



Mongolia

# **SDGs Mainstreaming, Acceleration and Policy Support**

UN-ADB Joint Mission Report



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Leaving no one behind: Achieving the social & key environmental dimensions of the SDGs within the context of financing constraints in Mongolia



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# Executive summary

## I. Introduction

In November 2017, a joint United Nations - Asian Development Bank MAPS<sup>1</sup> mission visited Ulaanbaatar to identify and offer assistance to the Government in addressing challenges to Mongolia's achievement of the Sustainable Development Goals, and the Government's Sustainable Development Vision. After the mission's departure, a short note presenting key findings was circulated to key government counterparts (See Annex 5).

After a brief period of very rapid GDP growth from 2011-2013, Mongolia's economic situation deteriorated steadily. By 2016 GDP growth had fallen to nearly zero, the fiscal deficit had climbed to nearly 20% of GDP, and Mongolia faced a serious risk of default on external debt. In the face of these macroeconomic challenges, Mongolia tightened fiscal and monetary policy and entered into a three year Extended Fund Facility (EFF) agreement with the International Monetary Fund (IMF), which opened the door for a large multi-year package of concessional finance from multilateral and bilateral organizations and governments. This resolved the immediate crisis, but tight constraints will still be necessary for some time to move Mongolia back to a sustainable economic trajectory.

By May 2018, the Government has already achieved impressive results in reversing the macroeconomic deterioration and reducing the fiscal deficits. However recent trends have made clear that without an equally strong focus on social and environmental issues, Mongolia's sustainable development, and its ability to achieve the SDGs, are at risk with considerable longer-term consequences for Mongolia's development and for the wellbeing of the Mongolian people. The challenge that Mongolia faces now is to identify underlying structural obstacles to SDG achievement and key social and environmental bottlenecks that can be addressed within the current fiscal framework. This provides an excellent opportunity to focus on improved medium term-planning and budget expenditure management thereby generating lessons that will be useful over and beyond the considerations of fiscal stabilization.

The initial mission note to government presented three core recommendations regarding measures that could enhance ability to achieve the SDGs under current tight fiscal conditions:

1. **Coordinated and coherent policy making – and implementation – will be vitally important.** This requires mechanisms to align sectoral policies and plans with the SDGs and with any other government short- and medium-term policy priorities, while identifying duplication and inefficiency and closing gaps in coverage.
2. **Systems are needed at the Cabinet level to carefully monitor SDG progress, including the effectiveness of SDG-related government-financed programs.** If the Government wishes to make demonstrable SDG progress by 2030, it will be necessary to closely track the progress of key SDG programs while holding central and local government officials accountable for outcomes. Systems that provide decision-makers with up-to-date high-level information on SDG progress to allow quick responses to bottlenecks would be of great benefit.
3. **Policies and budget allocations need to be better aligned with Mongolia's Sustainable Development Vision 2030 to enhance impact.**

This full MAPS report takes these initial findings further in two ways. First, more details are presented regarding selected economic, social and environmental trends that are currently posing challenges to Mongolia's achievement of the SDGs. This analysis is based on reviews of existing reports and is not designed to be comprehensive. Rather it is meant to illustrate some current challenges and approaches to address

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<sup>1</sup> MAPS stands for Mainstreaming, Acceleration, Policy Support and describes a common approach adopted by the UN Development Group (UNDG) to support the implementation of the SDGs around the globe. The joint UN-ADB SDG MAPS mission is part of a series of efforts across all regions and country contexts to provide integrated policy support tailored to different country settings.

them that are feasible even within tight fiscal constraints. Second, the report concludes with a number of concrete recommendations for reforms of the policy-making process in order to better align short-term and long-term goals, along with offers of UN and ADB assistance to the Government in moving ahead with their implementation.

## II. Key social and environmental findings

The core concept of the Agenda 2030 for Sustainable Development is 'Leaving no one behind'. The SDGs dig deeper than past reliance on aggregate indicators and look at the dynamics of inequality and vulnerability for those who are falling behind the rest of society. In Mongolia, vulnerability is associated with income, age, gender, location and sources of livelihoods. Moreover, these dimensions are interrelated, creating multiple deprivations. The MAPS mission report identifies a number of population groups who are currently being left behind, or at strong risk, and whose situation requires greater attention from policy-makers.

- **The poor.** The sharp jump in poverty headcount ratio in 2016 reflected worsening conditions across the country, but particularly in the Eastern Region, where the rate reached 43.9 %. Income poverty rates do not capture the full extent of deprivations. Using a multidimensional approach we find that approximately one in four children under the age of two years simultaneously experience at least three deprivations, such as lack of nutrition, lack of access to water and to sanitation<sup>2</sup>.
- **Herding population,** impact of pastureland degradation. There has been widespread awareness of the dangers of overgrazing as Mongolia's herd size has grown over the years, however there are currently no policies to incentivize herders to limit the size of their herds, and there are some policies that encourage them to grow their herds. The boom/bust cycle in animal husbandry, with rapid herd expansion leading to pasture land degradation, increasing vulnerability to bad climate conditions and then to traumatic *dzud* and loss of livelihoods with all its consequences for men, women and children has not been arrested.
- **The urban poor.** While the income poverty rate in Ulaanbaatar is lower than the rural rate (27 % vs 35 %) urban poverty is inherently multidimensional in nature. Many internal migrants in the periurban ger districts lack access to education, health, water, electricity, heating and clean air. The report documents early childhood development and education problems for poor urban children.
- **Youth.** Lack of access to reproductive health services and high unemployment rates pose a danger of placing a sizeable portion of Mongolia's youth in a poverty trap.
- **Children.** In addition to the deprivations just mentioned, Mongolia's children in general, not only the poorest, are facing many obstacles and vulnerabilities, including poor nutrition, poor living conditions, lack of access to acceptable quality health care and education, and the impact of high levels of air pollution on the still developing respiratory system and other organs of children in the Ulaanbaatar area. Air pollution is also a major risk to the unborn child. Air pollution issues are analyzed in some detail, including a discussion of steps that can be taken quickly without requiring large government spending.
- **Women.** Women face many specific obstacles and vulnerabilities. They are excluded from many of the more lucrative employment sectors, and concentrated in lower paying ones. They lack access to reproductive health care, causing health, financial and employment problems for them. They are the victims of 88% of domestic violence incidents.
- **The elderly.** While the proportion of population 60 years old and above is now only 6%, this number is going to rise steadily in coming years. The cost of providing income security and health care services could impose large fiscal strains.

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<sup>2</sup> SPRI N-MODA Portal, (2015). *Mongolia*. [online] Available at: <http://nmoda.spriglobal.org/countries/mng?locale=en>

Another core concept of the 2030 Agenda for Sustainable Development is the importance of adopting integrated approaches to policy making which view policies from the perspective of all three dimensions of sustainable development – economic, social and environmental. The report provides analysis in four areas where integrated interventions led by the government can accelerate progress towards the SDGs: addressing air pollution, addressing land degradation, addressing ageing trends, and addressing the challenge of demographic trends.

### **III. SDG-alignment of government policy to date**

The team reviewed the alignment of Government policies and budget allocations, including the new Three Pillar Development Policy (TPDP), with the Sustainable Development Vision (the SDV). The report presents the results in two formats: first a graphic analysis of three key policy documents, the SDV, Government Action Plan (GAP) and 2018 Socioeconomic Guidelines, and second, of the 2018 budget, in terms of how closely they are aligned with the SDGs. That graphic analysis is supplemented by a less detailed review of the TPDP, which was approved after most of the preparation of this report was already completed. The main findings were that all the policy documents are aligned with some SDGs – in particular the decent work, poverty, health and education goals, but less so with environmental, gender and overall inequality content of the SDGs. The finding of the budget analysis was similar, although influenced by the large proportion of government spending is directed toward non-SDG purposes, most importantly debt repayment and servicing.

The report presents a richer analysis of budget trends, challenges and opportunities in health care, particularly reproductive health in the context of a rapidly growing and young population; education; social protection, where the issues of financial management in programmes such as the Child Money Programme (CMP), Food Stamp Programme (FSP), pensions and some of the new social benefits are reviewed; and environment. In all these vital SDG sectors options are set out for resolving problems without large new budget costs.

### **IV. Conclusions and recommendations**

The Government's effort to attain the SDGs under current tight fiscal conditions presents both a challenge and an opportunity. Reversing the negative trends of recent years will require considerably enhanced coordination of policy and budget to align short-term measures with long-term goals, and increase efficiency by eliminating waste and closing policy gaps. That will in turn require clear and frank recognition of the difficulties the Government has experienced, since the end of central planning, in establishing a workable institutional setup for policy coordination and planning, and of the negative consequences this failure has led to. Effective policy coordination and planning would greatly enhance the Government's capacity to achieve any long-term goals such as the SDGs, as well as short- and medium-term goals such as objectives of the the GAP and the TPDP. When Government strategies are accompanied by evidence based analysis of the multi-sector and actions needed to attain their goals, then those strategies will gain more meaning and substance than they have had in recent years.

Toward that end, the mission report issued the following recommendations along with offers of possible support by the UN agencies and the ADB, which constituted this integrated mission (hereinafter, "the agencies").

## IV.1. Systems for coherence in policy making, resource allocation and monitoring

### 1. Strengthen mechanisms that support coordinated and coherent policy making and implementation

- Realize the commitment to sustainable development and the SDGs by anchoring the oversight of the SDGs in a high-level decision-making body with the authority to oversee the work of all ministries and other bodies working on SDG-related activities. This can be done directly through the Cabinet, or other means, such as revitalization of the currently inactive Sustainable Development Council;
- Clarify the division of responsibilities between the Ministry of Finance (MoF) and line ministries, the National Development Agency (NDA), the National Statistical Office (NSO) and the Cabinet Secretariat to address policy overlaps and to strengthen policy coherence;
- To improve the existing mechanisms, it needs to be clarified and understood across the whole of the government who:
  - a) is responsible for ensuring that a policy (existing or new) is consistent with the overall SDV/SDG priorities and considers possible synergies, trade-offs and adverse effects in other sectors;
  - b) determines, that newly proposed policies and investments do not have negative social and environmental impacts;
  - c) assures that environmental and impact assessments are of satisfactory quality and meet the standard and findings of the assessments are followed through;
  - d) evaluates existing policies and investments for their effectiveness, efficiency and relevance;
  - e) is responsible for monitoring of progress against SDV/SDG indicators at the aggregate level and has the authority to request corrective or accelerated actions if necessary; special attention should be paid to capturing and monitoring interventions that are cross-cutting and have significant social and environmental impacts, but risk “falling into the cracks”;
- Similarly, the division of responsibilities between the MoF and NDA needs to be clarified especially with regards to integrating outcome based planning for the SDGs and the SDV and the qualitative impact analysis of policies with the budgetary planning process and creating the necessary feedback loops. This will contribute to ensuring that the level of ambition of newly formulated policies, programs, plans and investments are based on realistic forecasts of public and private revenues that will underpin their implementation, and
- Continue to improve the ‘policy analysis’ function, distinct from planning and monitoring function, within the respective line ministries and NDA.

#### **In this regard, the agencies can provide the following support to the government:**

- Support the capacity of the Parliament and oversight/steering institution in integrated approaches to policy making;
- Assist the government in establishing sustainable planning and policy functions to achieve long-term goals, namely through:
  - a) Support to the on-going formulation of the Government Medium-Term Development Plan and linking it to the SDGs and medium-term rolling budget as well as annual budgeting, thus creating unified and streamlined development framework;
  - b) Policy modelling capacities and capacities to determine/assess quality of the EIAs;
  - c) Introducing and gradually building evaluation function within the government and Parliamentary Secretariat;
  - d) Support to the integration and better linking of policy targets with budgets;



- Support the capacity of MoF, NDA and line ministries in integrated policy analysis and planning, including in identifying priority policies and programmes on the basis of evidence, and
- Support sub-national governments, particularly Ulaanbaatar city, in localizing SDGs and in increasing domestic public revenues. Support can be also provided to the Ulaanbaatar city to mobilized private sector resources to achieve the SDGs.

## 2. Align public expenditures with Mongolia's SDV 2030, medium-term plans and the SDGs

- Improve alignment of the government budget with the SDGs and government's medium- and long-term policy priorities starting with the 2019 annual budget and mid-term rolling budget;
- Introduce and test rigorous criteria for prioritization of public investment projects that consider not only costs but also social and environmental impacts/ benefits, including identifying cross-cutting interventions that risk "falling into the cracks" between various ministries' portfolios;
- Strengthen capacity to assess the integrated social and environmental impacts and risks of programs with significant spending and identify investments into interventions that could trigger progress across multiple SDV/SDG targets, and
- Introduce budget performance criteria that look beyond annual budget execution rate and assess what results have been delivered for the funds spent to ensure that the expenditures were effective.

### **In this regard, the agencies can provide the following support to the government:**

- Support the MoF in reviewing core SDG-related components of the annual and mid-term rolling budget from the social and environmental perspectives, starting with the 2019 budget and expanding in ensuing years;
- Advocate for and support practices and tools that will make SDG alignment and impact an explicit element of every budget proposal, and
- Support MoF in including a new analytical section in future budgets on linkages to SDG achievement, with some key indicators and targets.

## 3. Enhance the system of monitoring of SDV, TPDP and mid-term programs by developing an integrated system to monitor progress

- Establish coherent institutional arrangements with regard to monitoring of the SDV, GAP, TPDP and the SDGs, in particular by reviewing and clarifying the responsibilities of the line ministries, Cabinet Secretariat, NDA and the NSO in monitoring results achieved by ministries and other government agencies;
- In parallel, a shift towards more results- and not activity-oriented programming and planning documents should be instituted at the point of their design and formulation, allowing for their subsequent effective monitoring and evaluation;
- Consider developing a more comprehensive and rigorous results framework for medium-term plans that is based on evidence and experts' knowledge and incorporates SDG targets relevant for Mongolia. The necessary precondition for effective monitoring is an integrated medium-term development plan with SDV and SDGs at the core;
- Introduce a system to hold government officials accountable for outcomes based on the results framework. This will require adoption of 'outcome' and 'output' definitions and unified result-framework templates for easy comparability and aggregation across programs and policies;
- Ensure that the monitoring system at local levels (aimag and soum) works effectively along and are linked with the central-level monitoring system;
- Adopt a system that provide decision-makers with up-to-date high-level information on SDG progress to allow quick responses to bottlenecks, and
- Identify and take steps to fill some priority data gaps, including on SDG 16, with clearly assigned responsibilities for data collection, data analysis and data use.

**In this regard, the agencies can support the government in:**

- Support the NSO, the Cabinet Secretariat and other relevant government agencies in developing and utilizing an integrated SDGs/SDV/outcome monitoring dashboard, including at the subnational level;
- Support the government in preparation of the voluntary national report on the SDGs to be presented by the Government at 2019 High-Level Political Forum (HLPF);
- Develop innovative ways of integrating disconnected systems, such as the NDA's online enterprise system with the social welfare database to facilitate better data and knowledge sharing and exchange of information, and
- Conduct an assessment of national evaluation system and capacities to evaluate progress towards the SDGs (building on the regional UNDP/UNICEF initiative).

**IV.2. Integrated policies and interventions to address specific social and environmental issues to accelerate progress towards achieving the SDGs**

**1. Social protection**

- Safeguard social protection expenditures to ensure minimum income security for all, including children, and
- Ensure equal access to quality basic social services for all.

**In this regard, the agencies can support the government in:**

- Undertake fiscal space analyses and promote sustainable funding solutions to expand social protection measures, and
- Identify bottlenecks and gaps in service delivery for the poor and the vulnerable and address them through institutional strengthening and sound public finance management, and
- Continue support to capacity building and strategic planning in the sector.

**2. Addressing air pollution**

- Take urgent and sustained measures to address the immediate impact of air pollution on health such as improving indoor air quality in kindergartens, schools and hospitals and by providing better health care in the most affected districts;
- Further refine and sequence implementation strategies for the National Programme for Reducing Air and Environmental Pollution and develop realistic financing strategies underpinning the programme, and
- Invest in establishing strong governance and implementation structures for initiatives to reduce air pollution that will allow for transparent monitoring of results and related expenditures from both public and private sector, both domestic and external.

**In this regard, the agencies can support the government in:**

- Provide technical assistance to implement urgent measures to reduce the impacts of air pollution on health, with a focus on children and pregnant women;
- Conduct consultations and advocacy on technical and behavior change measures to reduce air pollution focused on sustainable production and consumption, including the use of more efficient fuel and insulation;
- Help develop an integrated climate-land-energy-water model to provide evidence for long-term planning of the energy mix with reduced emissions that is consistent with fiscal realities and tariff policies to protect the poor, and
- Help develop an integrated financing framework on air pollution.

### 3. Addressing land degradation

- Reinstating livestock taxes and/or pasture fees, and
- Consider introducing environmental fiscal transfers to subnational governments for incentivizing investments in sustainable pasture management.

**In this regard, the agencies can support the government in:**

- Conduct consultations and advocacy, including focused advocacy on livestock taxes/pasture fees, as well as broader advocacy on sustainable consumption and production;
- Carry out analyses to assess the impact of livestock taxes or pasture fees on herders' livelihoods, compare relative impacts of livestock taxes v. pasture fees, and
- Identify priority measures for sustainable pasture management, and assess feasibility of introducing fiscal transfers to subnational governments aimed to promote sustainable pasture management.

