvurkhangai and Bayankhongor aimags, where the ILO and local partners enjoy a long-standing partnership.

He also mentioned that in addressing employment and social protection challenges in the country, it is critical to enhance **coordination** among MoL and MPDSP who are in charge of developing social policies and that project will **foster the sharing of experience** between Mongolia and ASEAN, in the spirit of South-South cooperation.

3. Presentation: “Taking forward the recommendations of the assessment of social protection and employment support: assessing the cost of a social protection floor in Mongolia”

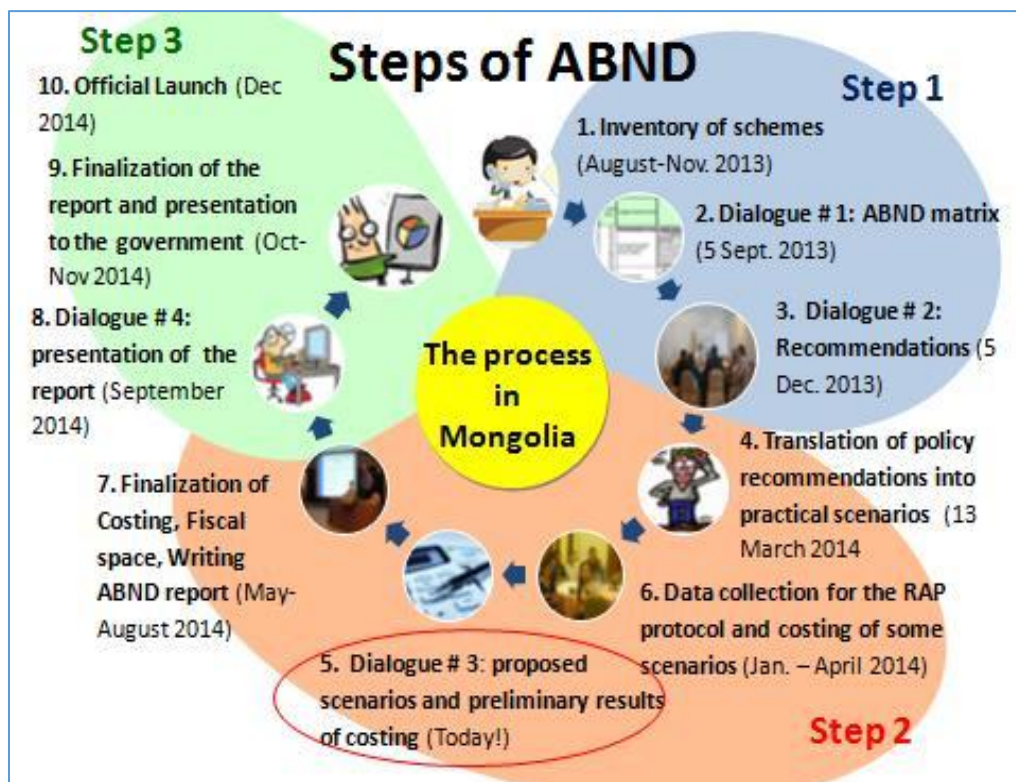


Ms Celine Peyron Bista, Chief technical advisor of ILO MAPS project, recalled the SPF framework Concept and ABND Process. She highlighted that the Social Protection Floor is the first level of social protection in a national social protection system.




No ‘one size fits all’ approach: each country defines the levels of benefits that it can/is willing to provide. Each country also decides how to do it – through universal schemes, targeted social assistance, and social insurance and employment promotion services as well.


The Assessment based national dialogue currently being conducted in Mongolia had responded to the three following questions: **i)** How do we define a Mongolian Social Protection Floor?, **ii)** What is the current social protection situation in Mongolia and what are the persistent gaps?; and **iii)** How much would it cost to close these gaps?

The ABND is now at the juncture of validating the proposed scenarios and discussing the preliminary results of costing of a nationally defined Social Protection Floor in Mongolia.



The proposed scenarios are:

Guarantee	Proposed scenarios
<p>Health</p> 	<ol style="list-style-type: none"> 1. Increase the contribution rate of Category II (herders, unemployed, vocational students) for social health insurance (SHI) 2. Allow herders to pay SHI contributions twice a year (introduced in Oct. 2013) 3. Include drugs in high demand in the list of essential medicine (for reimbursement at 80%) 4. Reinforce monitoring and inspection role of the SHI offices to ensure quality at aimag- and soum-levels 5. Ensure equality of treatment between Nationals and Non-nationals (higher contribution) 6. Gradually decrease the out-of-pocket payment expenses 7. Introduce a smart card registration system
<p>Children</p> 	<ol style="list-style-type: none"> 1. Keep the Child Money programme as it is 2. Improve social inclusion of children with disability, e.g. by providing disability-friendly facilities 3. Increase the meal allowance in pre-schools. 4. Introduce supervisory mechanisms for higher safety and quality of meals in kindergartens and pre-schools 5. Increase the number of kindergartens to improve its access for the excluded 25%
<p>Working age</p> 	<ol style="list-style-type: none"> 1. Increase replacement rate of maternity benefits under the voluntary social insurance (SI) scheme to the level under the mandatory SI scheme 2. Increase flexibility in qualifying conditions and level of unemployment benefits 3. Subsidize contribution of voluntary SI to improve coverage 4. Increase flexibility in payment of voluntary SI contribution (Oct. 2013) 5. Introduce SI registration as a condition to EPP and subsidize SI contribution for EPP beneficiaries 6. Entrepreneurship and vocational training for young herders (linked to SI) 7. Training for unemployment benefit recipients 8. Reinforce employment promotion services, e.g. counselling 9. Training for disability pension beneficiaries to re-enter labour market 10. Awareness and information campaign on EPP in rural

