



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





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

*Project team
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About UNICEF

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

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

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

Takeaways

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

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

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

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

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

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

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

Executive Summary

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

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

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

ASSESSING PLANNING AND BUDGETING THROUGH A CHILD LENS

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

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

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

REVIEW OF MONGOLIA'S BUDGETS AND EXPENDITURES RELEVANT TO CHILDREN

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

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

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

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

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

RESPONSE TO THE COVID-19 CRISIS

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

KEY FINDINGS FROM THE ANALYSES OF THE SOCIAL SECTORS

Child protection

Aimag governments are responsible for implementing child protection programmes and receive funding from the state budget to cover recurrent expenditures. These funds are transferred from the MLSP budget

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