### 4. Improving reproductive health

- Safeguard expenditures for family planning, with emphasis on ensuring access and utilization by the most socioeconomically disadvantaged people, and
- Strengthen the gender-based violence response by considering the allocation of budget funds for the implementation of the revised Domestic Violence Law.

**In this regard, the agencies can support the government in:**

- Review the budget allocation and expenditures for family planning activities and identify opportunities for expanding access and utilization by leveraging service delivery efficiency gains and prioritizing access for most vulnerable people, and
- Developing costing estimates to support the implementation of the Domestic Violence Law.

# 1. Context and entry points

## 1.1. Context

Mongolia's GDP growth plummeted from 17.3% in 2011 to 1.2% in 2016 due to decrease of mineral commodity prices and drying up of FDI.<sup>3</sup> Expansionary fiscal and monetary policies of the government in 2012-2014 failed to stimulate growth and led to a massive increase in public debt, which shot up from 33% of GDP in 2011 to 87% of GDP in 2016.<sup>4</sup> In May 2017, the IMF approved an EFF for Mongolia to stabilize the economy, restore debt sustainability, and improve fiscal and monetary management. The IMF financing, together with funding from the ADB, the World Bank, Japan, the People's Republic of China (PRC), and the Republic of Korea, will provide the government concessional financing totaling US\$5.5 billion, enabling the government to repay some creditors and to bring down the cost of debt servicing.

By November 2017, the government had taken steps to stabilize the macroeconomic deterioration, bringing down the interest rates paid on government debt by about 6 percentage points.<sup>5</sup> But despite higher growth expected in 2017 and 2018, debt sustainability remains fragile – it is estimated that if commodity prices decline by 15 %, the debt level can become unsustainable again.<sup>6</sup> High debt levels, particularly with increased share of borrowing at commercial interest rates, have significant implications on Mongolia's progress towards SDGs, as debt repayment and the cost of debt servicing reduces resources to finance development.

The rapid deceleration of growth affected progress in poverty reduction - the poverty rate increased from 21.6% in 2014 to 29.6% in 2016.<sup>7</sup> If problems of land degradation, air pollution, and access to safe drinking water are left unaddressed, meeting environmental goals under the SDGs will be challenging. Moreover, this can undermine the overall development progress and challenge the achievement across many SDGs.

In this context, without a strong focus on social and environmental dimensions of development – which also means protecting essential public spending on social and environmental objectives - Mongolia's prospects for sustainable development and its ability to achieve the SDGs risk suffering a severe setback. Reversals in human development progress, degradation of the environment and reversals in progress on poverty reduction, stemming in part from reductions in public investments, will be difficult to overcome. A key long-term development objective set by the government of Mongolia - to create a diversified economic base - will require a healthy, skilled and educated population and integrity of the environment and natural resources.

## 1.2. Aligning strategies and budgets with 2030 Agenda and SDGs

Mongolia has articulated its long-term development objectives in the "Sustainable Development Vision 2030" (the SDV) adopted in February 2016. The adoption of the SDV, based on a consensus of the major political parties, signalled a commitment to achieve greater policy continuity. Prior to the SDV, the parliament also adopted the Green Development Policy in June 2014, which aims to ensure that green development becomes one of Mongolia's fundamental goals. It is accompanied by an Action Plan of January 2016, to be implemented in two phases: 2016-2020 and 2021-2030 and was designed to help reorient national development planning and guide sectoral policies towards inclusive and green growth.

The process of alignment of national and sub-national strategies, policies and plans with the SDV, as mandated by the Law on Development, provides important opportunities and a mechanism to ensure that the ambitions

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<sup>3</sup> NSO, [www.1212.mn](http://www.1212.mn)

<sup>4</sup> Excluding external liabilities of the central bank.

<sup>5</sup> IMF 2017.

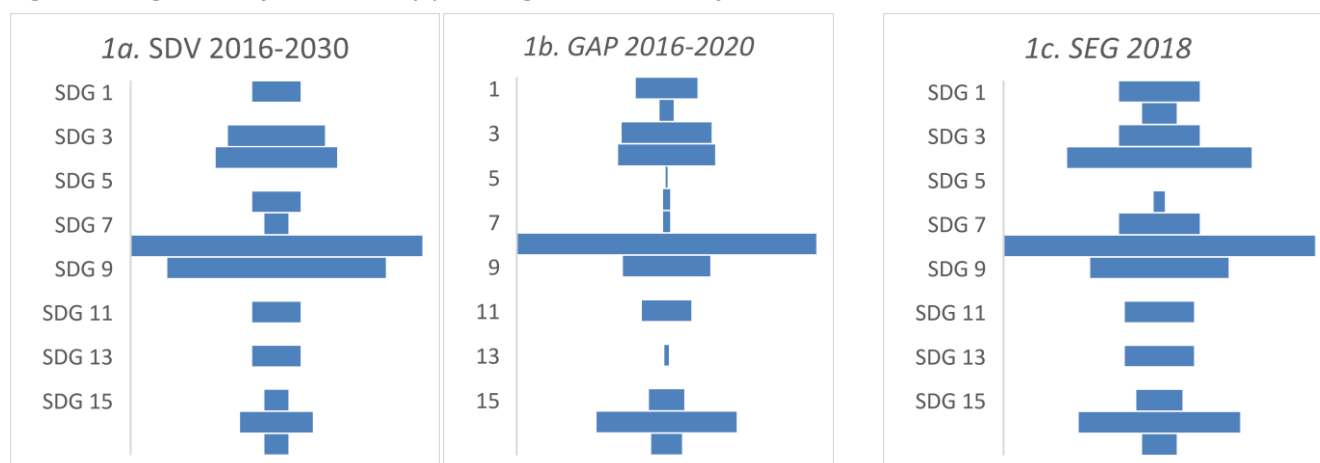
<sup>6</sup> Bauer et al. 2017.

<sup>7</sup> NSO 2017.

articulated in the 2030 Agenda in terms of an integrated vision of sustainable development and “Leaving No One Behind” are addressed. Such alignment is also happening at the subnational level - the UB city authority, supported by UNDP, has developed city-specific SDG targets, indicators and identified interventions; it is currently working to adopt a SDG roadmap, as part of the city’s long-term development strategy.

A SDG-level review of the SDV shows that the SDV, although heavily focused on promotion of economic growth, diversification and infrastructure building, includes many SDGs. However, several SDGs which are at the heart of “Leaving No One Behind” – notably, gender equality<sup>8</sup> and reducing inequalities – are only included as general principles, and lack specific objectives and actions (Figure 1a). The SDV does not sufficiently recognize the trade-offs and synergies between economic, social and environment dimensions of development. The GAP 2016-2020 was largely informed by concerns about the fiscal crisis and debt unsustainability and most of its objectives relate to the SDGs on economic growth, poverty reduction, health, education and governance (Figure 1b). However, objectives related to the environment – such as those on clean energy, water and sanitation, and climate change action - as well as those related to economic diversification - such as those on science and innovation, found limited reflection in the GAP. Similar to GAP, the Socio-Economic Guideline (SEG) 2018 (the annual plan) has a disproportionately strong emphasis on goals related to economic growth, governance, poverty, education and health (Figure 1c). While this emphasis can be explained by the government’s attention to dealing with the fiscal crisis, there is no clear indication of sequencing of activities or the cost of inaction, related to particular to environmental issues.

Figure 1. Alignment of SDV and key planning documents’ objectives with the SDGs.



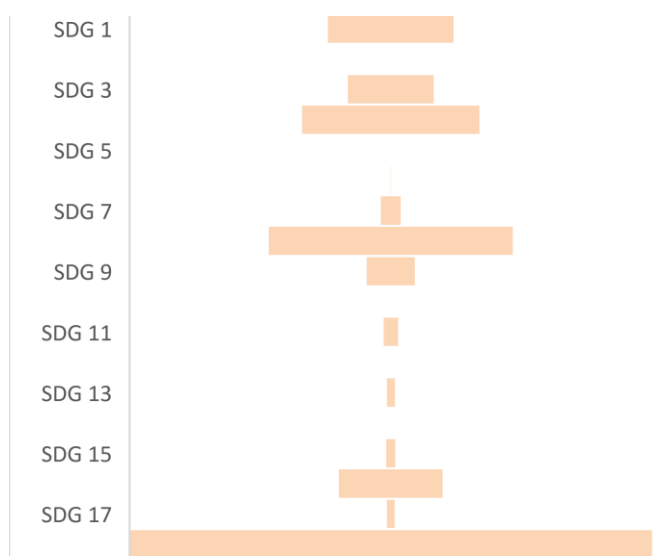
Source: Based on comparison matrices by UNDP Mongolia

Notes: The length of the bars indicates the number of objectives stated in the SDV, GAP and SEG, respectively, that correspond to the respective SDGs. General principles or stand-alone indicators were not included in the count of objectives.

<sup>8</sup> Despite the adoption of the National Programme on Gender Inequality (2017-2021), which indicates a lack of connection between the SDV and thematic / sectoral programmes.

A similar review of the 2018 budget against the SDGs shows the extent to which debt repayment and servicing diverts resources away from financing for the SDGs – interest and principal repayments together accounted for a third of the budget (shown in Figure 2 as “non-SDG” item).<sup>9</sup> In comparison, planned expenditures for economic sectors, energy and other infrastructure accounted for 22.8%; social welfare, health and education together accounted for 28.5% of the budget.

Figure 2. Alignment of 2018 budget with the SDGs



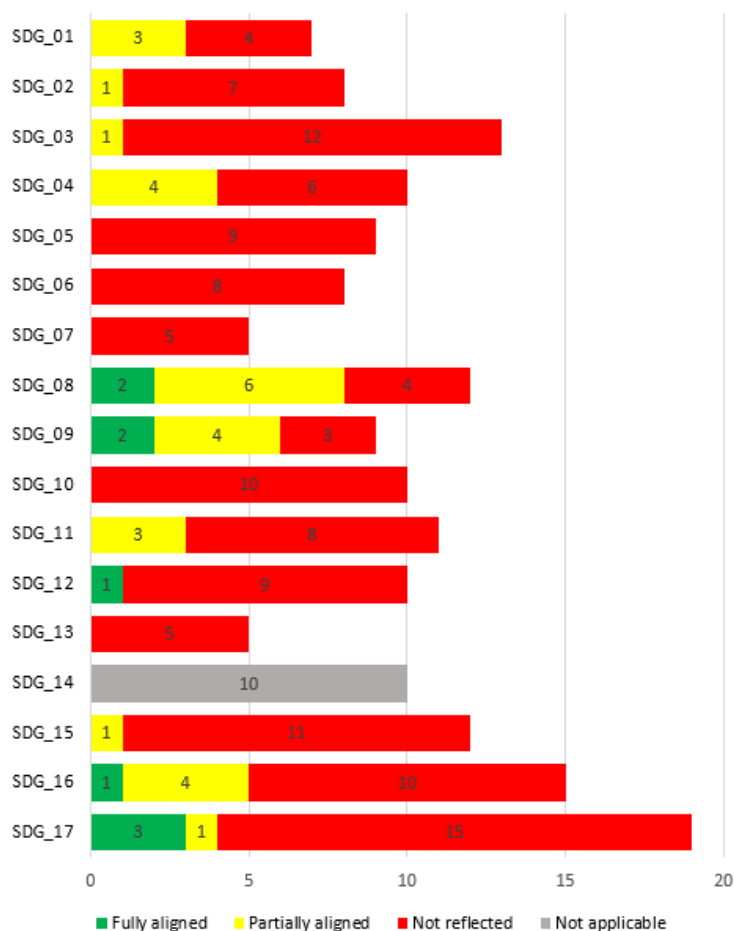
Source: Based on comparison matrices by UNDP Mongolia

### 1.2.1. Alignment of the Three Pillar Development Policy with 2030 Agenda and SDGs

After the Mission’s visit and after the first several rounds of drafting of this report were completed, the Government approved in February 2018 a TPDP which is serving as the key guideline for investment decisions in the coming two fiscal years. The policy sets forth the three pillars of government investment policy for 2018-2020 as: 1) multi-pillar economic development policy; 2) fair, equitable, accountable and sustainable governance policy, and; 3) people-centered social policy.

<sup>9</sup> In the 2018 budget, MNT4,233 billion (or 34.2% of the budget) was budgeted for debt repayment, and MNT259.8 billion (or 2.1%) for payment of debt interest. In addition to these budget for defence (the non-SDG item) was MNT237.1 billion (or 1.9% of total expenditures).

Figure 3 - Alignment of Three-Pillar Development Policy (TPDP) objectives with SDG targets



with a majority of actions (51%) being concentrated on a single goal, namely SDG 8.

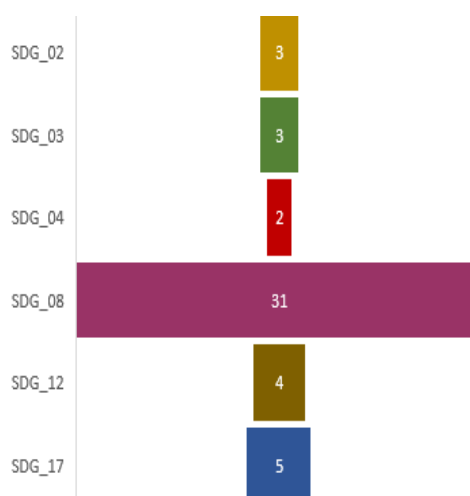
While the TPDP can play a role in contributing to SDG achievement in Mongolia, it would need to be integrated into Mongolia’s longer term policy visions of the SDV and the SDGs as one element of a broader mix of medium/long term plans and programmes. As such, the central finding of the mission’s review of the TPDP is closely linked to the general recommendations of this report. Mongolia’s main medium- and long-term development challenge is not primarily in the formulation of goals and programmes; it is the establishment of viable coordination mechanisms that support the implementation, monitoring and resourcing of programmes and can guide investment and budgetary allocation decisions.

A general review comparing the alignment of the TPP with the SDGs offers the following preliminary conclusions:

Like the GAP, the TPDP is strongly oriented towards reinvigorating sustainable economic growth, which the MAPS mission agrees is a precondition for SDG attainment. The TPDP programme supports the creation of economic, and specifically fiscal, conditions for increasing investment in SDG priority areas that are discussed in this report. This growth focus is complemented by attention to human and governance dimensions of development. Overall, however, the TPDP differs from the approach of the SDGs and covers a more limited subset of the targets included in the SDGs. In particular, by proposing to mainstream environmental targets, the TPDP does not follow the logic of the SDGs to make environmental preservation a targeted, stand-alone focus of development efforts in order to ensure that a healthy planet and intact ecosystems can sustain a growing and productive population.

Similar to the SDV, the TPDP also does not provide great detail on some other core SDGs such as gender, inequality and addressing climate change. Roughly one fifth of the 169 SDG targets are addressed by TPDP objectives

Figure 4 - Concentration of TPDP interventions per SDG



## 2. Ensuring that “No one is left behind” and “At risk of being left behind”

The Government of Mongolia is committed to eradicating poverty in all its forms. Reduction in poverty, both in monetary terms and in terms of multidimensional deprivations, is at the core of realizing the principle of “Leaving No One Behind”, a core ambition of the 2030 Agenda for Sustainable Development. However, realizing the ambition of “Leaving No One Behind” also requires reducing inequalities and disparities.

Poverty declined significantly in 2012-2014 (from 39.2 to 21.6%) but increased in 2014-2016 (to 29.6%).<sup>10</sup> Incomes of many households in Mongolia are clustered around the poverty line, thus these households remain vulnerable to falling back into poverty. Multidimensional poverty continues to be a challenge. Nearly two-thirds of children below the age of two simultaneously experience at least three types of deprivations, such as lack of nutrition, lack of access to water and to sanitation.<sup>11</sup>

There are a number of reasons why people are being left behind. First, the gains of economic growth do not trickle down equally, partly because growth is driven by resource extraction. Second, inequality in accessing social services leads to greater disparities. Third, spatial disparities remain an important determinant of who is left behind and this dimension plays out differently in rural and urban areas. Fourth, extreme weather events contribute to the impoverishment of herders, further deepening the disparities between them and urban populations.

### 2.1. Who is being left behind?

The below section provides a snapshot of some of the most concerning disparities and groups that are at risk of being left behind.

**Spatial disparities.** Poverty has traditionally been highest in the countryside, followed by soum centres and then aimag centres. Whereas the poverty rate declined significantly in the countryside and soum centres in the past decade, it has hardly changed in aimag centres. Geographically, there has been a significant reduction in poverty in the West, Khangai and Central regions, while it had increased in the Eastern region - the poverty headcount ratio is now the worst in the Eastern Region at 43.9%, compared with 24.8% in Ulaanbaatar and 26.8% in the Central Region.<sup>12</sup> About 35.6% of the population with a monthly average per capita consumption between the poverty line and MNT250,000 (US\$102) are considered vulnerable in 2016 because they were particularly vulnerable to shocks and at risk of falling back into poverty.