	areas
Elderly 	<ol style="list-style-type: none"> 1. Equal retirement age between female and male 2. Introduce a three pillars pension system: Pillar 0: universal minimum pension; Pillar 1: Contributory SI pension (voluntary and mandatory); Pillar 2: Complementary individual saving accounts. 3. Develop long-term care and support system for elderly 4. Improve integration of the benefits package for vulnerable elderly poor 5. Increase flexibility in payment of pension contribution (Oct. 2013)

When converting the recommendations into scenarios one should consider:

- What is the government priority?
- Is data available for the cost estimation exercise?
- Can assumptions be made where data is not available or are further studies needed?

4. Working group discussion – Converting the recommendations into scenarios: validating the scenarios developed by Experts’ Meeting.

The World café (the participants stay 15 min in each café and turn from one café to the other) discussion took place in the afternoon session of the Workshop. The participants were divided into 4 groups per SPF guarantee as below:

Group 1 - Health

Facilitators: Ms. Ts.Tsolmongerel, MOH and Ms. B.Tsogzolmaa, WHO

Group 2 - Children

Facilitators: Ms. G.Oinbayar, NAC and Ms. S.Baigalmaa, ILO

Group 3 - Working Age

Facilitators: Ms.Ch.Erdenechimeg, MOL and Mr. Y.Nyamdava, ILO

Group 4 - Elderly

Facilitators: Ms.L.Munkhzul, MPDSP and Mr. T.Batsukh, ILO Consultant

The tasks of the groups were to discuss the recommendations and scenarios and validate the scenarios which were developed by Experts meeting on 13th March 2014 for all guarantees on a rotating basis (Group-1 discusses recommendations for Guarantee-1 for 15 minutes, then move to Guarantee-2, and etc...)

5. Presentation of the groups – Converting the recommendations into scenarios: validating the scenarios developed by Experts' Meeting.

Presentation of Group 1:

The presentation on the findings from group discussion was done by **Ms. Barkhas**, officer, MoH. The group proposed the following scenarios:



- H1.1: Increase the contribution rate of Category II (herders, unemployed, vocational students) for social health insurance to 1920 MNT (1% of minimum wage)
- H1.2: Share the contribution of category II as follows: 50:50 (Government: person); or 30:70 (Government: person) or 100% paid by person
- H 2.2: Include drugs in high demand in the list of essential medicine; keep the reimbursement at current 50-80 %; universal coverage
- H 6: Decrease the OOP by 25 percent.

Justification for new scenarios:

- The people become more responsible for their contributions.
- Make more breakdown in the Category II /herders shall be divided by number of livestock, and income)
- Introduce the experience of other countries (there is an international experience that the cost of bed and salary of doctors are beared by Government)
- The reimbursement shall be different based on needed health care, service type and level of clinics.
- The list of drugs in high demand do not meet the real demand, therefore the list shall be expanded.
- There are many cases when the pharmacies run out of limit of drugs listed as in high demand
- To include some costly health services into SHI

Presentation of Group 2:



Ms. Oinbayar, a specialist of Child Protection and Services of National Agency for Children, introduced the discussion results of the group.

She has stated that all 4 groups had participated at the discussion and validated all 5 scenarios that were proposed by Experts' meeting.

However, in addition two new scenarios were proposed:

C 1.2 Provide Child money only to children of poor families and vulnerable children; Parameters are: Target group: children of poor families, vulnerable children, children with disabilities; the amount of CM: as it is now, but shall be indexed in line with inflation.

C 3.1 Increase the meal allowance in pre-schools in accordance with inflation.

C 3.2 Parents contribute 50 percent of meal cost of children in kindergarten.

C 5. Estimate number of new kindergarten that will be built in coming years. All the data is available at the MoE.

Presentation of Group 3:

Mr. Y. Nyamdavaa, National technical officer of ILO MAPS, has introduced the findings of the discussion. All 10 scenarios for working age were discussed and validated.



Of different low and high scenarios the group have chosen the Sc WA5-2 and Sc WA 6-2 as the best ones that meets the current situation of beneficiaries and government policies.

Other issues that are raised during the discussions:

1. To set up a new independent guarantee 5 for People with disability and implement a special programme
2. The beneficiaries of TVET schools and Employment promotion programmes shall pay at least 10 percent of social insurance fee by themselves in order to realize what is SI and how it is paid and what will be their benefits.

Presentation of Group 4:

Ms. Buyanjargal, officer of Social Protection Policy Implementation Coordination Department, MPDSP, has introduced the findings.