Inequality in access to basic social services contributes to perpetuating the intergenerational transmission of poverty. Children in poor households are the most vulnerable members of the society – there is a clear correlation between poor nutritional status and income poverty, with infant and under-5 mortality rates more than three times higher in poor households.<sup>13</sup> Despite improvements in income poverty in the Western region, this region continues to lag behind all others in terms of other dimensions of poverty. Access to antenatal care is two and a half times lower in the Western region (31%) than the national average (83.6%). The proportion of underweight and stunted children is highest in the Western region (2.6% and 19.5%) and lowest in

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<sup>10</sup> NSO 2017.

<sup>11</sup> SPRI N-MODA Portal, Mongolia. <http://nmoda.spriglobal.org/countries/mng?locale=en>

<sup>12</sup> World Bank Press Release, October 17, 2017

<sup>13</sup> UNICEF 2015.



Ulaanbaatar (0.6% and 7.1%). In the academic year 2013/2014, 34.5% of out-of-school children nationwide were in Bayan-Ulgii aimag alone.

**Herders.** Nearly 30% of the population in Mongolia derive their livelihoods from livestock herding. Inequality among herders increased considerably in the past two decades. On the one hand, 5% of herder households own 22% of all livestock (8,300 herder households own 12 million heads of livestock).<sup>14</sup> On the other hand, about 45% of herder households own fewer than 200 heads of livestock - considered a threshold for subsistence.<sup>15</sup>

Herders' livelihoods are extremely vulnerable to environmental risks such as land degradation and harsh weather conditions such as *dzud*. The *dzuds* in 2000-2002 led to the loss of 21% of livestock, and in 2009-2010, 26%.<sup>16</sup> The latter *dzud* has impacted 220,000 herder households – 44,000 households lost all their livestock and 164,000 households lost half of it.<sup>17</sup> *Dzud* affects also children's health and education<sup>18</sup>.

The impacts of extreme weather conditions on herders' livelihoods are amplified due to land degradation. About 65% of the pastureland in Mongolia is estimated to have been degraded to some extent, of which 7% is degraded beyond recovery.<sup>19</sup> In turn, livestock herding impacts on land degradation. In some areas in central Mongolia, the concentration of livestock exceeds the carrying capacity of pastures. In consultations organized with over a thousand herders in 14 aimags in 2016, overgrazing by livestock was identified by 64% of the herders as a pressing issue.

**Urban poor.** Mongolia's population is becoming more urbanized with 68% living in urban areas in 2016 compared with 55% in 1990.<sup>20</sup> This means that even though the poverty rate is lower in urban areas than in rural (27% compared with 35%),<sup>21</sup> there are more poor people living in urban areas in Mongolia. Beyond income poverty, urban poverty manifests in terms of substandard housing conditions and poor access to basic quality social services such as education, health, water, sanitation, electricity and heating. Urban poverty is particularly concentrated in ger areas of Ulaanbaatar and other urban centres. Ger areas are more exposed to air and soil pollution, are more likely to be affected by natural disasters such as flooding, and have limited access to basic services.

In the past 27 years, the capital city has grown from hosting 27% of the population to around 46% of Mongolia's population primarily due to internal migration from rural areas.<sup>22</sup> Poverty is concentrated in ger areas of Ulaanbaatar – while about 23% of Ulaanbaatar residents are multi-dimensionally poor; among ger residents, this figure is 40%.<sup>23</sup> With an estimated 40,000 migrants arriving in Ulaanbaatar annually, migration, together with natural population growth, put a strain on the city and its services. Some schools in Ulaanbaatar hold classes in three shifts due to the lack of school facilities and teachers. The kindergarten enrolment in Ulaanbaatar also lags behind that in aimag and soum centers by 10 percentage points<sup>24</sup>. Due to concerns with accelerated migration to the capital which aggravates air pollution in the cold season, the city municipality recently has put a series of restrictions on in-migration. As a result, the number of people who migrated to

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<sup>14</sup> FAO 2017. The calculation of livestock numbers is based on figures from the National Statistical Office of Mongolia: [www.1212.mn](http://www.1212.mn), accessed 2 December 2017. Figures are for 2015.

<sup>15</sup> Ibid. Also see World Bank 2009.

<sup>16</sup> NSO, [www.1212.mn](http://www.1212.mn), accessed 31 January 2018.

<sup>17</sup> World Bank news, 6 November 2012. Lessons from the Dzud: Adaptation and Resilience in Mongolian Pastoral Social-Ecological Systems. <http://www.worldbank.org/en/news/feature/2012/11/06/lessons-from-dzud>

<sup>18</sup> <https://blogs.unicef.org/evidence-for-action/children-bear-the-cost-of-extreme-weather-new-evidence-from-mongolia/>

<sup>19</sup> FAO 2017.

<sup>20</sup> NSO, [www.1212.mn](http://www.1212.mn), accessed 31 January 2018.

<sup>21</sup> NSO 2017.

<sup>22</sup> NSO, [www.1212.mn](http://www.1212.mn), accessed 31 January 2018.

<sup>23</sup> World Bank 2017b.

<sup>24</sup> World Bank 2017a.

Ulaanbaatar was some 11,000 less in 2017 compared with the previous year, while net migration was negative.<sup>25</sup>

Many rural migrants lack appropriate skills and are unable to adapt to the employment needs of the formal sector in large urban centers. As a result, migrants often find themselves working in the informal sector where wages remain low and are unregulated. This contributes to widening disparities in living standards and increasing vulnerability in urban centers.

Respiratory diseases are also a major threat in urban centers, linked to severe air pollution during the cold season. Especially children and pregnant women are at high risk in terms of respiratory diseases and pregnancy outcome<sup>26</sup>. Amongst adults, conservative studies estimate that around 29% of cardiopulmonary deaths and 40% of lung cancer deaths are attributed to poor outdoor pollution in Ulaanbaatar<sup>27</sup>. Ger areas are especially prone to air pollution because ger area households lack clean, affordable and safe sources of energy for heating.

**Youth.** Overall unemployment was 7.5% in Mongolia in 2015, with unemployment of men higher than that of women (8.2% vis 6.7%). Youth unemployment (20-24 years), at 25.4% in 2016, was much higher than the national average.<sup>28</sup>

The youth have particular vulnerabilities related to reproductive health and security. The adolescent birth rate is high at 40 births per 1,000 women aged 15-19. The unmet need for family planning is particularly high among adolescent women (36.4% compared with the national average of 16%). Of particular concern is the abortion ratio, which rose from 169 per 1,000 live births in 2008 to 189 in 2013. Also notable is the syphilis incident rate of 60 per 10,000 among young people aged 15-24, compared to 32 among those aged 25-49. While the HIV prevalence rate has been low (below 0.03% nationally), the percentage of youth with comprehensive knowledge of HIV/ AIDS is only 21% among men and 23% among women<sup>29</sup>. Youth and adolescents are particularly vulnerable to domestic violence and violence in schools and in the streets – either as victims or as perpetrators. Young people aged 18-29 make up half of all people sentenced for crimes and over a third of people – victims of crime.<sup>30</sup>

**Maternal and child mortality.** Mongolia has achieved the MDG maternal mortality reduction target - the maternal mortality ratio has decreased from 199 per 100,000 live births in 1992 to 26 in 2015. However in 2016, the maternal mortality rate increased to 48.6 per 100,000 live births, indicating a worrying trend.<sup>31</sup> Although the infant and under-5 mortality rates have fallen since 1990, the mortality rate of newborns has fallen at a slower rate (from 25 to 10 per 1000 live births between 1990 and 2014). The risk of newborn deaths is higher among poor, rural and disadvantaged groups who are less likely to have access to quality care. One leading cause of infant and child mortality is respiratory illness due to air pollution. Initial analysis showed that in the last 10 years, the incidence of respiratory diseases in Mongolia increased alarmingly, including a 2.7-fold increase in respiratory infections per 10 000 population.<sup>32</sup> Pneumonia is now the second leading cause of under-five child mortality in the country.<sup>33</sup> Children living in a highly polluted district of central Ulaanbaatar

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<sup>25</sup> UNDP 2018, forthcoming.

<sup>26</sup> National Center for Public Health and UNICEF (2018) Mongolia's air pollution crisis: a call to action to protect children's health

<sup>27</sup> Allen et al 2011.

<sup>28</sup> NSO 2016b.

<sup>29</sup> NSO SISS 2013

<sup>30</sup> Government of Mongolia and UNDP 2016. National Human Development Report 2016. Building a Better Tomorrow: Including Youth in the Development of Mongolia.

<sup>31</sup> Ministry of Health, Annual Health Indicator Report.

<sup>32</sup> National Center for Health Development, Ulaanbaatar Mongolia. Initial analysis by UNICEF Country office [2017; unpublished.

<sup>33</sup> Ochir C.; Smith K.R.; Hill D.L.; Olkhanud P.B.; Damdinsuren Y.; Munkhtuul O.; Edwards R.D.; Turner J.R. Final Project Report: Air Pollution and Health In Ulaanbaatar, Ulaanbaatar, Mongolia, 2014.

<http://ehsdiv.sph.berkeley.edu/krsmith/publications/2014/UB%20Final%20Report%20-%20July%2010.pdf>

were found to have 40% lower lung function than children living in a rural area.<sup>34</sup> Childhood exposure to air pollution can also lead to lung cancer and cardiovascular disease later in life.

**Gender disparities.** Persistent gender disparities in employment are revealed by differences in the labour force participation (68% for men and 55% for women). The labour force participation rate, which declined nationally since 2012, has declined faster for women. The average wage differences between men and women (men's average wage is higher than women's by 19.4%) also indicate gender disparities in employment, although data is not available for measuring gender-differentiated pay for equal work.<sup>35</sup> It is also reported that prospective employers are reluctant to employ young women, who are perceived as unemployable due to their child-rearing and child-bearing roles – while the overall unemployment rate among women is usually lower than that among men (except in 2013), for women under the age of 30, the unemployment rate is often higher than for men of the same age group.<sup>36</sup> Far fewer women work in high-demand, higher paid sectors, such as mining and construction industries; women are concentrated in lower earning sectors like education, health, social services, food production, wholesale and retail trade.

Gender-based violence (GBV) remains a serious violation of human rights in Mongolia. A large number of calls to local police are due to domestic violence - in 2016, police records showed 1,449 reported domestic violence incidents, which included 1,357 injuries, 26 cases of rape and 16 deaths.<sup>37</sup> Insufficient nationwide data on GBV prevalence hides the magnitude of this problem, but it is reported that 88% of victims of domestic violence are women, and 57% are young women aged 14-34 who are less likely to report incidents.<sup>38</sup> Other forms of gender-based violence, which include discrimination and harassment towards lesbian, gay, bisexual and transgender (LGBT) persons, human trafficking, and sexual harassment in the workplace, are coming to light. Violence against children is also a serious concern, which is increasingly gaining national attention. About 78% of primary school children and 99% of secondary school students have experienced corporal punishment or have been subjected to violence of some sort.<sup>39</sup>

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<sup>34</sup> Dashdendev B, Fukushima LK, Woo MS, Ganbaatar E, Warburton D. Carbon monoxide pollution and lung function in urban compared with rural Mongolian children. *Respirology*. 2011; 16:653-8

<sup>35</sup> NSO, [www.1212.mn](http://www.1212.mn), accessed 30 April 2018.

<sup>36</sup> For instance, for 20-24 year old group, women's unemployment rate had been consistently higher than men's since 2011; for 25-29 year old group, women's unemployment rate had been higher than men's in 2009, 2013 and 2015. NSO, [www.1212.mn](http://www.1212.mn), accessed 30 April 2018..

<sup>37</sup> General Police Authority. 2017. Police administrative records-2016. Ulaanbaatar.

<sup>38</sup> Government of Mongolia and UNDP 2016.

<sup>39</sup> UNICEF 2015.

### 3. Focusing on selected accelerators and unpacking the budget

As mentioned above, currently the SDV, the GAP and the TPDP make little references to trade-offs and synergies between different objectives and targets. This section highlights the importance of adopting integrated approaches to policy making which view policies in a way that balances the three dimensions of sustainable development – economic, social and environmental. It lists accelerator interventions, identified by this mission, that could trigger progress across several SDGs and targets and thereby can help the government to channel scarce resources towards areas with a high degree of development impact.

#### 3.1. Addressing air pollution and its implication on health, public expenditure and the economy<sup>40</sup>

Air pollution has proven links to respiratory and cardiovascular diseases, two of the five major diseases in Mongolia and major causes of death. Air pollution particularly affects younger children, neonates and pregnant women, with the effects ranging from respiratory diseases, lower lung function, pre-term births, to problems with brain and cognitive development. Catastrophic levels of winter air pollution in Ulaanbaatar<sup>41</sup> have been met with increasing social discontent, and in recent years the government has taken a number of actions to reduce air pollution.

The cost of air pollution is substantial. Direct costs of air pollution to the public health sector in Ulaanbaatar city are estimated to be about MNT24.5 billion in 2017-2025, and together with some of the indirect costs (lost productivity of carers), amount to MNT46.6 billion over the same period. This does not account for further, long-term indirect costs, such as lost days of work and lost earnings of the children of today when they become adults.<sup>42</sup>

Improving air quality to acceptable levels is the only sustainable solution. However, considering the long-term actions and substantial investments far beyond the remit of the current government given current tight fiscal constraints, it is clear that this will take a considerable number of years to achieve. Therefore, in the interim period, urgent measures should be taken to stave off some of the most egregious impacts of air pollution, particularly targeting children and pregnant women. This includes measures such as rolling out of pneumonia vaccines, provision of good quality medicine free of charge for outpatient treatment of children suffering from air pollution related diseases in the most polluted districts, training of health workers to provide reliable and practical information to mothers as part of pre- and postnatal care services, improving indoor air quality in public buildings where children spend a significant part of their time - schools, kindergartens and hospitals, provision of advisories related to the use of high quality face masks and behavioural/ advocacy campaign, would provide immediate, short-term relief to some of the most vulnerable and severely affected children. Measures that would pay off in the medium term should also be taken urgently.

In 2008-2016, the government spent about MNT147 billion to reduce air pollution (about US\$60 million) and additional US\$60 million of donor funding. In 2017, the ADB, with funding from the Green Climate Fund (GCF),

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<sup>40</sup> This section draws on two recent studies by the United Nations in Mongolia: 1) National Center for Public Health and UNICEF (2018) Mongolia's air pollution crisis: a call to action to protect children's health; and 2) UNDP 2018, forthcoming. Public expenditure analysis of air pollution and costs of inaction or ineffective air pollution measures. Study conducted by AARC.

<sup>41</sup> Although the intensity of air pollution in Ulaanbaatar and the number of people it affects is catastrophic, this should not overshadow the fact that air pollution has risen in other urban centres as well and presents health problems.

<sup>42</sup> NCPH and UNICEF 2018.

started a US\$130 million program on Ulaanbaatar air quality improvement. One of the biggest initiatives was implementation of ger area improved stoves project funded by the USA Millennium Challenge Corporation (MCC) (US\$33.8 million).<sup>43</sup>

In the past two years, the government has stepped up its efforts, by adopting the National Program for Reducing Air and Environmental Pollution (NPRAEP, March 2017), revamping the National Air Pollution Council, allocating fiscal resources to air pollution, and making a decision to ban raw coal from May 2018. For instance, the 2018 budget allocations include: introduction of PCV in UB city (MNT1 billion), supply of air purifiers in selected schools (MNT2.7 billion), night electricity subsidy to households (MNT8.3 billion) and subsidy for coked coal (MNT3.7 billion). However, the implementation of NRAEP will face considerable challenges, as it envisages spending MNT9.8 trillion over the next 3-4 years – in other words, 33 times more than was spent in the 10 years to 2016, from both domestic public resources and donors. Therefore, a clear strategy, based on the fiscal realities and prospects as well as the national energy resource availability, is critical.

Reducing air pollution in urban areas, and particularly Ulaanbaatar, requires integrated solutions that are technically and financially feasible, while at the same time appropriate for the climate and the social context of Mongolia.

A number of parallel investments require to be made consistently over the years to meet both air pollution targets and Mongolia's Nationally Defined Contributions (NCDs) on climate change under the Paris Agreement. Interventions to be financed by these investments need to focus on:

- Ger area re-development and re-design to increase the concentration of population thus reducing the cost of providing heating using cleaner energy – away from ger sprawl to multi-story residential districts;
- Improving insulation and reducing heat loss in both apartment and ger districts;
- Various solutions towards cleaner energy, such as expansion of the central heating grid, heat-only boilers that can use cleaner energy sources, electric boilers, and electric heaters combined with reduced cost of night-time electricity, and filtering air pollution at power plants, and
- These interventions need to be designed considering the economics of switching to cleaner energy at household level, and the social acceptance and behavior of users.

The government and donors have already made considerable investments on the areas above (See section 5 on Recommendations) and are further planning to ramp up investments in the coming years. However, there is a lack of a coherent strategy and financing framework for air pollution reduction measures.

Further, a strategy for air pollution reduction will require appropriate sequencing, prioritization, and interlinkages between air pollution reduction actions, energy policy, tariff setting, and regional development policy. This strategy can be supported by development of an energy model that also incorporates climate, land, water considerations, linked with a macroeconomic model and household data which would help inform the overarching strategy, as well as help provide evidence for specific policy and regulatory changes. Finally, an integrated financing framework on measures to reduce air pollution should be developed that would help the government to pull together both domestic and external resources, and monitor and report on interventions.

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<sup>43</sup> The largest component of the project was to introduce a market-based, subsidized mechanism for higher efficiency stoves. The improved stove component only started to be implemented in 2010.

### 3.2. Reversing land degradation and its impact on rural poverty and vulnerability

The livestock sector had been on an unsustainable growth trajectory in the past two decades. Despite massive deaths of livestock due to *dzuds*,<sup>44</sup> the number of livestock more than doubled since 1990, from 25.9 million to 61.5 million in 2016<sup>45</sup>. This growth contributed to the degradation of land in fragile ecosystems of Mongolia. Degradation of pastures has significant social impacts, since nearly a third of the population derives their livelihoods directly from livestock herding, and many more earn incomes from the value chain of livestock products - transportation, processing, wholesale and retail sales and exports.

One of the objectives articulated in the SDV is “keeping the number of livestock and herd structure within pasture carrying capacity”. Despite this stated objective, there are no policies to incentivize herders to limit the number of livestock. Pasture fees were effectively discontinued since 2006, and livestock taxes were abolished in 2009<sup>46</sup>. Moreover, programs such as government awards to herders with 1000 or more heads of livestock promote the growth of livestock.<sup>47</sup> There is a growing recognition among herders that reforms are needed to address pasture degradation – a survey among herders conducted in preparation for the draft Pasture Management Law showed that 74% of respondents supported the draft law<sup>48</sup>. Pasture management is also fragmented and underfunded - while revenues from land use fees are collected by aimag governments, it is soum governments that are responsible for pasture management<sup>49</sup>. Pasture management measures carried out by soum governments are generally ineffective and are limited to rodent and grasshopper control and drilling of wells to open up new pastures.<sup>50</sup>

Therefore, it is important to re-introduce incentives for herders to keep fewer livestock and to manage pastures more sustainably. Such measures can include introduction of livestock taxes or pasture fees<sup>51</sup>, complemented by a more integrated set of measures at subnational level for sustainable pasture management that would improve the resilience and productivity of livestock.

Several prior lessons learned, challenges and opportunities should be taken into account:

- Indexing livestock taxes and/or pasture fees to inflation;
- Considering the differences between livestock taxes and/or pasture fees: livestock taxes are more easily evaded by underreporting of livestock. In contrast, pasture fees are more difficult to game. They also have additional advantages such as protecting the rights of herders particularly in cases of displacement (by mining). However, pasture fees would also require more fundamental land reforms which should consider the specifics of nomadic, flexible systems of land tenure;
- Using differentiated taxes or fees for different geographical and climatic zones with varying carrying capacity, as well as areas with different levels of livestock concentration;
- Building in mechanisms to protect poor herders, for instance by exempting the first 200 heads of livestock or herders with few livestock from taxes;

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<sup>44</sup> Dzud is a natural disaster specific to Mongolia that occurs through a combined effect of a drought in the summer followed by a cold winter.

<sup>45</sup> NSO website, [www.1212.mn](http://www.1212.mn)

<sup>46</sup> Personal Income Tax Law; also see the Law on Land Fees 1997, Article 8, amended 2006.

<sup>47</sup> Although changed in 2016 to include productivity indicators, the awards policy still emphasizes the number of livestock as one award criterion.

<sup>48</sup> Centre for Policy Research 2016. In addition, anecdotal evidence shared by the Ministry of Environment and Tourism.

<sup>49</sup> The Budget Law 2011.

<sup>50</sup> UNDP 2017c.

<sup>51</sup> While these instruments can achieve similar objectives, there are differences between livestock taxes and pasture fees. Although livestock taxes would directly address the problem (of livestock overgrowth), there are greater opportunities to “game” the tax by underreporting of livestock. Pasture fees have the advantage of protecting the rights of herders particularly in cases of displacement (by mining), but they would also require more fundamental land reforms which can meet with resistance by interest groups such as mining and tourism companies.

- Considering the seasonality of herders' incomes, so as to not collect taxes or fees during the lean seasons;
- Taking advantage of the basic building blocks that are already in place, such as penetration of banking services and mobile telephony into rural areas;
- Possibly taking advantage of new technologies, such as secure digital identification, to collect taxes;
- Setting up appropriate institutional capacities at the local government level to administer the system, which can be accomplished through streamlining and reorganizing existing capacities such as agricultural, environmental and disaster risk officers (without necessarily expanding the civil service)<sup>52</sup>;
- Consolidating the geospatial information on land, currently held in different government agencies, and making it available to local tax inspectors to enable better tax collection at the local level<sup>53</sup>;
- Ensuring the transparency and accountability in collecting taxes/ fees and in administration of local funds;
- Prior to introducing these measures, conducting extensive consultations with herder groups and other local stakeholders;
- Conducting wide-ranging advocacy targeting key interest groups (herders, large herders, mining and tourism companies, local governments), and
- Developing effective social protection assistance programs which can be rapidly and accurately deployed and which addresses needs for families affected by dzud.

One of the key issues raised by herders is that government revenues from livestock taxes and fees should be used towards improving pasture management. A significant number of pilot projects to address pasture degradation implemented in Mongolia provide useful lessons for pasture management. These include: UNDP pilots for community-based pasture management in 2000-2002 and subsequently scaled up through the World Bank in 2003-2012; the MCC-funded pilots with 384 herder groups; SDC-funded pilots in 8 soums since 2015; a WWF pilot in one soum in 2017; the Nature Conservancy's pilot in 3 soums in 2017; local government efforts in one soum since 2015; as well as pilots done through individual herders' own efforts.<sup>54</sup>

Improved pasture management measures, if implemented well, can reverse land degradation, reduce the vulnerability of herders to natural disasters, potentially raise herders' incomes, and help raise political and social support for the above reforms.

In this regard, the government can decentralize expenditures for pasture management to aimag and soum governments, while adopting measures to incentivize investment in sustainable pasture management. This can be done through reallocating revenues from taxes on livestock or pasture fees to soum governments for rehabilitating pastures, managing water resources, and improving health and productivity of livestock<sup>55</sup>; or through reallocating existing streams of revenues such as those going to the Local Development Fund (LDF) with built-in incentives for sustainable pasture management. Currently, the LDF is designed in a way so as to prioritize fragmented infrastructure investments in soum and aimag centres; it is also highly inequitably distributed when considering other sources of revenues available to local governments.

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<sup>52</sup> UNDP 2017c.

<sup>53</sup> Ibid.

<sup>54</sup> The information on pilot projects to combat pasture degradation was shared by Mr. Enkh-Amgalan Ayurzana, Centre for Policy Research. The Centre for Policy Research has implemented or advised on most of these pilots as the national consulting unit.

<sup>55</sup> Experiences with natural resource revenue sharing systems show that where relatively small revenues are collected, governments have tended to decentralize them.



To address the lack of investments in pasture management, Mongolia could use experiences from Brazil and Portugal which used environmental fiscal transfers from central (or state-level) governments to subnational governments to incentivize investment in pasture management (See Box 1).

#### **Box 1. Experiences with environmental fiscal transfers – Brazil and Portugal** <sup>56</sup>

Some countries have introduced environmental fiscal transfers from national governments (or, in the case of Brazil, which is a federal country, from state governments) to subnational governments, as a way of incentivizing subnational governments to do good management of protected areas.

In Brazil, the state of Parana introduced environmental fiscal transfers to its subnational governments in 1991 and by 2016, 16 out of 26 states in Brazil have introduced such transfers. Environmental fiscal transfers entail allocation of a given pool of revenues towards subnational governments to reward good performance in protected area management. In these states, 25% of ICMS (tax on interstate transportation and communication) that is allocable to municipalities, is allocated on the basis of some 'traditional' criteria such as population and land area, but also additional criteria such as the coverage of protected areas in their state, and some quality indicators of protected area management.

In some municipalities, these environmental fiscal transfers account for a significant share of own revenues (28-82%) and thus can provide positive incentives for expanding protected areas and improving the management of protected areas. A study done in 2015 found that ICMS-E has significant positive correlation with PAs.<sup>57</sup>

In Portugal, the government introduced environmental criteria within intergovernmental fiscal transfers in its new Local Finances Law 2007 to give financial incentives to local governments to maintain protected areas. Within the formula on the basis of which the Municipal General Fund is allocated, an indicator was added measuring protected areas, weighing 5-10% of total allocation.

Expenditures for set-up and administration of livestock fees or pasture taxes, together with implementation of integrated initiatives for pasture rehabilitation, can exceed the inflows of revenues from such taxes or fees, particularly in earlier years. The following issues can be considered in financing these measures:

- Exploring international climate financing, given that the livestock sector in Mongolia is the second largest contributor to GHG emissions and the largest methane gas emitter. Reduction of GHG emissions – through reducing livestock numbers – is one of the criteria for obtaining international climate financing; thus, measures to reduce livestock numbers can unlock the flows of finance from these sources;
- Considering more comprehensive land reforms by giving more secure pasture tenure to herder groups. If herder households have more secure tenure, they will be more likely to implement pasture management themselves, rather than relying on government-financed measures, and
- Considering synergies of these measures with other development objectives. In particular, re-introducing taxpayer relationships between the government and the herders would also help the government in providing better services to herders. For instance, services such as veterinary and epidemic disease control, and procurement of livestock products, which are considered critical building blocks the development of the agro-processing industry, can be delivered more easily.

### **3.3. Addressing ageing trends and its impact on age care support services**

Over the past two decades ageing has been slow and the proportion of population 60 years and above has remained about 6% of the total. However, by 2040 this is expected to rise to 16.7%. The main sources of income for older persons are pensions from the Social Insurance Fund and Social Welfare fund, and income

<sup>56</sup> Source: Shotton, R. (forthcoming). Fiscal transfers in Asia: Incentive and equity effects for the SDG agenda. UNDP Bangkok

<sup>57</sup> Loft, L., M. Gebara and G. Wong. 2016. The experience of ecological fiscal transfers: Lessons for REDD+ benefit sharing. CIFOR.



from livelihood activities, particularly for herders. There is no automatic adjustment to their value and thus, older persons many of whom rely almost entirely on pensions, are quickly impacted during times of high inflation. The 2018 budget includes some changes regarding pensions. Until this year the pension ages have been 55 for women and 60 for men. As in other countries, this, combined with existing labor market gender disparities, ultimately translates into differences in pension rates and subsequently vulnerabilities in older age as women have shorter working lives than men, work in lower level jobs and yet, live longer and often in single headed households toward the end of their lives. In the long term the government seeks to raise pension ages gradually (by six months at a time) to 60 for women and 65 for men. This was supposed to have begun in 2018, but due to pushback from the public, the age increase has been limited to only 3 months for this year. The impact on the budget is minimal. For herders, the pension age has been reduced in 2018. This is due to concern that they have shorter life expectancies and to provide them adequate support. In 2018, 13.5 thousand herder's will reach this new pension age. A final change in the 2018 budget is a reduction in the pension loan interest rate from 15-12%. As of 25 February 2018 there are about ten thousand pensioners receiving pensions loans worth MNT12.5 billion. Informal loans on pensions through shopkeepers and others are also common practice and evidence that many older persons, and often the extended households that they help to support, are particularly vulnerable and borrowing on the future.

Ministry of Health (MoH) reports (2017) that 85% of older persons suffer from one or more illnesses. Hypertension, ischemic heart diseases, diabetes, liver and pneumonia are the most prevalent. Expansion of preventive care programs, promotion of healthy lifestyles, addressing problems such as air pollution and liver disease and other cancers will all contribute to reducing high public health costs in the future. A recent study by ADB has assessed that the majority of care is provided by family members, particularly women, with only eight public and three private nursing care homes providing residential care options in the country<sup>58</sup>.

Mongolia is one of the few countries in the region that has established a benefit for caregivers and for citizens who require permanent care. This benefit is to help ensure family based care and support caregivers, the majority of whom are women, and their families from the loss of income from the labor market. According to the World Bank (2015) assessment of social welfare benefits, 70% of pension-aged individuals are covered by at least one social welfare program. The government realizes the need to develop services for long-term care (home/community based and residential) but addressing these needs in the context of high urban-rural disparities in services, long distances in rural areas, migration of younger members of households, and high dependency on informal labor market income which can be sporadic makes finding appropriate, affordable and sustainable models a challenge. The recent Law on Older Persons (2017) demonstrates the Government's concern for older persons and commitment to provide support. Some ad hoc efforts to support private provision of palliative care nursing and residential care are underway but to date services are limited, insufficient and looking toward the future, much more attention will be needed to ensure the provision of care (health and social) and adequate income for the older population.

### **3.4. Addressing the challenge of demographic trends and their implications on public expenditure and service provision**

Mongolia's population was estimated at 3.1 million in 2017. It is growing at 2.2% annually, given the country's pronatalist policy. The total fertility rate increased steadily from 2.5 children per woman in 2003 to 3.2 in 2008, and has since remained at the current level of 3.1. As a result, Mongolia's population is very young. The population aged 15-34 years comprises 36.2% of the total, and the median age is 27.5 years. The country has been successful in reducing mortality: life expectancy at birth is 65 years for men and 74 years for women. However, such a large difference in life expectancy between men and women in itself is a key concern. It largely relates to the extremely high burden of non-communicable diseases in Mongolia, and in particular to very high rates of harmful use of alcohol and tobacco among men compared to women. Gender roles and harmful masculinities in this context put men's health at particular risk.

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<sup>58</sup> ADB. 2018. Mongolia Country Diagnostic Study under RETA 9111: Strengthening DMCs Capacity in Elderly Care. Consultant Report.

Accelerated population growth, combined with a commitment to deliver social services equitably, has increased the pressure on availability and access to social services. For instance, the number of children in primary and secondary school increased by 9% in 2016/2017 school year compared with the 2011/2012 school year, while the number of children enrolling in the 1<sup>st</sup> grade increased by 32%.<sup>59</sup> In the 2017/2018 school year, there are over 9,000 children in 27 schools studying during the third shift of school.<sup>60</sup> In Ulaanbaatar, public kindergartens are able to accommodate only about 30% of eligible children.<sup>61</sup> Compared with 2010, the proportion of people falling ill who sought health treatment declined in Ulaanbaatar, soum centres and the countryside in 2016, indicating that access to health services has deteriorated.<sup>62</sup>

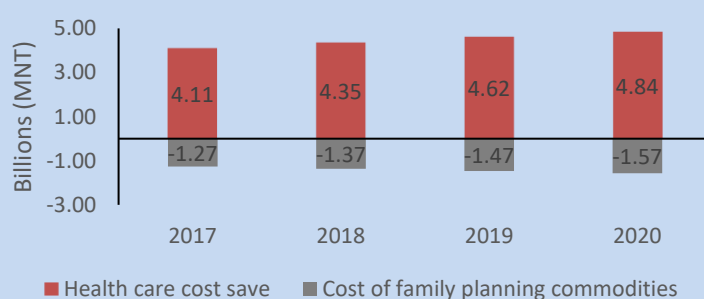
Mongolia has introduced several progressive policies to promote sexual and reproductive health, and thus became one of only 9 countries in the world which achieved the MDG maternal mortality reduction target in 2015. However, with extensive state budget cuts, re-allocation of the health budgets, the purchase of lower-price drugs and supplies, and stock-outs of modern contraceptives in almost all service delivery points in the country, maternal mortality rose from 26 per 100,000 births in 2015 to 38 in 2016,<sup>63</sup>. This indicates the fragility of the developmental gains that Mongolia has achieved in the past decades and the need for continued investments to protect these gains. In addition, Mongolia's youth have difficulties in accessing information and services of sexual and reproductive health, leading to deteriorating youth indicators as explained in section 2.

## Box 2: Maximizing value-for-money and promoting the sustainability of public expenditures

### A case study on the return-on-investment for the provision of family planning services

Providing family planning services is one of the most cost-effective investments governments can make to improve health and promote economic development. Increasing financial investment in family planning commodities in Mongolia can have a very attractive rate of return-on-investment. Spending MNT 1,000 on contraceptives can reduce the cost of pregnancy-related care by MNT 3,200 and save billions of togrogs in direct healthcare costs. Investing MNT 5.68 billion will save almost MNT 17.92 billion of averted healthcare costs in 2017-2020.

#### Annual expenditures on contraceptive and health care costs savings



By prioritizing family planning investments by 2020, Mongolia will be able to dramatically improve the health of mothers and their children, save billions in healthcare resources and boost economic growth. Investing in contraceptive use in 2017-2020 will likely avert 345,000 unwanted pregnancies, 7 maternal deaths and 118 child deaths.

Source: "Saving lives, savings money: Financing Family Planning Commodities in Mongolia", UNFPA APRO policy brief, 2017

Budget allocation in family planning to meet all demands for modern contraceptives of the population can prevent unwanted pregnancies, early and high-risk pregnancies, and abortions.

<sup>59</sup> Ministry of Education website.

<sup>60</sup> Government of Mongolia 2017. Schools with severe lack of school facilities and teaching resources move to three shifts; it means that children studying in three shifts have shorter learning time and face safety hazards getting to and from school during evening hours.