E 1: To introduce equal retirement age for men and women (60 years old) by increasing the retirement age of women in steps (an option of early retirement should be kept)

E 2: To support multi-pillar pension scheme. The issues to be addressed:

1. The basic pension should have a contributory scheme (ex: 10 years)
2. 50 % shall be subsidized by Government
3. To maximum limit of income
4. The basic pension shall be set in line with minimum livelihood income and poverty line.
5. Introduce a care insurance (for example, in Japan 2 percent of income is spent for such service)

6. Presentation: “The Rapid Assessment Protocol (RAP), a tool to estimate the costs of social protection floors: Preliminary results of the RAP Mongolia

Ms. Celine Peyron, CTA of ILO/MAPS has introduced different cost estimation programs that are developed by ILO:

ILO/FACTS: ILO’s Financial, Actuarial and Statistical Branch: actuarial valuations of social security schemes and in-house actuarial expertise and model development

ILO Social Budget Model (1990’s) is a comprehensive modeling of social expenditure; it has several modules for projecting data and it is tedious to use and requires experienced use

Rapid Assessment Protocol (RAP) is built on the Social Budget Model, Compact (1 Excel file) is flexible and easy to use. It allows for ‘rapid’ costing of SPF benefits.

Role of the RAP

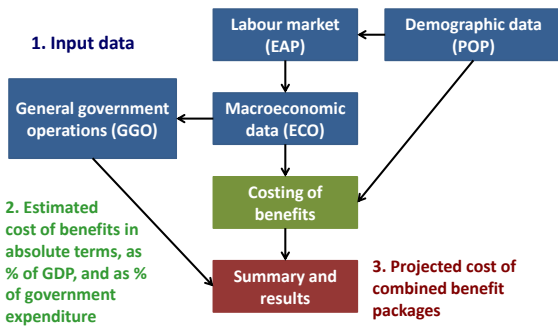
Informing the national dialogue on:

- Affordability of the proposed scenarios and their impact on the fiscal space can be assessed
- The additional expenditures may be financed by workers’ and employers’ contributions, government budget
- Preliminary fiscal space analysis is conducted by comparing the cost of the scenarios with GDP and adding the cost to government expenditures - in the GGO(Benefits) worksheet
- Fiscal space can be created by raising or introducing taxes, borrowing from international institutions or markets, cutting down on low-priority expenses

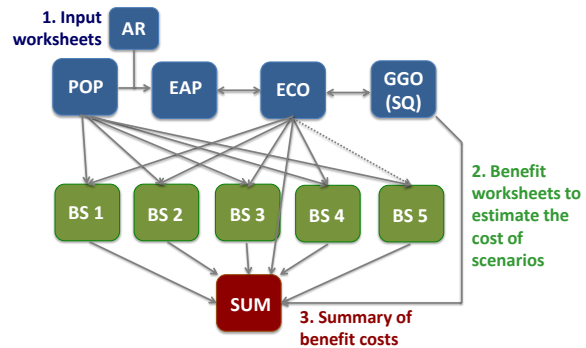
Advantages and limitations of RAP

- RAP can illustrate different policy options and provide a tangible basis to initiate and facilitate national dialogue
- Long-term sustainability of the programme can be checked by comparing the cost of implementation with economic indicators like GDP and government expenditure
- Results are simplistic and indicative
- Further detailed and actuarial studies are needed before designing a scheme

Structure of RAP



Structure of RAP



Using the RAP

Using the RAP

$$\text{Cost of implementing benefits} = \text{Number of people in the target group} \times (\text{Cost of benefits per head} + \text{Administrative cost per head})$$