<sup>61</sup> World Bank 2017b.

<sup>62</sup> Living standards measurement survey reports of the respective years, Mongolia.

<sup>63</sup> National Statistical Office website, [www.1212.mn](http://www.1212.mn). Last accessed 21 March 2018.

As mentioned above, GBV remains an important challenge. However, despite the approval of the revised domestic violence law, which criminalized domestic violence for the first time in Mongolia, no budget allocation has been made for the implementation of the law. Similarly, despite the approval of the Gender Equality Law, no significant state budget allocation has been made to implement, monitor and review the Law. It is critical that the approval of a law is accompanied by the state budget allocation.

Considering Mongolia's population is increasing, the state budget allocation in the social sectors should increase at least by 2.2% in real terms (i.e. annual population growth rate) just to maintain the same level of services. In order to improve the quality of social sector services, much more increased needs to be considered, if the current pronatalist policy is to be continued.

### **3.5. Unpacking the 2018 budget**

Mongolian public finances are still under great pressure, as the 2016 debt and budget crisis is being gradually resolved. Though the EFF helps stave off some repayments and reduces the cost of borrowing, fiscal stabilization depends on the Mongolian government restricting spending and raising taxes, as agreed with the IMF as part of the EFF agreement. The recent reversal by the Government of its decision to raise personal income taxes demonstrates that these reforms are politically difficult and it will be more difficult to protect social and environmental expenditures.

In recent years, decisions on public expenditures and financial commitments with implications for the budget have been spread over several agencies (such as decisions over public investments, public expenditure in PPP projects, and sovereign-guaranteed borrowing and on-lending), undermining the ability of the government to make spending consistent with planned priorities. The Government is currently re-consolidating the powers over public expenditures and commitments within the MoF.

Multi-year budgeting is key to ensuring that budgets are allocated towards achievement of the Government's objectives. Medium-term expenditure framework (MTEF) implementation in Mongolia is hampered by problems such as limited capacities of line ministries to do costing of multi-year sectoral plans, weak links between MTEF and annual budgeting, and poor prioritization of public investments. Some of these challenges are being addressed. The Government of Mongolia has agreed on a policy benchmark with the IMF as part of the EFF agreement to develop guidelines on the appraisal and selection of public investment projects by September 2018.

In addition, the current period of fiscal austerity calls for strengthened focus on improving the efficiency and effectiveness of public spending through the prioritization of investments that provide good value-for-money in the use of public resources.

Assessing more closely the impact of the fiscal reforms on social and environmental expenditures will be important to ensure sufficient appropriate budget allocations, particularly now as the country is setting priorities for the 2019 budget. Going further, such analyses should be performed for multi-year budgets.

As a starting point, this section analyzes the 2018 budget with respect to sectors critical for the accelerator interventions identified by the mission team: health, education and environment. Where the budget data allows, comparisons are made with previous years' expenditures.

### 3.5.1. Health and education<sup>64</sup>

Expenditures allocated to the MoH increased in nominal terms from MNT585 billion in 2016 to MNT647.2 billion in 2017,<sup>65</sup> and are budgeted to further increase to MNT688.5 billion in 2018<sup>66</sup>. Total health expenditures in 2018, including ODA-funded expenditure, accounts 2.6% of the projected GDP.

Capital expenditures in 2018 will be reduced from 2017, while recurrent expenditures increased by MNT 7.5 billion and will account for 91.9% of total health sector expenditure in 2018. Health service expenditures were MNT520.6 billion, accounting for the bulk of health sector expenditures – the rest are expenditures on public health, health policy and administration, and health education. While in nominal terms, health expenditures have increased in 2016-2018, in real terms, they have slightly declined in 2017 but increased by 11.2% in 2018.

The increase in 2018 is due to a number of reasons: increasing access to high-cost health services and medication, increased cost of buying essential medicines and supplies, increase in recurrent costs due to the need for servicing new hospital buildings, and increase in remuneration of health sector workers. The government has moved ahead with measures for centralized procurement of generic medicines to reduce the cost and improve the regulation of medicines. Nevertheless, a significant share of medicines in Mongolia are imported as tradable goods and therefore the depreciation of togrog has adversely increased the budget, raising the cost of medicines.

By source of funding, 56.6% of health service expenditures are funded by the government budget, 38.3% from the Health Insurance Fund (HIF), and 5.1% from own revenue of medical establishments. Health service expenditures funded by the government budget somewhat declined, whereas those funded by HIF increased compared with 2016. This masks a number of changes made in the HIF in recent years. On the expenditure side, the types of health treatments, medicines and services covered by HIF were expanded twice - in 2015 and 2017; in 2017, the poverty threshold for those eligible to be covered by HIF's non-contributory part was raised, which resulted in 260 thousand more people becoming eligible for health services paid by HIF without paying contributions. On the revenue side, in 2017 the rate of health insurance contributions paid to HIF was raised, but the flat rate contribution paid by people in the informal sector, herders and the unemployed was halved.

The budget of the Ministry of Education, Culture, Science and Sports (MoECSS) for 2018 stands at MNT1,610 billion or 4.8% of GDP. Education consistently accounts for about 85% of the MoECSS's budget, with culture, science and sports accounting for the remainder.<sup>67</sup> The recurrent budget accounted for 77.3%, the capital budget accounted for 16.1% of the total budget, and expenditures on the State Education Fund (which represent lending) accounted for 6.6%.<sup>68</sup>

While the MoECSS's budget increased in nominal terms between 2016 and 2018, in real terms it had declined in 2017 (by 6.7%) and increased substantially in 2018 (by 25.8%). The same trend is visible from the share of MoECSS's expenditure in GDP, which declined from 5% in 2016 to 4.5% in 2017 and thereafter increased to 4.8% in 2018.

The increase in the capital budget in 2018 (by 47.0%) is much higher than that in the recurrent budget (by 16.2%), implying a strong effort to invest in physical assets. Highlights in the 2018 education budget include prioritizing kindergarten coverage and enhancing schools building, including improvement of school

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<sup>64</sup> Unless stated otherwise, the figures in this section are based on data from the Government of Mongolia 2017.

<sup>65</sup> Due to the lack of detailed breakdown of budget data, the 2017 figure is estimate comprised of: 1) expected actual recurrent expenditure for 2017 and 2) latest revised budgeted capital expenditure for 2017.

<sup>66</sup> These figures exclude ODA-funded expenditures. The figures for 2016-2018 may not be strictly comparable due to institutional changes. For example, in 2016, the sports portfolio was added to the Ministry of Health portfolio; starting in 2018, the Health Insurance Fund was separated from the general Social Insurance Fund and a corresponding budget of MNT 0.3 billion was transferred from the Ministry of Social Welfare and Labour to the Ministry of Health.

<sup>67</sup> Communication with Mr. Ch. OMNTonbayar, Vice Minister for Education.

<sup>68</sup> Excluding ODA-funded expenditures. Government of Mongolia 2017.

dormitories. A total of MNT236.9 billion is allocated for the above purposes. These investments are intended to relieve overcrowding in schools and kindergartens, and improve the learning environment.

### 3.5.2. Social protection

Ensuring social protection is an overarching objective of the SDV which includes a goal for inclusive social protection (SDV 2.2). The SDV seeks to “ensure social equality through inclusive growth by sustained support to the health, education and social protection sectors”. The GAP also confirms a commitment to strengthening social protection. For phase 1 of the SDV (2016-2020), much of the emphasis is on addressing the social welfare system with the goals of creating... “an economic and legal environment for the poor to have a permanent source of income, direct the social welfare system to the target groups, and reduce the poverty rate to 18%”<sup>69</sup> and to “Implement social insurance system reform (pension, accident, employment, welfare and health insurance), improve the management and governance of funds and ensure transparency in expenditure and financial management of the funds”<sup>70</sup>. Two issues – better rationalization of the wide range of social welfare benefits and financial management - are at the heart of reform of social welfare in Mongolia that has been going on for some years and particularly since the global financial crisis in 2009.

As a result of the fiscal situation in 2016, funding for some social welfare programs was reduced, and a further reduction by 10% of the funding for social welfare programs was reflected in the 2017 state budget. It is estimated that the poverty rate would be about 10 percentage points higher in the absence of social welfare programs.<sup>71</sup> Protecting the budget for social welfare has been a priority of the government and donors, including ADB,<sup>72</sup> under the EFF. The commitment is evident in the approved budget for the Ministry of Labor and Social Protection (MoLSP) for 2018 which reflects an increase, expansion of some benefits and effort to develop a new cash transfer to support poor households. The total budget was MNT580.5 billion in 2017 and MNT647.9 billion in 2018. The 2018 budget includes an expansion of FSP beneficiary coverage (doubling from 140,000-280,000) and increase in benefit rate by 20% (MNT16,000 per adult and MNT8,000 per child) of the FSP which is the only poverty targeted welfare benefit. The budget also includes funds to support developing a new social protection transfer nominally named a “poverty benefit” for which there is already legislation in place in the 2012 Social Welfare Law (Article 33.1.2) but which was never initiated. The ideas for this benefit are still nascent but ideas include that it will be poverty targeted and provide a cash transfer conditional on registration at a labor office and participation in labor and skills development training. Another new benefit included in the 2018 budget is directed to mothers with children under the age of three and a quarterly benefit for single parents with 3 or more children. Additional increases include money for pensions (MNT17.5 billion), an increase to the community based social welfare program (MNT3.3 billion) and new services for the elderly (MNT1.5 billion). The MoLSP noted during the mission consultations that the key driver for these increases is sustaining efforts at poverty reduction.

Agreement to target the CMP, which had previously been universal, by reducing its coverage to 60% of the poorest children, was included in the EFF, along with an agreement to maintain the overall level of spending on social benefits. In view of the extremely tight fiscal situation this was seen as a measure that would improve the efficiency of social spending, and this reduction was reflected in the 2018 budget beginning in January 2018, in which MNT164.2 billion was allocated for the CMP in 2018, accounting for 1.3% of total budget expenditures.

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<sup>69</sup> The SDV, 2016

<sup>70</sup> *ibid*

<sup>71</sup> NSO and World Bank 2015.

<sup>72</sup> The objective of ADB’s Social Welfare Support Program Phase 2 (2017) is to protect funding for social welfare programs for the poor and vulnerable people in Mongolia during the implementation of the extended fund facility of the International Monetary Fund (IMF).

However, based on the recent increase in poverty and the more rapid than expected fiscal improvements it has now been agreed with the IMF to increase coverage to 80% of children. This step also recognizes the possible flaws in current targeting of poor households by proxy means testing, and the likelihood that some of the households who were scheduled to be removed from the program were still vulnerable to falling back into poverty. The principle of making the most efficient possible use of social spending in a fiscally constrained situation is recognized by all parties. ADB, the World Bank and others have been supporting MoLSP's efforts to assess the impacts, rationalize and consolidate benefits and to assess options for targeting future benefits. At the same time, it is widely acknowledged that the CMP has had an important impact on poverty reduction in the country, and that many non-poor households are still vulnerable to fall back into poverty.<sup>73</sup> The NSO estimated that the poverty rate of 21.6% in 2014 would have been 3 percentage points higher, or 24.6%, without the CMP. However, this figure increased substantially in 2016—the NSO has estimated that the 2016 poverty rate of 29.6% would have been higher by 3.7 percentage points and could have reached 33.3%, without the CMP. Thus, a considerable number of vulnerable households would have been at risk of falling below the poverty line without access to the CMP. The MoLSP currently administers 71 social welfare programs, which can be grouped into the following broad categories: social welfare pensions; social welfare allowance; community-based welfare services; allowance for the elderly with state merit; allowance for the elderly; allowance for the disabled; allowance for mothers and children; FSP and CMP. FSP and CMP provide significant support to the poor. Continued work and discussions by all parties is needed to identify the best path forward for targeting of this quite large portfolio of social programmes.

### 3.5.3. Environment

The budgeted environment related expenditures in 2018 are MNT339.3 billion or 4.1% of the total budget. Of this, direct environmental expenditures<sup>74</sup> were MNT89.6 billion and other environment-related expenditures<sup>75</sup> were MNT249.7 billion (See Annex 6). The environment and natural resources also have a potential to generate revenues. In the 2018 budget, environment-related revenues were budgeted to equal MNT208.4 billion or 4% of total stabilized revenues (MNT1,898.4 billion or 37% of total if mining-related revenues are included).

Overall, environment-related revenues and expenditures can be classified into the following categories: 1) protecting or conserving the environment, 2) dealing with environmental consequences/ environmental clean-up, and 3) promoting the use of environmental and natural resources (See Annex 6 for details on expenditures and revenues categories). In 2018, expenditures on dealing with environmental consequences will be 73% higher compared with environmental protection expenditures, while expenditures on promoting the use of natural resources will be more than double than environmental protection expenditures. Measures to promote the use of environment and natural resources generate net positive inflows, with important variations. Whereas revenues from the use of renewable resources only slightly exceed expenditures on renewable resources (generating net positive inflow of MNT17.2 billion or US\$7.1 million), revenues from mineral resources are substantially higher than expenditures on mineral resources (generating net positive inflows of MNT1,686 billion or US\$702.5 million).

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<sup>73</sup> National Statistics Office of Mongolia and World Bank 2017. [Poverty Profile – 2016, Main Results of 2016 Household Socio-Economic Surveys](#)

<sup>74</sup> Direct environmental expenditures include all expenditures allocated to the Ministry of Environment and Tourism (MOET) of MNT 87.7 billion, as well as Nature Conservation Fund and Air Pollution Fund expenditures of MNT 1.9 billion.

<sup>75</sup> The following expenditures allocated to other ministries and agencies were included as other environment-related expenditures: expenditures for livestock and crop-farming sectors; heating and electricity subsidies; expenditures for prevention and mitigation of disaster impacts such as steppe and forest fires; environment-related expenditures allocated to local governments; expenditures on vaccinations against respiratory illnesses (relates to air pollution); and expenditures on mining.



From the allocations to the Ministry of Environment and Tourism (MET), MNT10.3 billion or about 15% is towards capital expenditures, while MNT57.4 billion would go towards recurrent expenditures. Most capital expenditures allocated to the MET appear to be funded by official development assistance (ODA).

The allocation to the MET increased from MNT42.6 billion in 2016 to MNT53.2 billion in 2017 to MNT67.7 billion in the 2018 budget. In the 2018 budget compared with 2017, the biggest increase of these allocations is towards addressing air pollution and climate change (increase by MNT11.9 billion) and disaster risk reduction or fire-fighting (increase by MNT4.3 billion). Expenditures on the agricultural sector are reduced: on livestock sector (cut by MNT75.8 billion) and on crop farming (cut by MNT41.2 billion).<sup>76</sup>

An assessment of financing options for biodiversity identified that there are considerable opportunities of financing for the environment – biodiversity. These financing options can include: 1) Introducing new or increasing existing fees and charges such as pasture fees, livestock taxes, natural resource use fees, ecosystem service fees, protected area entrance fees, concession fees for tourism activities within specially protected areas, hunting and fishing fees and taxes; 2) Mobilizing financing from the private sector and the financial sector, such as impact investment, green banking and biodiversity offsets by mining companies; 3) Climate change mitigation compensatory mechanisms such as REDD+; 4) Mobilizing and reallocating funds from within the budget, such as environmental trust funds – Biodiversity Trust Fund - and results-based budgeting.<sup>77</sup>

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<sup>76</sup> It should be noted that these cuts assume a large increase in repayment in subsidized livestock and crop farming loans, rather than significant cuts in expenditures.

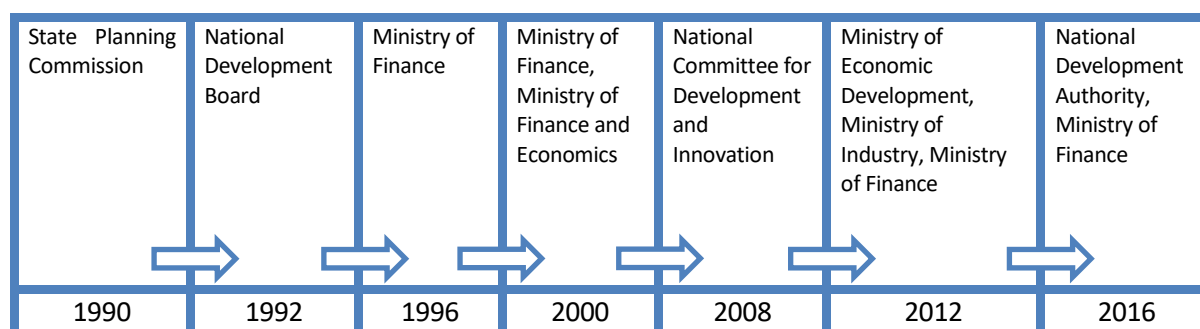
<sup>77</sup> UNDP 2017c.