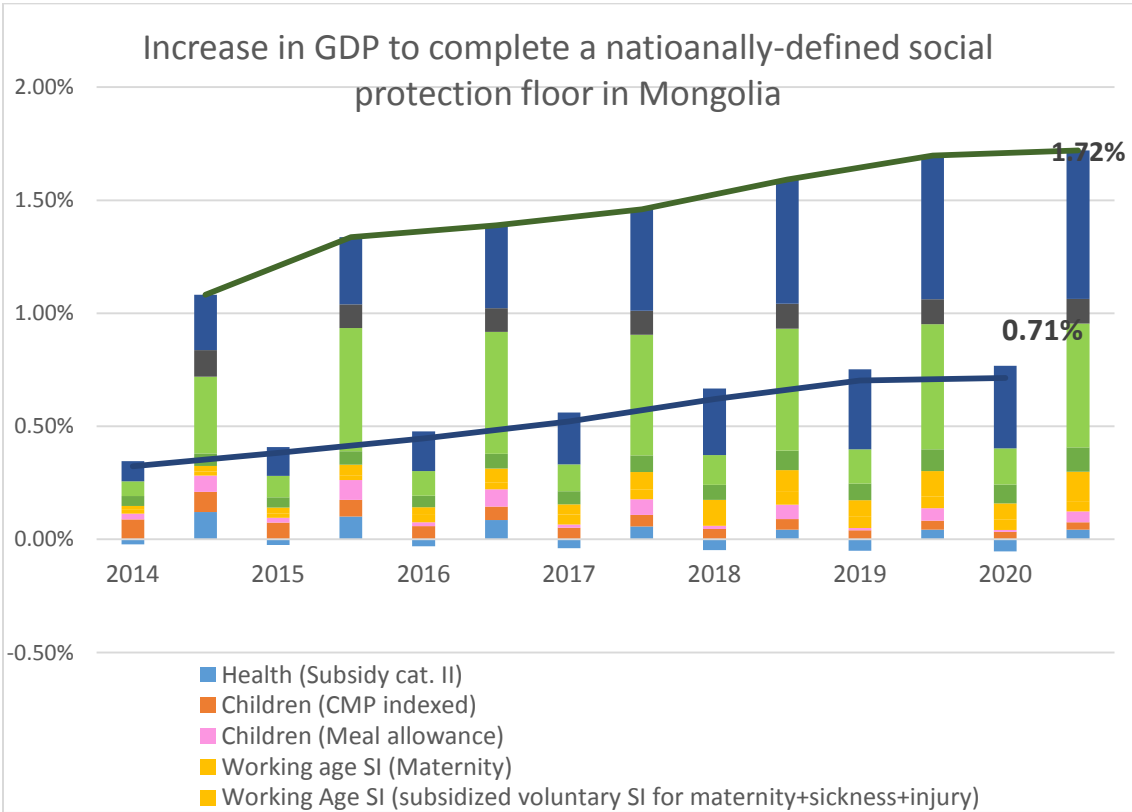
Parameter	What we have	What we need to know
Benefit amount	Current benefit level according to the programme design	Future benefit level based on inflation, wage increase, etc.
Target population	Current number of people in the target group	Future number of people in the target group based on general population growth, growth projections for specific groups
Coverage of the target group	Current coverage of potential beneficiaries	Extension of beneficiary coverage depending on take-up rate
Cost of extending benefits	Current cost calculated using the parameters above	Estimated future cost in absolute numbers, as % of GDP, as % of government expenditure based on GDP growth rate, forecasted government expenditure

The low and high scenarios were developed as follows:

Guarantee	Low scenarios	High scenarios
Health	Increase SHI contribution to Category II to 1% of minimum wage	Fully subsidize the SHI contribution for Category II
Children	Child money programme is indexed (differential no indexation) Food allowance for half board at 1650 MNT per day and full board at 2400 MNT per day (indexed on inflation)	CMP indexed (differential with no indexation) Increase food allowance: half-board at 2000 MNT per day, and full board at 4000 MNT per day (indexed to inflation)
Working age	Increase replacement rate during maternity leave at 100% for Category II (same as Category I) Subsidize SI contribution for EPP (100%/50%)	Increase replacement rate during maternity leave to 100% for Category II (same as Category I) Subsidize 70% of contribution to Voluntary maternity + sickness + injury insurance Subsidize SI contributions for EPP beneficiaries (100% for all)

		EPP (Entrepreneurship + VT) + SI subsidy for young herders maternity+sickness+injury insurance Training for beneficiaries of UI and disability pension
Elderly	Subsidize voluntary old age contribution at 50% + SW pension	Subsidize Voluntary old-age contribution at 70%+SW pension

At the end Ms. Celine has presented what are the preliminary results of RAP:



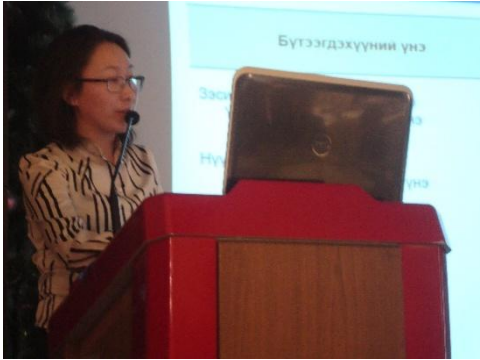
T.Batsukh, National social security consultant introduced to the audience the sources of data and difficulties in obtaining reliable and consistent data. The main sources of data were:



- National Statistical Office
- Institute of Labour Studies
- Ministry of Finance
- Social Insurance General office
- Ministry of Economic Development
- IMF's world economic outlook (alternative data sources)
- ILO LABORSTA

He has expressed that finding reliable data was a challenge, data from different sources were conflicting and NSO currently is revised the calculation methods of population since the last census of 2010. However, in partnership with different institutions he could provide comprehensive and coherent data and validate assumptions and projections.

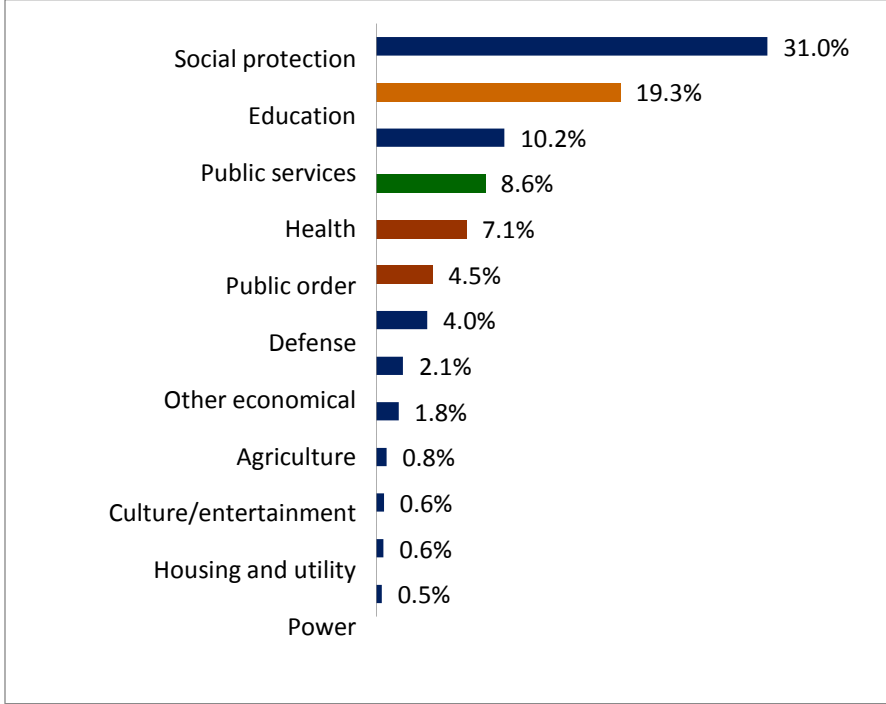
7. Supporting Presentation: “Social protection fiscal space in Mongolia: current situation and medium term assumption”



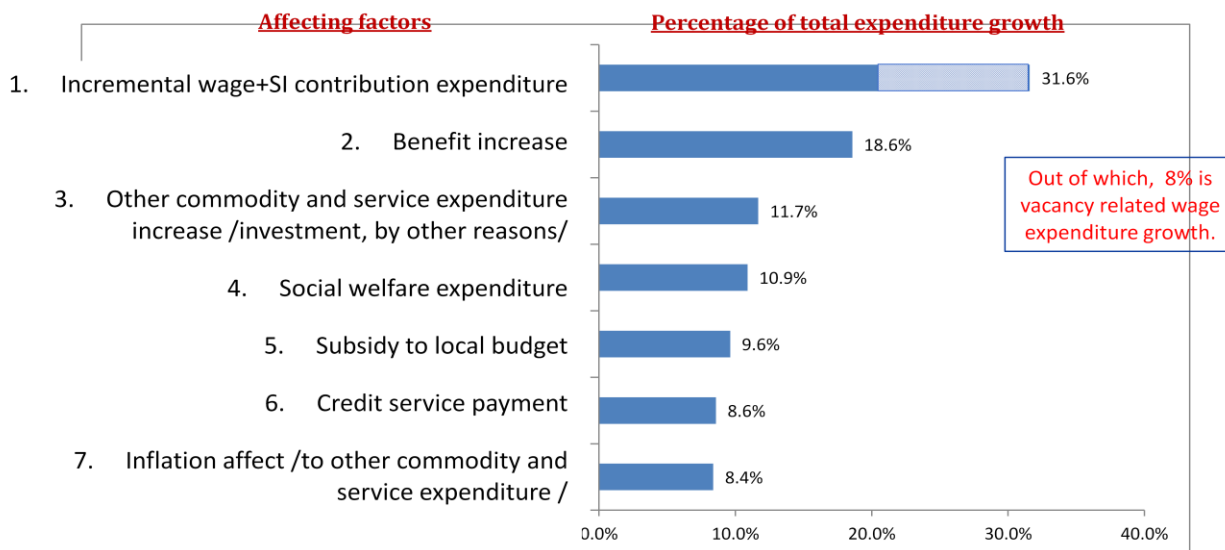
Ms. V. Rentsenkhand, Senior officer of Social security Budget, Government Expenditure Division, informed the participants on the current and medium fiscal space situation for Social protection programme. She also briefly introduced the Budget Expenditure Reforms.

She has stated that the fiscal situation of the country at the moment is not favorable due to economic downturn. Percentage of budget expenditure of GDP, the main indicator measuring the government involvement in the economy, is relatively high. Although the percentage of budget expenditure of GDP fluctuates annually, as of the last 10 years, the performance depicts a growing trend.

She also presented the structure of recurrent expenditure by sectors:



For the last 10 years, recurrent expenditure has increased by 10.4 times, and net growth has increased by 4.4 trillion MNT. The main factors that affected recurrent expenditure growth are:

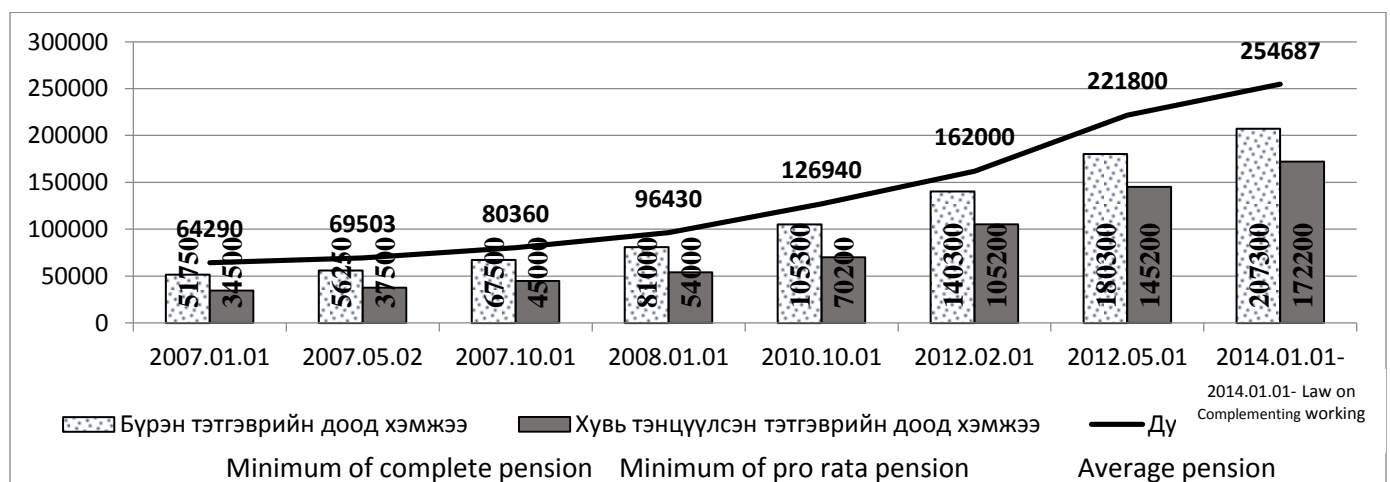


Factors that affected recurrent budget expenditure in details is shown in the Table below:

No	CHANGES IN TOTAL RECURRENT EXPENDITURE	2003	2013	Changes	% of total expenditure growth
1	Wage and SI contribution expenditure	142,440.1	1,541,489.8	1,399,049.7	31.6%
	Average wage of civil servants increased by 9.4 times			1,095,793.2	24.7%
	Number of civil servants increased by 38.5 thousand			339,948.4	7.7%
2	Other commodity and service expenditure	176,496.1	1,065,644.8	889,148.6	20.1%
	Price level changed– 3.2 times			371,605.1	8.4%
	Others /Service coverage, investment objects etc./			517,543.5	11.7%
3	Credit service payment	17,649.4	397,805.8	380,156.4	8.6%
	Foreign credit service increased	12,826.5	125,948.2	113,121.6	2.6%
	Domestic credit service increased	4,822.8	271,857.6	267,034.8	6.0%
4	Subsidy and recurrent remittance	119,794.3	1,979,140.8	1,859,346.5	42.0%
a.	SI fund benefit increased	87,504.6	910,482.3	822,977.7	18.6%
b.	Social welfare expenditure increased:	19,822.2	502,555.3	482,733.1	10.9%
	Basic welfare expenditure increased	19,678.5	146,503.0	126,824.5	2.9%
	New welfare types appeared	0.0	116,052.3	116,052.3	2.6%
	Cash delivered to public	0.0	240,000.0	240,000.0	5.4%

c.	Benefit in education sector	0.0	120,000.0	120,000.0	2.7%
d.	Subsidy	12,467.5	566,103.2	553,635.7	12.5%
	Subsidy to power and heating deficit	7,853.3	33,966.5	26,113.2	0.6%
	Subsidy to municipal transportation	1,523.4	46,550.7	45,027.3	1.0%
	Subsidy to local budget	3,090.8	429,586.0	426,495.2	9.6%
	Subsidy to agricultural sector	0.0	56,000.0	56,000.0	1.3%
TOTAL RECURRENT EXPENDITURE		470,028.8	4,900,000.0	4,429,971.2	100.0%

The average wage in last 10 years has increased by ten times. Following the wage increase the pension also been increased as it shown in the graph below:

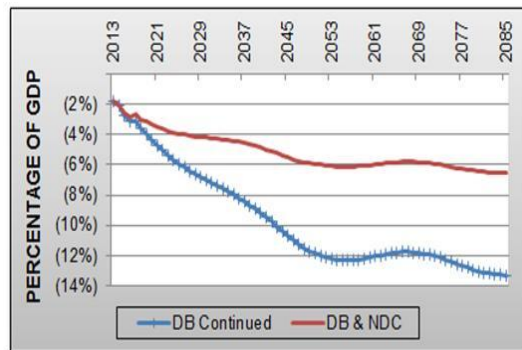
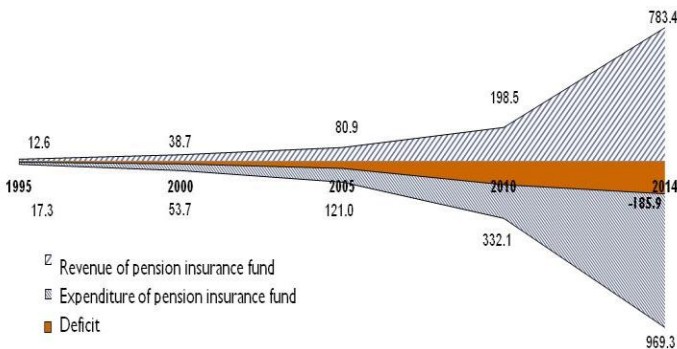