## 4. Facilitating policy coherence

### 4.1. Institutional arrangements

In the executive government, functions for policy coordination and planning have changed multiple times (See Figure 5). In 2012, the planning function became vested in the Ministry of Economic Development which was given equal status with the MoF. However, this arrangement only lasted two years, and the Ministry's economic development policy and planning functions were re-integrated into the MoF in 2014. Then, in 2016, the NDA was established under the Prime Minister, with a status of a regulatory agency. However, some functions of NDA overlap with those of the MoF (public investment allocations) and the Cabinet Secretariat (monitoring the implementation of the GAP). Problems arising from unclear institutional arrangements have been compounded by institutional capacity gaps and high turnover in the civil service following elections and changes in the government. Frequent changes in the assignment of development planning functions, with ministries and agencies coming into and going out of existence rapidly, also weaken the credibility of the Government's ability to implement long-term development policies.

Figure 5. Shifting institutional arrangements for development policy and planning



Source: Modified based on UNDP. 2017. "Assessment of institutional mechanisms and governance structure for coordinating, monitoring and evaluation implementation of the Sustainable Development Vision of Mongolia and the 2030 Agenda". Study conducted by Consortium of Business and Economics Training Institutions.

The oversight over planning and policy coordination is performed by the Parliament. In 2012, the Parliament established the Sustainable Development National Council which, however, had been dormant for some time. The key oversight institution is a Parliamentary Subcommittee on the SDGs.

#### Box 3. Different institutional systems for planning and policy coordination

The main function of a planning and policy coordination system is to align government programmes and budgets with long-term visions and medium-term plans – thereby to ensure that "big picture" national development priorities are translated into action. Such planning systems are particularly relevant in the context of the 2030 Agenda and the SDGs for the following reasons. First, since the Agenda and SDGs are set for the long-term, such mechanisms can help realize longer-term aspirations by translating them into more concrete medium-term and short-term targets and actions. Second, due to their positioning at the centre of governments and role in intra-governmental coordination, such planning and policy coordination bodies are well placed to identify synergies and trade-offs, and steer actions to address them. Third, planning and coordination bodies are increasingly engaging partners beyond the government – the private sector, NGOs, development partners and the such – in preparing development visions and plans and are



well-placed to facilitate the “whole-of-government” and “whole-of-society” actions needed to advance the 2030 Agenda.

A recent review conducted by UNDP in selected South-East Asian and South Asian countries <sup>78</sup> showed strong similarities in planning and policy coordination mechanisms. In a number of Asian countries, these mechanisms are based within planning institutions. Planning institutions are typically two-tiered and usually include: 1) decision-making bodies for development policy and planning comprised of key cabinet ministers; and 2) administrative bodies – planning agencies.<sup>79</sup> Planning agencies typically serve as secretariats to the decision-making bodies for development policy and planning; coordinate the preparation of long-term visions and medium-term plans; ensure intragovernmental coordination; monitoring implementation of plans and achievement of plan targets; and reporting on results to the decision-making bodies. In addition, in some countries with stronger planning functions, the planning agencies are also involved in coordination and preparation of medium-term budget frameworks and annual programmes – along with the ministries of finance.

A well functioning planning agency/ministry could facilitate such streamlining, if its establishment is part of a more comprehensive reform of state structure. However, that has not been the case with past Mongolian government attempts to create development ministries or agencies.

Another aspect of policy coherence is the coherence between plans and policies on the one hand, and budgets on the other hand. In Mongolia, there is a significant disconnect between planning and budgeting. Robust prioritization and sequencing that can support political decision making is critical to ensure such coherence. While prioritization is largely a political process, the quality of prioritization is significantly improved if it is done on the basis of evidence – assessing and comparing the social and environmental impacts of programs. Prioritization is particularly relevant at this time in Mongolia, given the limited fiscal resources for financing development. At this time, there are no robust criteria used for assessing the social and environmental impact of public investments, before they are approved.<sup>80</sup>

## 4.2. Monitoring and evaluation for results

The monitoring and evaluation system is comprised of the following main elements: data, plans and programmes, monitoring and evaluation reports, online systems, and oversight (Figure 6).

Figure 6. Key elements of the monitoring and evaluation system in Mongolia

Data	Plans and programmes (with performance indicators)	Monitoring and evaluation Reports	Online systems	Oversight
<ul style="list-style-type: none"> <li>Statistical data by NSO</li> <li>Administrative data collected by ministries, government agencies and local governments</li> <li>The data ecosystem - Unconventional data collected by</li> </ul>	<ul style="list-style-type: none"> <li>Four-year GAP</li> <li>Annual Socio-Economic Guidelines (SEG)</li> <li>Action Plan for Implementation of the Green Development Strategy</li> <li>Sectoral programmes</li> </ul>	<ul style="list-style-type: none"> <li>Ministries’ reports to the Cabinet and Cabinet reports to the Parliament on GAP and SEG</li> <li>Reports on implementation of government programmes</li> <li>Studies evaluating performance of government and</li> </ul>	<ul style="list-style-type: none"> <li>NSO website – outcome indicators</li> <li>Soum development database (NDA) – soum and aimag level outcome indicators; etc.</li> <li>Industrial development database (NDA)</li> </ul>	<ul style="list-style-type: none"> <li>Audits of GAP and SEG implementation</li> <li>Audits of budget execution</li> <li>Audits of public investment expenditure execution, etc.</li> </ul>

<sup>78</sup> UNDP 2017a. See at: <http://www.asia-pacific.undp.org/content/rbap/en/home/library/sustainable-development/country-briefs-on-sdg-integration-into-planning.html>

<sup>79</sup> UNDP 2018.

<sup>80</sup> Although the Law on Environmental Impact Assessment (2012) provides for carrying out Environmental Impact Assessments and such assessments are now carried out for public investment projects, the practicality and usefulness of these assessments is questioned by the MOF. In addition, there is no mechanism to assess social impact of public investments.

government, non-governmental actors and social media <sup>81</sup>		mainly donor-funded programmes	<ul style="list-style-type: none"> <li>• Systems for tracking public expenditures (MoF)</li> </ul>	<ul style="list-style-type: none"> <li>• Media and social media reports</li> </ul>
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A key challenge with the monitoring and evaluation system in Mongolia is that despite the presence of all the building blocks, these elements do not function together as a system. A vast amount of data is generated, oversight over financial expenditures is done at multiple levels, various plans and programmes are prepared, there is a well-oiled system of reporting on the government’s action programmes and annual plans (Annual Socio-Economic Guidelines); and there is a tremendous amount of research studies including evaluations that are carried out.

At the same time, however, there is a widely shared perception that monitoring is not helping to achieve better development results. A key issue there is the emphasis on output indicators, rather than outcome indicators, weak formulation of indicators (lack of the connection between a plan or programme with indicators), and in some cases, the absence of monitoring indicators and targets attached to plans or programmes. Evaluation functions are not well developed and are largely conducted attached to ODA-funded projects. Evaluative thinking is not sufficiently embedded in the planning process and feedback loops ad hoc.

With regard to monitoring of the SDGs, indicators relevant for Mongolia have been mapped,<sup>82</sup> the availability of data assessed,<sup>83</sup> targets and baselines have been set<sup>84</sup>. In addition, a study was done to explore the possibility of collecting data from ‘unconventional’ sources.<sup>85</sup> These initial assessments revealed that there are a number of sectoral policies/areas for which data is available and could be provided by the NSO, including sex-disaggregated data, but related sectoral policy targets are in many cases either absent, conflicting or repetitive in a number of various policy documents.

Experiences of some countries in Asia show several key elements that help make monitoring systems more results-oriented. First, their national development plans have indicator frameworks that are focused on outcomes, rather than inputs or outputs. Second, government programmes and projects are budgeted for and include outcome indicators that draw from overarching development plan indicators. This link allows the government to see how each programme or project contributes to higher-level societal outcomes and, therefore, to see how much money is allocated towards these outcomes. For example, making these links allowed the government of the Philippines to start presenting the budget by development outcomes. Third, there is a high-level political commitment that helps ingrain a results-oriented culture within the government; systematic monitoring anchored on results to drive accountability. For example, in Malaysia, ministers were accountable to the Prime Minister for Key Performance Indicators (KPIs) related to the National Transformation Programme, and results delivered by each ministry were made available to all other ministries for scrutiny. Fourth, governments also have online systems to do monitoring more efficiently.

<sup>81</sup> UNDP 2017b.

<sup>82</sup> Government of Mongolia. May 2016; and UNDP and PAGE 2016.

<sup>83</sup> UNDP and UNEP 2015.

<sup>84</sup> UNDP 2016.

<sup>85</sup> UNDP 2017b.

#### Box 4. Online monitoring systems

Overall, online monitoring systems can be classified into three categories:

- 1) input-output monitoring, such as those for tracking disbursement and delivery of (usually) construction projects executed with public investment;
- 2) outcome monitoring, such as data dashboards spurred by MDGs and now SDGs;
- 3) output-outcome monitoring, such as systems enabling governments to track the delivery of programmes alongside outcome indicators.

An example of an input-output based monitoring system is the Project Monitoring System II in Malaysia which the government uses for tracking execution of and spending on physical projects.

The adoption of the SDGs and earlier, MDGs, has spurred the development of various monitoring dashboards in different countries, focused on development outcome indicators. One example is the StatDev system in the Philippines which provides a dashboard of indicators consistent with the Philippine Development Plan. A number of countries in Latin America, such as Brazil, Colombia, Mexico, Panama and Paraguay, have developed MDG- and SDG-based dashboards. For example, SINERGIA system in Colombia is part of an entire results-based management system of the government and allows the government to track progress along its development plan and promote a results-oriented culture within the government<sup>86</sup>.

One interesting development is an output-outcome monitoring system developed in India by SocialCops, a tech enterprise, in collaboration with the federal government in India. The innovation in this dashboard is that in addition to aggregating and giving access to outcome indicators – in line with the SDGs, the dashboard also allows tracking real-time implementation of flagship government programmes.

Recent developments in digital technologies (blockchains, or secure digital identities) provide opportunities for tracking implementation of government programmes all the way to the beneficiaries.

To make demonstrable progress it will be necessary to closely track the progress of key SDG programmes while holding central and local government officials accountable for outcomes. Systems that provide decision-makers with up-to-date high-level information on SDG progress to allow quick responses to bottlenecks would be of great benefit.

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<sup>86</sup> UNDP-SIGOB 2017.

## 5. Key recommendations and proposed areas for follow-up

The following are the conclusions of the mission and key recommendations, highlighting potential support from UN and ADB, with a specific focus on the next two years.

### 5.1. Strengthen mechanisms that support coordinated and coherent policy making and implementation

A clear and workable division of responsibilities between the sectoral line ministries, the planning/ coordinating institutions and institutions responsible for monitoring and evaluation is critical for enhancing policy coherence, implementation and enforcement.

#### The mission team identified the following recommendations:

- Realize the commitment to sustainable development and the SDGs by anchoring the oversight of the SDGs in a high-level decision-making body with the authority to oversee the work of all ministries and other bodies working on SDG-related activities. This can be done directly through the Cabinet, or other means, such as revitalization of the currently inactive Sustainable Development Council;
- Clarify the division of responsibilities between the MoF and line ministries, the NDA, the NSO and the Cabinet Secretariat to address policy overlaps and to strengthen policy coherence;
- To improve the existing mechanisms, it needs to be clarified and understood across the whole of the government who:
  - a) is responsible for ensuring that a policy (existing or new) is consistent with the overall SDV/SDG priorities and considers possible synergies, trade-offs and adverse effects in other sectors;
  - b) determines, that newly proposed policies and investments do not have negative social and environmental impacts;
  - c) assures that environmental and impact assessments are of satisfactory quality and meet the standard and findings of the assessments are followed through;
  - d) evaluates existing policies and investments for their effectiveness, efficiency and relevance;
  - e) is responsible for monitoring of progress against SDV/SDG indicators at the aggregate level and has the authority to request corrective or accelerated actions if necessary; special attention should be paid to capturing and monitoring interventions that are cross-cutting and have significant social and environmental impacts, but risk “falling into the cracks”;
- Similarly, the division of responsibilities between the MoF and NDA needs to be clarified especially with regards to integrating outcome based planning for the SDGs and the SDV and the qualitative impact analysis of policies with the budgetary planning process and creating the necessary feedback loops. This will contribute to ensuring that the level of ambition of newly formulated policies, programs, plans and investments are based on realistic forecasts of public and private revenues that will underpin their implementation, and
- Continue to improve the ‘policy analysis’ function, distinct from planning and monitoring function, within the respective line ministries and NDA.

**In this regard, the agencies can provide the following support to the government:**

- Support the capacity of the Parliament and oversight/steering institution in integrated approaches to policy making;
- Assist the government in establishing sustainable planning and policy functions to achieve long-term goals;
- Support the on-going formulation of the Government Medium-Term Development Plan and linking it to the SDGs and medium-term rolling budget as well as annual budgeting, thus creating unified and streamlined development framework;
- Policy modelling capacities and capacities to determine/assess quality of the EIAs;
- Introducing and gradually building evaluation function within the government and Parliamentary Secretariat;
- Support to the integration and better linking of policy targets with budgets;
- Support the capacity of MoF, NDA and line ministries in integrated policy analysis and planning, including in identifying priority policies and programmes on the basis of evidence, and
- Support sub-national governments, particularly Ulaanbaatar city, in localizing SDGs and in increasing domestic public revenues. Support can be also provided to the Ulaanbaatar city to mobilized private sector resources to achieve the SDGs.

**This work will build on and leverage the following ongoing and planned work:**

- UNDP: *“Assessment of Institutional Mechanisms and Governance Structure for Coordinating, Monitoring and Evaluating Implementation of the Sustainable Development Vision of Mongolia and 2030 Agenda”* prepared in 2016. The Assessment outlines evolution of the policy planning functions and structures in Mongolia and calls for development of an *“Institutional Reform Roadmap”* aiming to strengthen the planning and policy analysis functions;
- UNDP: *“Strengthening Representative Bodies in Mongolia”* project, Phase II, 2017-2022. The project, co-funded by the SDC, adopts a comprehensive three-pronged strategy for capacity development of local self-governing bodies, addressing simultaneously the interrelated levels of legal and institutional environment and the organisational capacity of Citizen Representative Khurals, including their individual competencies as locally elected representatives. Albeit to a lesser extend, the project also focuses on strengthening capacities of the Parliament Secretariat;
- UNDP: Supported development of the SDG Roadmap and SDG targets and indicators, spearheaded by the UB city Governor’s Office;
- UNDP: In the framework of the recently amended Civil Service Law and related support to establish strong/er links between institutional/policy performance and unit/individual performance at the level of results (rather than activities), and link capacity development for improved planning and policy functions directly with unit and individual job descriptions and staff competencies;
- UNDP: Supported drafting of the Law on Development Planning through a project based at MoF, and has recently agreed to support the revision of the law, under overall leadership of NDA;
- UNDP: Jointly with the Stockholm Environment Institute (SEI), supported NDA in coordinating and doing analysis of interactions of water-related targets of SDGs with targets in other sectors in 2017. The analysis led to development of a generic methodology for identifying priority “accelerator” targets – targets which have impacts on a large number of other targets, which can be used by ministries in other thematic areas;
- UNICEF: *Institutional capacity strengthening in SDG4 localization*. UNESCO Beijing Office, UNICEF Mongolia, and Mongolian National Commission for UNESCO collaborated with the Mongolian MoECSS organized the National Consultation on SDG 4 – Education 2030 Agenda and launch of the Mongolian version of the 2016 Global Education Monitoring Report in April 2017 to support the Government to integrate the SDG 4 targets into national education policies, strategies and plans, 2017, US\$11,000, and

- UNFPA: Country Programme 6, *Support development and enhancement of legal environment to advance SDG 3 and 5 in Mongolia*, through partnership with the MoH and the Ministry of Justice and Home Affairs (MoJHA).

## 5.2. Align public expenditures with Mongolia’s Sustainable Development Vision 2030, medium-term plans and the SDGs

The Government’s capacity should be strengthened in assessing social and environmental benefits of proposed programs – not individually, but in an integrated manner - in order to prioritize and sequence programs in line with long-term and medium-term development priorities. Such assessments can be based on a variety of methodologies, including integrated modelling tools, poverty analyses and sector-specific analysis, and data analyses. Such in-depth analyses that require substantial capacities and resources can obviously only be applied on select policies and programmes. It would also be necessary to build these assessments into the budgeting process so that the evidence generated from them informs resource allocation.

### The mission identified the following recommendations:

- Improve alignment of the government budget with the SDGs and government’s medium- and long-term policy priorities starting with the 2019 annual budget and mid-term rolling budget;
- Introduce and test rigorous criteria for prioritization of public investment projects that consider not only costs but also and social and environmental impacts/ benefits, including identifying cross-cutting interventions that risk “falling into the cracks” between various ministries’ portfolios;
- Strengthen capacity to assess the integrated social and environmental impacts and risks of programs with significant spending and identify investments into interventions that could trigger progress across multiple SDV/SDG targets, and
- Introduce budget performance criteria that look beyond annual budget execution rate and assess what results have been delivered for the funds spent to ensure that the expenditures were effective.

### The agencies can provide the following support to the government:

- Support the MoF in reviewing core SDG-related components of the annual and mid-term rolling budget from the social and environmental perspectives, starting with the 2019 budget and expanding in ensuing years;
- Advocate for and support practices and tools that will make SDG alignment and impact an explicit element of every budget proposal, and
- Support MoF in including a new analytical section in future budgets on linkages to SDG achievement, with some key indicators and targets.