Years	Pension increase rate and amount	Period of increase	Resolution
2007	(Pension *15%)	2007.01.01	Government Resolution 15, 2007
2007		2007.05.02	Government Resolution 110, 2007
2007	Pension + (from 7500 to11250₮)	2007.10.01	Government Resolution 241, 2007
2008	(Pension *20%)	2008.01.01	Government Resolution 355, 2007
2010	(Pension *30%)	2010.10.01	Government Resolution 241, 2010
2012	Pension + 35,000₮	2012.02.01	Government Resolution 80, 2012
	(Pension + 35,000₮)*23%	2012.05.01	Government Resolution 153, 2012
2014	Up to 200,000 +27,000 MNT; up to 600,000 +22,000 MNT; Others +20,000 MNT	2014.01.01- Law on Complementing working years and pension insurance contribution	Government Resolution 15, 2014

The changes in welfare expenditure are shown in the graph below:

No	Types of expenditure	2003		2014	
		Number of people involved	MNT /in mln/	Number of people involved	MNT /in mln/
I.	Types of continuing welfare types	354,091	19,559.2	522,352	176,625.8
1	Welfare pension	39,748	5,739.2	66,098	90,422.1
2	Welfare benefit	152,376	10,049.8	31,292	19,826.6
3	Social welfare and nursing services	33,272	306.7		
4	Social welfare services for disabled	19,283	985.2	55,248	14,306.6
5	Discount and services for elders	107,141	2,400.0	169,644	17,882.4
6	Discount for Partisans of people's revolution, State & Labor heroes, Public titleholder elders	2,271	78.5	3,550	2,983.2
7	Benefit for distinguished mothers	-	-	196,520	31,205.0
II.	Types of welfare appeared for the last 10 years			287,413	88,105.6
8	Benefit for pregnant and nursing mothers			80,134	38,464.3
9	Single benefit for veterans			1,447	3,396.8
10	Participatory approach welfare services			58,582	9,826.0
11	Conditional grant to support livelihood			42,400	25,844.4
12	Food support			100,450	9,986.3
13	Specialized nursing services				137.8
14	Benefit for reindeer people			4,400	450.0
III.	Other grant			1,000,000	240,000.0
15	Children's money			1,000,000	240,000.0
	TOTAL	354,091	19,559.3	1,809,765	504,731.4

Deficit of Pension insurance fund has been increasing annually. Pension insurance fund expenditure of 969.3 billion MNT occupies 18.2% of total recurrent expenditure of aggregated budget. According to the World Bank actuarial consultant projection, deficit of pension insurance fund will increase annually reaching 8% of GDP in 2035, and 12% in 2050, respectively.



Source: World bank PROST projection

MoF is planning to take the following measures in order to improve the situation:

1. GOAL 1: Decrease budget deficit and increase stockpiling through implementing anti-cycle budget policy; the objective are:

a. Limit budget expenditure growth at macro level, the following actions will be taken to reach the objective:

i. Develop and have approved proposal to limit the budget-cycle following policy measures, which mainly affect expenditure growth at macro level:

- Reflect the issue not to increase revenue and expenditure submitted by Government in Law on Budget Sustainability and Law on Budget;
- Study and develop legal regulation to not exceed recurrent expenditure growth than population growth, previous year inflation and expected performance average of present year inflation /budget midterm framework, annual budget limit/
- Establish legal environment to index wage and pension only reflecting inflation and labor productivity growth

b. Decelerate expenditure growth and improve government property management through extending partnership of public and private sectors; the following actions will be taken to reach the objective:

i. Elaborate proposal on reducing government involvement in economy through developing partnership of public and private sectors; Within this scope, thoroughly study and make a decision on the following issues based on the analysis of obligations

- In cooperation with related ministries, study and make a decision on the issues to shift some budget institutions and state budgeted manufactures to self-sustained, and to privatize state and local property entities;
- Study and make a decision on the issue to give the right of privatization to local authorities considering the increase of property use expenditure along local investment growth;
- Reduce subsidy to state property companies;

- Have schools, kindergartens and hospitals built by concession, and let private sector be in charge of the services;
- Have some government services implemented by private sector; For instance, have security and services for local schools, hospitals, kindergartens and cultural centers implemented through contractors;
- Privatize health resorts affiliated to budget institutions /Civil Aviation Authority, Police, Ministry of Defense, Customs General Administration etc/

2. GOAL 2: Save budget expenditure and improve effectiveness; the objective are:

a. Enhance budget effectiveness through elimination of duplication; the following measures shall be implemented

i. Develop proposal on structural and management changes towards improvement of budget expenditure effectiveness; Within this scope, thoroughly study and make a decision on the following issues based on the analysis of obligations

- Integrate duplicated budget institutions;
- Integrate universal services such as cleaning, maintenance and security of local, ministerial and state organizations, or have some services implemented through contractors;
- Standardize services and finance performance by normal;
- Reduce number of funds through amendment of Law on Government Specific Funds, and save through reducing number of secretariats or their integration

b. Limit vacancy related recurrent expenditure growth; the following measures shall be implemented:

i. Reduce vacancies of budget institutions up to 20%, limit and freeze in relation with the measures to change structure and management, support partnership of public and private sectors and eliminate duplication; At the same time, in cooperation with related ministries, take measures not to increase unemployment rate through transferring or mediating the released staff to other vacancies, involving in employment programs and implementing specific programs

- Have Government resolution on not creating new vacancies at budget institutions approved and enforced; Clearly reflect this issue in the guideline for 2015 revenue limit and annual budget planning;
- In 2012-2013, study cases and reasons of failure of the article in Law on Budget on vacancy limit of budget institutions to be defined by Minister of Finance, and develop and enforce required legal acts;
- Approve and enforce reference vacancy normal in education and health sectors;
- Study and make a decision on the issue not to include labor contractors with civil services in the category of civil servants;

- Survey vacancies of contractors and as the first step, reduce unrequired vacancies up to 50%;
 - Establish data system on vacancies and their changes at budget institutions, and connect it with the budget planning system;
 - Subtract management vacancies /Deputy Governor, Deputy Heads of Departments at Ministries and Agencies etc./ at budget institutions
- c. **Freeze and reduce some commodity and service expenditure that can be tolerated, the following measures shall be implemented:**
- i. Reduce some commodity and service expenditure for basic and support services for budget institutions
- Reduce use civil service vehicles; Introduce regulation that only Government members use vehicles, and other civil servants use on-call services;
 - Reflect in related regulations and enforce the requirement to choose less fuel spending or liquefied gas using vehicles for city transportation when planning and managing procurement;
 - In order to reduce expenditure for meetings, conferences, seminars and training, limit organizing these events in expensive hotels, more than 2 days and/or gathering a large number of participants, and adopt e-methodology using advanced communication technology; Within this scope, define related expenditure norm, and enforce from 2015 fiscal year;
 - Nullify expenditure for furniture procurement in 2015-2016 fiscal years;
 - Develop and enforce expenditure normal per civil administrative servant;
 - Make a decision not to spend budget saving for incentives;
- d. **Correlate government subsidy and support to some programs with outcome and responsibilities; the following measures shall be taken:**
- i. Analyze impact and effectiveness of some considerable programs and measures to economy and society:
- Benefit to students (whether to relate with achievement and presence)
 - Subsidy and incentives to herders, producers and importers (whether increases production and export)
 - Compensation for stamped out livestock due to highly contagious animal diseases (whether herders will be responsible for involvement of livestock in vaccination)
 - Subsidy to student transportation (whether to reduce or cancel)
- e. **Enhance effectiveness of recurrent expenditure in relation with budget investment**
- i. Improve relationship and effectiveness between capital and recurrent expenditure
- Enhance integrity of relationship between capital and recurrent expenditure at the planning stage;
 - Budget and administrative institutions not to construct individual buildings; Do best to jointly manage and cheapen space use and service expenditure;

- Not to implement less effective projects, which increase recurrent expenditure from local and state budget investment
 - Include an additional criterion for projects and programs to be implemented by Local Development Funds not to increase local basic and permanent-type recurrent expenditure;
3. **GOAL 3: Improve budget responsibility and transparency, and equally distribute the government basic services to the public; the objectives are:**
- a. **Implement effective, equal and accessible social protection policy**
 - i. Based on the actuarial projection and recommendation developed by an international consultant, analyze the following issues in the pension reform options
 - Estimate mid and long-term impacts of pension reform options to budget, and define budget capacity;
 - Define possible options to implement pension reform, and sources and methodologies to finance;
 - Develop index-based pension approaches
 - b. **Improve budget effectiveness through improving budget planning techniques and enhancing integrity of planning and performance**
 - i. Have prepared for transferring from traditional to result-based program budgeting
 - In order to correlate budget classifications, review and update structure and stages of existing programs, measures, financial sources and economic classification, and pilot from 2015 fiscal year;
 - Have developed and approved Law on Government Specific Funds;
 - Develop and enforce procedures to rationalize financing approaches for social basic services to the public such as first stage health aid and education;
 - Strengthen capacity of related staff of budget institutions

8. Closing remarks of the Third ABND: Assessing the cost of social protection floors in Mongolia: Methodology and Preliminary results

The closing remarks were made by Mr. Isawa, Assistant minister of International Affairs, Japanese Ministry of Health, Labour and Welfare and Ms. B. Otgonjargal, State Secretary of MPDSP.



Mr. Isawa, has noted that he carefully observed how the participants are took part in the dialogue. Also he had a chance to talk to some people, representatives of government and other sectors. After his participation in this Workshop, he is convinced that the topics of the project inputs are urgent problems that Mongolia is facing and looking for solutions and with such active dialogue the Project can fulfill its tasks.

Ms. Otgonjargal, has emphasized that the Workshop in overall went very successful. The participants took active part in the discussions and came with concrete proposals for scenarios on every guarantee. She stressed that this Workshop is a preparation for a real work, and she wished the Project successful implementation.

Photo gallery from the Launching workshop and the third ABND