### This work will build on and leverage the following ongoing or proposed work:

- ADB: *Development of Health Sector Masterplan, 2019-2027*: A project to support the MoH to develop the health sector master plan was initiated in October 2017 with funding by the Japan Fund for Poverty Reduction (JFPR). More details on the project can be found at <https://www.adb.org/projects/51134-001/main>;
- ADB: *Macroeconomic Advisory Technical Assistance Project* is a potential source of funding. The TA is also supporting a review of public investment projects in Mongolia. More information on this TA can be found at <https://www.adb.org/projects/50094-001/main>;
- ADB: *Strengthening ICT Systems for Efficient and Transparent Public Investment and Tax Administration*. This is a proposed loan of \$25 million planned for 2018. More information can be found at <https://www.adb.org/projects/51084-001/main#project-overview>;
- World Bank: *Public expenditure review* was carried out in 2017-2018;

- UNDP: *Development finance assessment* conducted in 2017-2018. The study maps sources of public and private financing for development and recommends strategies to mobilizing financing for the SDGs;
- UNDP: Conducted a study making an investment case for non-communicable disease prevention and control in Mongolia in 2017, <http://www.who.int/ncds/un-task-force/publications/investment-case-mongolia-2017/en/>;
- UNDP: *Biodiversity expenditure, needs assessment and gaps analysis* were conducted under the Biodiversity Finance Initiatives (BIOFIN) in 2017<sup>87</sup>;
- UNICEF and UNFPA: *technical assistance for Maternal and Child Health (MCH) Law* with defined and costed essential health and nutrition packages for mothers and children. The draft Law includes provisions on preventative, curative and public health services for maternal, child and adolescent health services. It addresses equity and emergency preparedness issues. The MCH Law aims to provide an enabling legal framework for essential health and nutrition service package, with improved budget allocation and financing methods, supply of human resources and quality of essential medicines. Funding priorities for the package is based on the objective of the MOH as reflected in the National Programme on Reproductive, maternal and child health approved in 2017. Health insurance fund is considered for some of the priorities including outpatient treatment of childhood diseases. 2017-2018, US\$50,000, and
- UNFPA: *Support the MoH in developing two year costed action plan to implement the National Programme on maternal, child and reproductive health*, which has clear linkage in achieving with SDGs 3 and 5. Through the partnership with the Center for Health Development, UNFPA has developed the costing tool for antenatal care services.

### 5.3. Enhance the system of monitoring of SDV, TPDP and mid-term programs by developing an integrated system to monitor progress

Building on the existing elements of the monitoring system, the government should develop an integrated system for monitoring of the SDV, TPDP and GAP, along with the SDGs, which would help the Government to keep track of the attainment of its stated policy objectives and also track its international commitments in terms of the 2030 Agenda and the SDGs.

#### The mission identified the following recommendations:

- Establish coherent institutional arrangements with regard to monitoring of the SDV, GAP, TPDP and the SDGs, in particular by reviewing and clarifying the responsibilities of the line ministries, Cabinet Secretariat, NDA and the NSO in monitoring results achieved by ministries and other government agencies;
- In parallel, a shift towards more results- and not activity-oriented programming and planning documents should be instituted at the point of their design and formulation, allowing for their subsequent effective monitoring and evaluation;
- Consider developing a more comprehensive and rigorous results framework for medium-term plans that is based on evidence and experts' knowledge and incorporates SDG targets relevant for Mongolia. The necessary precondition for effective monitoring is an integrated medium-term development plan with SDV and SDGs at the core;
- Introduce a system to hold government officials accountable for outcomes based on the results framework. This will require adoption of 'outcome' and 'output' definitions and unified result-framework templates for easy comparability and aggregation across programs and policies;

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<sup>87</sup> UNDP 2017c.



- Ensure that the monitoring system at local levels (aimag and soum) works effectively along and are linked with the central-level monitoring system;
- Adopt a system that provide decision-makers with up-to-date high-level information on SDG progress to allow quick responses to bottlenecks, and
- Identify and take steps to fill some priority data gaps, including on SDG 16, with clearly assigned responsibilities for data collection, data analysis and data use.

**In this regard, the agencies can support the government in:**

- Support the NSO, the Cabinet Secretariat and other relevant government agencies in developing and utilizing an integrated SDGs/SDV/outcome monitoring dashboard, including at the subnational level;
- Support the government in preparation of the voluntary national report on the SDGs to be presented by the Government at 2019 High-Level Political Forum (HLPF);
- Develop innovative ways of integrating disconnected systems, such as the NDA’s online enterprise system with the social welfare database to facilitate better data and knowledge sharing and exchange of information, and
- Conduct an assessment of national evaluation system and capacities to evaluate progress towards the SDGs (building on the regional UNDP/UNICEF initiative).

**This work will build on and leverage the following ongoing or proposed work:**

- UNDP: *A study on data ecosystem mapping* was conducted in 2016. It identifies sources of non-traditional data that can be used for SDG monitoring, focusing on health and governance indicators. The study makes recommendations for tapping into this data, such as standardizing government databases and improve the legal framework for data sharing and privacy protection;
- UNDP/ UNICEF: As part of a joint regional initiative on national evaluation systems of SDGs and related capacities, *an assessment of Mongolia’s evaluation systems and capacities* will be conducted in 2018, US\$10,000;
- UNDP/ UN Environment: Through a joint project, Poverty-Environment Initiative, commissioned a study which helped NDA develop *the Local Development Index*. The study identified development indicators for which reliable data is available at soum level, tested/ validated the findings, collected the first round of data, and proposed a mechanism for regular updating;
- UNDP: As part of the “*Support to the SDGs Implementation in Mongolia*” project, selected SDG 16 indicator data collection methodologies will be refined to allow for effective monitoring of at least additional 3 SDG16 indicators;
- UNDP: *Linking the Information System for Development Policy and Planning of the NDA with the SDG Monitoring Dashboard*;
- ADB: TA to the NDA to *Develop an Information System for Development Policy and Planning* to help NDA develop an information system that maps the Law on Development Planning and Policy and links into existing databases. More information can be found at <https://www.adb.org/projects/51136-001/main>.

## **5.4. Integrated policies and interventions to address specific social and environmental issues to accelerate progress towards achieving the SDGs**

### **1. Social protection**

**The mission identified the following recommendations:**

- Safeguard social protection expenditures to ensure minimum income security for all, including children, and
- Ensure equal access to quality basic social services for all.

**In this regard, the agencies can support the government in:**

- Undertake fiscal space analyses and promote sustainable funding solutions to expand social protection measures;
- Identify bottlenecks and gaps in service delivery for the poor and the vulnerable and address them through institutional strengthening and sound public finance management, and
- Continue support to capacity building and strategic planning in the sector.

**This work will build on and leverage the following ongoing or proposed work:**

- UNICEF: *Country Programme of Cooperation, 2017-2021*
  - By 2021, the most disadvantaged children in Mongolia benefit from increased access and utilization of services that promote health and nutrition, including water, sanitation, hygiene and interventions that mitigate the impact of air pollution on child survival;
  - By 2021, the most disadvantaged children benefit from increased access and utilization of educational services in a healthy, inclusive and quality learning environment, and
  - By 2021, child related national policies, budgets and systems, including the child protection system, are inclusive and equityair pollution focusedair pollution;
- ADB: \$150 million *policy-based loan to support strengthening of social welfare* in Mongolia. More information can be found at <https://www.adb.org/projects/50302-001/main>. ADB also plans further technical assistance work over the course of 2018-2020, and
- ADB: Additional Financing for the Food Stamp Program includes technical assistance to support updating the social protection strategy. More information can be found at: <https://www.adb.org/projects/documents/food-and-nutrition-social-welfare-project-additional-financing-rrp>.

## 2. Addressing air pollution

**The mission identified the following recommendations:**

- Take urgent and sustained measures to address the immediate impact of air pollution on health such as improving indoor air quality in kindergartens, schools and hospitals and by providing better health care in the most affected districts;
- Further refine and sequence implementation strategies for the National Programme for Reducing Air and Environmental Pollution and develop realistic financing strategies underpinning the programme, and
- Invest in establishing strong governance and implementation structures for initiatives to reduce air pollution that will allow for transparent monitoring of results and related expenditures from both public and private sector, both domestic and external.

**In this regard, the agencies can support the government in:**

- Provide technical assistance to implement urgent measures to reduce the impacts of air pollution on health, with a focus on children and pregnant women;

- Conduct consultations and advocacy on technical and behavior change measures to reduce air pollution focused on sustainable production and consumption, including the use of more efficient fuel and insulation;
- Help develop an integrated climate-land-energy-water model to provide evidence for long-term planning of the energy mix with reduced emissions that is consistent with fiscal realities and tariff policies to protect the poor, and
- Help develop an integrated financing framework on air pollution.

**This work will build on and leverage the following ongoing and proposed work:**

- ADB: in 2017, started a US\$130 million *policy-based loan on Ulaanbaatar air quality improvement*. The policy-based loan includes an associated TA to support the government to implement the policy actions. More can be found at <https://www.adb.org/projects/51199-001/main>;
- UNICEF: Jointly with National Center for Public Health (NCPH) conducted a study “*Mongolia’s air pollution crisis: a call to action to protect children’s health*” and published in 2018 with co-funding from SDC, US\$70,000;
- UNICEF: Jointly with NCPH, *a rapid assessment of indoor air quality in kindergartens and schools* (US\$13,000, funded by SDC);
- UNICEF: jointly with UB Health Department, *a rapid assessment of the health sector response to the air pollution child health crisis in the cold season of 2017-2018* (US\$12,000 funded by SDC);
- UNICEF: jointly with the National Maternal Child Health Centre - *pilot the improved access of good quality medicine at the family health care centre level to treat children affected by air pollution related diseases* (US\$70,000);
- UNICEF: *develop communication materials about air pollution and child health*, including youth engagement in collaboration with Mongolian Scouts Association (US\$ 50,000);
- UNDP: Conducted *a public expenditure analysis of air pollution and costs of inaction or ineffective air pollution measures* to be finalized in 2018, and
- UNDESA-UNDP: Provided training to Mongolian government/ researchers on integrated climate-land-water-energy system modelling and is planning to further support on development of the model.

### 3. Addressing land degradation

**The mission identified the following recommendations:**

- Reinstate livestock taxes and/or pasture fees; and
- Consider introducing environmental fiscal transfers to subnational governments for incentivizing investments in sustainable pasture management.

**In this regard, the agencies can support the government in:**

- Conduct consultations and advocacy, including focused advocacy on livestock taxes/ pasture fees, as well as broader advocacy on sustainable consumption and production;
- Carry out analyses to assess the impact of livestock taxes or pasture fees on herders’ livelihoods, compare relative impacts of livestock taxes v. pasture fees, and
- Identify priority measures for sustainable pasture management, and assess feasibility of introducing fiscal transfers to subnational governments aimed to promote sustainable pasture management.

**This work will build on and leverage the following ongoing and proposed work:**

- UNDP: Conducted *biodiversity expenditure review* in 2017. The study analyses major drivers and policies that are harmful for biodiversities and makes recommendations for innovative financing for conservation and sustainable use of biological diversity, which has close parallels with sustainable pastureland use.<sup>88</sup>
- UNDP: *“Improving Adaptive Capacity and Risk Management of Rural Communities in Mongolia”*, climate change adaptation proposal to be submitted for funding by the GCF
- UNDP: *“Ensuring Sustainable Landscapes Management”* project proposal to be funded by the GEF.

#### 4. Improving reproductive health

##### **The mission identified the following recommendations:**

- Safeguard expenditures for family planning, with emphasis on ensuring access and utilization by the most socioeconomically disadvantaged people, and
- Strengthen the gender-based violence response by considering the allocation of budget funds for the implementation of the revised Domestic Violence Law.

##### **In this regard, the agencies can support the government in:**

- Review the budget allocation and expenditures for family planning activities and identify opportunities for expanding access and utilization by leveraging service delivery efficiency gains and prioritizing access for most vulnerable people, and
- Developing costing estimates to support the implementation of the Domestic Violence Law.

##### **This work will build on and leverage the following ongoing or proposed work:**

- UNFPA: *Review of budget allocation and expenditures on sexual and reproductive health, including family planning*, to identify key funding gaps and opportunities to increase efficiency and expand access;
- UNFPA: *Documenting Mongolia’s experience in allocating family planning funding since the transition from UNFPA commodities support*, highlighting potential allocation gaps, and
- UNFPA: *GBV costing exercise* building on UNFPA Asia Pacific Regional Office GBV costing model.

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<sup>88</sup> UNDP 2017c.

## Annex 1. Proposed and on-going initiatives by UN agencies and ADB

	Proposed areas for support	Ongoing initiatives
<b>I. Systems for coherence in policy making, resource allocation and monitoring</b>		
<p><b>Strengthen mechanisms that support coordinated and coherent policy making and implementation</b></p>	<ul style="list-style-type: none"> <li>• Assist the government in establishing sustainable planning functions to achieve long-term goals;</li> <li>• Support the capacity of MoF, NDA and line ministries in integrated policy analysis and planning, including in identifying priority policies and programmes on the basis of evidence;</li> <li>• Support the capacity of the Parliament and oversight/ steering institution in integrated policy making, and</li> <li>• Support sub-national governments, particularly Ulaanbaatar city, in localizing SDGs and in mobilizing non-traditional financing to achieve the SDGs, such as from the private sector.</li> </ul>	<ul style="list-style-type: none"> <li>• UNDP: <i>'Assessment of Institutional Mechanisms and Governance Structure for Coordinating, Monitoring and Evaluating Implementation of the Sustainable Development Vision of Mongolia and 2030 Agenda'</i> prepared in 2016. The Assessment outlines evolution of the policy planning functions and structures in Mongolia and calls for development of an <i>'Institutional Reform Roadmap'</i> aiming to strengthen the planning and policy analysis functions.</li> <li>• UNDP: <i>'Strengthening Representative Bodies in Mongolia'</i> project, Phase II, 2017-2022.</li> <li>• UNDP: Supported development of the SDG Roadmap and SDG targets and indicators, spearheaded by the UB city Governor's Office.</li> <li>• UNDP: In the framework of the recently amended Civil Service Law and related support to establish strong/er links between institutional/policy performance and unit/dividual performance at the level of results (rather than activities) and to link capacity development for improved planning and policy functions directly with unit and dividual job descriptions and staff competencies;</li> <li>• UNDP: Supported drafting of the Law on Development Planning through a project based at MOF, and has recently agreed to support the revision of the law, spearheaded by the NDA.</li> <li>• UNDP: Jointly with the Stockholm Environment Institute (SEI), supported NDA in coordinating and doing analysis of interactions of water-related targets of SDGs with targets in other sectors in 2017. The analysis led to development of a generic methodology for identifying priority "accelerator" targets – targets which have impacts on a large number of other targets, which can be used by ministries in other thematic areas.</li> <li>• UNICEF: Institutional capacity strengthening in SDG4 localization. UNESCO Beijing Office, UNICEF Mongolia, and Mongolian National Commission for UNESCO collaborated with the Mongolian Ministry of Education, Culture, Science and Sport organized the National Consultation on SDG 4 – Education 2030 Agenda and launch of the Mongolian version of the 2016 Global Education Monitoring Report in April 2017 to support the Government to integrate the SDG 4 targets into national education policies, strategies and plans. 2017, US\$ 11,000</li> </ul>
<p><b>Align public expenditures with Mongolia's Sustainable Development Vision 2030, medium-term plans and the SDGs</b></p>	<ul style="list-style-type: none"> <li>• Support the Ministry of Finance in reviewing core SDG-related components of the annual and mid-term rolling budget from the social and environmental perspectives, starting with the 2019 budget and expanding in ensuing years;</li> <li>• Advocate for and support practices that will make SGP alignment and</li> </ul>	<ul style="list-style-type: none"> <li>• ADB: Development of Health Sector Masterplan, 2019-2027: A project to support the Ministry of Health to develop the health sector master plan was initiated in October 2017 with funding by the Japan Fund for Poverty Reduction (JFPR). More details on the project can be found at <a href="https://www.adb.org/projects/51134-001/main">https://www.adb.org/projects/51134-001/main</a>.</li> <li>• ADB: Macroeconomic Advisory Technical Assistance Project is a potential source of funding. The TA is also supporting a review of public investment projects in Mongolia. More information on</li> </ul>

	Proposed areas for support	Ongoing initiatives
	<p>impact an explicit element of every budget proposal, and;</p> <ul style="list-style-type: none"> <li>• Support MOF in including a new analytical section in future budgets on linkages to SDG achievement, with some key indicators and targets.</li> </ul>	<p>this TA can be found at <a href="https://www.adb.org/projects/50094-001/main">https://www.adb.org/projects/50094-001/main</a></p> <ul style="list-style-type: none"> <li>• ADB: Strengthening ICT Systems for Efficient and Transparent Public Investment and Tax Administration. This is a proposed loan of \$25 million planned for 2018. More information can be found at <a href="https://www.adb.org/projects/51084-001/main#project-overview">https://www.adb.org/projects/51084-001/main#project-overview</a></li> <li>• World Bank: Public expenditure review was carried out in 2017-2018</li> <li>• UNDP: Development finance assessment was conducted in 2017-2018. The study maps sources of public and private financing for development and recommends strategies to mobilizing financing for the SDGs.</li> <li>• UNDP: Conducted a study making an investment case for non-communicable disease prevention and control in Mongolia in 2017. <a href="http://www.who.int/ncds/un-task-force/publications/investment-case-mongolia-2017/en/">http://www.who.int/ncds/un-task-force/publications/investment-case-mongolia-2017/en/</a></li> <li>• UNDP: Biodiversity expenditure, needs assessment and gaps analysis were conducted under the Biodiversity Finance Initiatives (BIOFIN) in 2017.<sup>89</sup></li> <li>• UNICEF: technical assistance for Maternal and Child Health (MCH) Law with defined and costed essential health and nutrition packages for mothers and children. The draft Law includes provisions on preventative, curative and public health services for maternal, child and adolescent health services. It addresses equity and emergency preparedness issues. The MCH Law aims to provide a enabling legal framework for essential health and nutrition service package, with improved budget allocation and financing methods, supply of human resources and quality of essential medicines. Funding priorities for the package is based on the objective of the MOH as reflected in the National Programme on Reproductive, maternal and child health approved in 2017. Health insurance fund is considered for some of the priorities including outpatient treatment of childhood diseases. 2017-2018, US\$ 50,000.</li> </ul>
<p><b>Enhance the system of monitoring of SDV and mid-term programs by developing an integrated system to monitor progress</b></p>	<ul style="list-style-type: none"> <li>• Support the NSO, the Cabinet Secretariat and other relevant government agencies in developing and utilizing an integrated SDGs/ government plan outcomes dashboard, including at the subnational level;</li> <li>• Support the government in preparation of the voluntary national report on the SDGs for 2019 at High-Level Political Forum (HLPF);</li> <li>• Develop innovative ways of integrating disconnected systems, such as the NDA's online enterprise system with the social welfare database and/or SDG monitoring dashboard, and</li> </ul>	<ul style="list-style-type: none"> <li>• UNDP: A study on data ecosystem mapping was conducted in 2016. It identifies sources of non-traditional data that can be used for SDG monitoring, focusing on health and governance indicators. The study makes recommendations for tapping into this data, such as standardizing government databases and improve the legal framework for data sharing and privacy protection.</li> <li>• UNDP/ UNICEF: As part of a joint regional initiative on national evaluation systems of SDGs and related capacities, an assessment of Mongolia's evaluation systems and capacities will be conducted in 2018, US\$ 10,000</li> <li>• UNDP/ UN Environment: Through a joint project, Poverty-Environment Initiative, commissioned a study which helped NDA develop the Local Development Index. The study identified development indicators for which reliable data is available at soum level, tested/ validated the findings, collected the first round of data, and proposed a mechanism for regular updating.</li> </ul>

<sup>89</sup> UNDP 2017c.

Proposed areas for support		Ongoing initiatives
	<ul style="list-style-type: none"> <li>Conduct an assessment of national evaluation system and capacities to evaluate progress towards the SDGs (building on the regional UNDP/UNICEF initiative).</li> </ul>	<ul style="list-style-type: none"> <li>ADB: TA to the NDA to Develop an Information System for Development Policy and Planning to help NDA develop an information system that maps the Law on Development Planning and Policy and links into existing databases. More information can be found at <a href="https://www.adb.org/projects/51136-001/main">https://www.adb.org/projects/51136-001/main</a></li> <li>UNDP: As part of the 'Support to the SDGs Implementation in Mongolia' project, selected SDG 16 indicator data collection methodologies will be refined to allow for effective monitoring of at least additional 3 SDG16 indicators.</li> <li>UNDP: Advise linking of the below Information System for Development Policy and Planning of the NDA with the SDG Monitoring Dashboard.</li> </ul>
<b>II. Integrated policies and interventions to address specific social and environmental issues towards achieving the SDGs</b>		
<b>Social protection</b>	<ul style="list-style-type: none"> <li>Undertake fiscal space analyses and promote sustainable funding solutions to expand social protection measures, and</li> <li>Identify bottlenecks and gaps in service delivery for the poor and the vulnerable and address them through institutional strengthening and sound public finance management, and</li> <li>Continue support to capacity building and strategic planning in the sector.</li> </ul>	<ul style="list-style-type: none"> <li>UNICEF: Country Programme of Cooperation, 2017-2021 <ul style="list-style-type: none"> <li>By 2021, the most disadvantaged children in Mongolia benefit from increased access and utilization of services that promote health and nutrition, including water, sanitation, hygiene and interventions that mitigate the impact of air pollution on child survival.</li> <li>By 2021, the most disadvantaged children benefit from increased access and utilization of educational services in a healthy, inclusive and quality learning environment.</li> <li>By 2021, child related national policies, budgets and systems, including the child protection system, are inclusive and equityair pollution focusedair pollution</li> </ul> </li> <li>ADB: \$150 million policy-based loan to support strengthening of social welfare in Mongolia. More information can be found at <a href="https://www.adb.org/projects/50302-001/main">https://www.adb.org/projects/50302-001/main</a>. ADB also plans further technical assistance work over the course of 2018-2020, and</li> <li>ADB: Additional Financing for the Food Stamp Program includes technical assistance to support updating the social protection strategy. More information can be found at: <a href="https://www.adb.org/projects/documents/food-and-nutrition-social-welfare-project-additional-financing-rfp">https://www.adb.org/projects/documents/food-and-nutrition-social-welfare-project-additional-financing-rfp</a></li> </ul>
Addressing air pollution	<ul style="list-style-type: none"> <li>Provide technical assistance to implement urgent measures to reduce the impacts of air pollution on health, with a focus on children and pregnant women</li> <li>Conduct consultations and advocacy on technical and behavior change measures to reduce air pollution focused on sustainable production and consumption, including the use of more efficient fuel and insulation, and</li> <li>Help develop an integrated climate-land-energy-water modelling system to provide evidence for long-term planning of the energy mix with reduced emissions that is consistent</li> </ul>	<ul style="list-style-type: none"> <li>ADB: in 2017, started a US\$130 million policy-based loan on Ulaanbaatar air quality improvement. The policy-based loan includes an associated TA to support the government to implement the policy actions. More can be found at <a href="https://www.adb.org/projects/51199-001/main">https://www.adb.org/projects/51199-001/main</a>.</li> <li>UNICEF: Jointly with National Center for Public Health (NCPH) conducted a study "Mongolia's air pollution crisis: a call to action to protect children's health" and published in 2018 with co-funding from SDC, US\$ 70,000.</li> <li>UNICEF: Jointly with NCPH, a rapid assessment of indoor air quality in kindergartens and schools (US\$ 13,000, funded by SDC)</li> <li>UNICEF: jointly with UB Health Department, a rapid assessment of the health sector response to the air pollution child health crisis in the cold season of 2017-2018 (US\$ 12,000 funded by SDC)</li> <li>UNICEF: jointly with the National Maternal Child Health Centre - pilot the improved access of good quality medicine at the family</li> </ul>



	Proposed areas for support	Ongoing initiatives
	<p>with fiscal realities and tariff policies to protect the poor.</p> <ul style="list-style-type: none"> <li>• Help develop an integrated financing framework on air pollution</li> </ul>	<p>health care centre level to treat children affected by air pollution related diseases (US\$ 70,000)</p> <ul style="list-style-type: none"> <li>• UNICEF: develop communication materials about air pollution and child health, including youth engagement in collaboration with Mongolian Scouts Association (US\$ 50,000)</li> <li>• UNDP: Conducted a public expenditure analysis of air pollution and costs of inaction or ineffective air pollution measures to be finalized in 2018.</li> <li>• UNDESA-UNDP: Provided training to Mongolian government/ researchers on integrated climate-land-water-energy system modelling and is planning to further support on development of the model.</li> </ul>
Addressing land degradation	<ul style="list-style-type: none"> <li>• Conduct consultations and advocacy, including focused advocacy on livestock taxes/ pasture fees, as well as broader advocacy on sustainable consumption and production;</li> <li>• Carry out analyses to assess the impact of livestock taxes or pasture fees on herders' livelihoods, compare relative impacts of livestock taxes v. pasture fees</li> <li>• Identify priority measures for sustainable pasture management, and assess feasibility of introducing fiscal transfers to subnational governments aimed to promote sustainable pasture management.</li> </ul>	<ul style="list-style-type: none"> <li>• UNDP: Conducted biodiversity expenditure review in 2017. The study analyses major drivers and policies that are harmful for biodiversities and makes recommendations for innovative financing for conservation and sustainable use of biological diversity, which has close parallels with sustainable pastureland use.<sup>90</sup></li> <li>• UNDP: <i>'Improving Adaptive Capacity and Risk Management of Rural Communities in Mongolia'</i>, climate change adaptation proposal to be submitted for funding by the GCF</li> <li>• UNDP: <i>'Ensuring Sustainable Landscapes Management'</i> project proposal to be funded by the GEF.</li> </ul>
Improving reproductive health	<ul style="list-style-type: none"> <li>• Review the budget allocation and expenditures for family planning activities and identify opportunities for expanding access and utilization by leveraging service delivery efficiency gains and prioritizing access for most vulnerable people</li> <li>• Developing costing estimates to support the implementation of the Domestic Violence Law</li> </ul>	<ul style="list-style-type: none"> <li>• UNFPA: Review of budget allocation and expenditures on sexual and reproductive health, including family planning, to identify key funding gaps and opportunities to increase efficiency and expand access</li> <li>• UNFPA: Documenting Mongolia's experience in allocating family planning funding since the transition from UNFPA commodities support, highlighting potential allocation gaps.</li> <li>• UNFPA: GBV costing exercise building on UNFPA APRO GBV costing model</li> </ul>

<sup>90</sup> UNDP 2017c.

## Annex 2. Abbreviations and acronyms

ADB	Asian Development Bank
CMP	Child Money Program
EFF	Extended Fund Facility
EIA	Environmentaal Impact Assessment
FDI	Foreign Direct Investment
FSP	Food Stamps Program
GAP	Government Action Program
GBV	Gender-based violence
GDP	Gross Domestic Product
HLPF	High-Level Political Forum
IMF	International Monetary Fund
JFPR	Japan Fund for Poverty Reduction
KPI	Key Performance Indicator
LDF	Local Development Fund
MAPS	SDGs Mainstreaming, Acceleration and Policy Support
MCC	Millennium Challenge Corporation
MDG	Millennium Development Goal
MLSP	Ministry of Labour and Social Protection
MoF	Ministry of Finance
MTEF	Medium-Term Expenditure Framework
NDA	National Development Agency
NPRAEP	National Program for Reducing Air and Environmental Pollution
NSO	National Statistical Office
ODA	Official Development Assistance
SDG	Sustainable Development Goal
SDV	Sustainable Development Vision
SEG	Socio-Economic Guidelines
TPDP	Three Pillar Development Policy
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
WWF	World Wildlife Fund

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## Annex 5. UN-ADB joint SDGs MAPS mission to Mongolia: December 2017 summary of high level findings

4 December 2017

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*Achieving SDGs in Mongolia through policy analysis for social sector and environment within the context of financing constraints, while leaving no-one behind*

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Mongolia's mining dependent economy has been significantly affected by the fall in world commodity prices over the last few years. The resulting economic slowdown combined with a widening budget deficit and increasing public debt prompted the Mongolian Government to successfully conclude an EFF programme with the IMF.

The economic challenges also put a strain on developmental gains that Mongolia had been able to achieve in the social and environmental arenas. From 2014-2016, poverty rates increased by 8 percentage points to now 29.6% while the maternal mortality ratio surged from 26 maternal deaths per 100,000 live births in 2015 to 48.6 maternal deaths in 2016. Environmental degradation continues in rural and urban areas and the need to generate growth from mining activities poses further potential threats to pasture lands, forests and water sources.

The Government has already achieved impressive results in stabilizing the macroeconomic deterioration but without an equally strong focus on social and environmental issues, Mongolia's sustainable development, and its ability to achieve the SDGs, risks to suffer a severe setback.

It is recognized that the tight fiscal framework poses a number of potential limitations on advancing sustainable development and progress towards the SDGs in Mongolia. At the same time as outlined below this situation however provides an excellent opportunity to focus on improved medium term-planning and budget expenditure management thereby generating lessons that will be useful over and beyond the considerations of fiscal stabilization.

In this regard, the mission would like to offer the following suggestions:

1. **Coordinated and coherent policy making – and implementation – will be vitally important.** This requires mechanisms to align the state budget with government short- and medium-term policy priorities, while identifying duplication and inefficiency and covering gaps in coverage. The Government has already created institutions for coordinating policy making, such as the National Development Agency and the Sustainable Development Council. However, international experience, supported by Mongolia's own experience in strengthening planning and policymaking in the last 25 years, has demonstrated that merely creating institutions is not the key to strong policy coordination; authority and capacity need to be structured in a way that enables efficient coordination. A clear and workable division of authority between the Ministry of Finance and the planning/coordinating institutions is a critical precondition. We will be very pleased to provide assistance to these bodies, starting with the 2019 budget preparation process.

2. **Careful monitoring of SDG progress, including the effectiveness of SDG-related government-financed programs.** If the Government wishes to make demonstrable SDG progress by 2020, it will be necessary to closely track the progress of key SDG programs while holding central and local government officials accountable for outcomes. Systems that provide decision-makers with up-to-date high-level information on SDG progress to allow quick responses to bottlenecks would be of great benefit. We would be pleased to share with relevant international examples of how governments are addressing the issue of progress and policy monitoring for the SDGs.
3. **Policy and spending needs to be better aligned with Mongolia's Sustainable Development Vision 2030 to enhance impact.** Here are the several examples to illustrate this and spur further discussions:
  - a. A sustainable path of development should focus on access for all families to quality social services. The country's demographic dynamics need to be fully taken into account in planning for the provision of public/social services. The pace of infrastructure investments for kindergartens, schools and health facilities, for example, has not kept up with population growth. And while allocations for the health sector have increased over the years, this has not necessarily translated into an increase in government per capita spending on health given rising population numbers. The dependency on imports for medical drugs and rising prices through the depreciation of the tugrik have placed an additional burden on the state budget. Planning and coordination across health, education and other sectors is needed also to ensure that today's students acquire the skills and knowledge to become competitive future workers, in line with Mongolia's vision to become a dynamic and diversified economy in the future.
  - b. A sustainable path of development should focus on improvement of herd quality rather than on increases in herd size in order to reverse degradation of Mongolia's grasslands and increase the market value of livestock products, whose potential for export has not yet been fully tapped. This would enrich people's livelihoods and serve as a foundation for sustainable economic growth while reducing the pressures on land and decreasing vulnerability and stress migration.
  - c. The government could make priority investments in the development of regions strategically, considering market conditions and the costs of quality service provision rather than spreading the resources thinly over the whole country. Such regional investments would encourage economic and geographic diversification and build human capital to counter-balance the concentration of people and businesses in Ulaanbaatar.
  - d. Certain health-related investments can have strong and quick payoffs. Improved family planning services are a very cost-effective way to reduce the number of unintended pregnancies and prevent expensive and potentially dangerous abortions. Given the state budget cuts in the past few years, stock-outs of contraceptives are prevalent in almost all service delivery points, and as such, unmet needs for family planning have increased as demonstrated in an increase in abortions. Also, investments to improve air quality will reduce need for medical services and improve the attractiveness of the Capital City to foreign investors and to tourists.
4. **International Development Partners will strongly support your efforts to achieve the SDGs despite tight fiscal constraints.** The next Development Partners Meeting could be an excellent opportunity to seek that support, especially if you can demonstrate by concrete actions that your government is prioritizing SDG achievement in the coming years.



A more detailed note with recommendations is being prepared by the Mission Team, and will be made available in due course.

## Annex 6. Environment-related revenues and expenditures in the 2018 budget

	Revenues, MNT bn	Expenditures, MNT bn	Net revenues/ expenditures, MNT bn
<b>Total environment-related revenues and expenditures</b>	<b>1,928.4</b>	<b>362.4</b>	<b>1,566.0</b>
Protecting and conserving the environment	10.3	71.5	-61.2
<i>Examples:</i>	<i>Environment-related ODA</i>	<i>Protected areas, forestation, environmental research, policy and programming,</i>	
Dealing with environmental consequences or cleaning up	48.0	124.0	-76.0
<i>Examples:</i>	<i>Air pollution charges/ fees</i>	<i>Steppe fire-fighting, waste removal, air pollution emergency measures</i>	
Promoting the use of environment and natural resources	1,870.1	166.9	1,703.2
<i>Of which: Use of environment and renewable natural resources</i>	<i>150.1</i>	<i>132.9</i>	<i>17.2</i>
<i>Examples:</i>	<i>Revenues from natural resource uses such as water, forest resources</i>	<i>Expenditures on livestock, crop farming and tourism sectors</i>	
<i>Use of mineral resources</i>	<i>1,720.0</i>	<i>34.0</i>	<i>1,686.0</i>
<i>Examples:</i>	<i>Mining royalties</i>	<i>Heating and electricity subsidies, Ministry of Mining</i>	

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