

**DATA COLLECTION SURVEY
ON THE DEVELOPMENT POLICY
AND PUBLIC INVESTMENT
IN MONGOLIA**

FINAL REPORT

February 2017

JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)

**ALMEC CORPORATION
IC NET LIMITED
EXEIDEA LTD**

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EXCHANGE RATE USED IN THE REPORT

USD 1 = MNT 2,484

USD 1 = JPY 113.50

(RATE IN JANUARY 2017)

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ABBREVIATIONS

ADB	Asian Development Bank
BOT	Build-Operate-Transfer
BT	Build-Transfer
CD	Capacity Development
CBM	Coalbed Methane
CNY	Chinese Yuan
CS	Central System
DBM	Development Bank of Mongolia
EBRD	European Bank for Reconstruction and Development
EFF	Extended Fund Facility
ERP	Economic Recovery Program
EU	European Union
FDI	Foreign Direct Investment
FHF	Future Heritage Fund
FIFTA	Foreign Investment and Foreign Trade Agency
FRC	Financial Regulatory Commission
FS	Feasibility Study
GDP	Gross Domestic Products
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GGGI	Global Green Growth Institute
GNI	Gross National Income
HDF	Human Development Fund
IAAC	Independent Authority Against Corruption
ICT	Information and Communication Technology
IFC	International Finance Corporation
IMA	Invest Mongolia Agency
IMF	International Monetary Fund
JCC	Joint Coordinating Committee
JICA	Japan International Cooperation Agency
JPY	Japanese Yen
JST	JICA Study Team

KOICA	Korea International Cooperation Agency
LDF	Local Development Fund
LDM	Law on Debt Management
LDPP	Law on Development Policy Planning
LFS	Law on Fiscal Stability
LGSF	Law on Government Special Funds
MCUD	Ministry of Construction and Urban Development
MDPI	Data Collection Survey on the Development Policy and Public Investment in Mongolia
MED	Ministry for Economic Development
MNT	Mongol Tugrik
MOF	Ministry of Finance
MONDEP	Data Collection Survey on the Regional Comprehensive Development in Mongolia
MOU	Memorandum of Understanding
MP	Master Plan
MTFF	Medium-term Financial Framework
NDA	National Development Agency
NDIC	National Development and Innovation Committee
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OIE	Office International des Epizooties, World Organization for Animal Health
OT	Oyu Tolgoi
PFM	Public Financial Management
PIP	Public Investment Program
POS	Point OF Sales
PPP	Public-Private Partnership
SDC	Swiss Agency for Development and Cooperation
SDGs	Sustainable Development Goals
SDV	Sustainable Development Vision 2030
SGX	Singapore Exchange
SIF	Social Insurance Fund
SME	Small Medium-size Enterprise
TA	Technical Assistance
TDB	Trade and Development Bank of Mongolia
TT	Tavan Tolgoi

UB	Ulaanbaatar
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USD	United State Dollar
WB	World Bank
WS	Workshop

1 STUDY OUTLINE

1.1 Study Background

The economy of Mongolia is greatly affected by global trends and market in mineral resources. In 2011, for example, the country's gross domestic product (GDP) increased by 17.3%, but due to a global depreciation in value of mineral resources after 2013 and the economic slowdown in China, its main importer, Mongolia's GDP growth rate slipped to 2.3% in 2015. The proportion of budget deficit to GDP, which was 4.0% in 2011, became 8.3% in 2015. In addition, the proportion of public debt to GDP, at 32.7% in 2011, climbed to 90.7% in 2015.

In light of this, Mongolia established the Ministry for Economic Development (MED) in 2012 to promote foreign direct investment (FDI). However, owing to a lack of comprehensive national development policy, MED was dissolved and its assets and personnel were merged with those of the Ministry of Finance (MOF) in November 2014. Afterwards, the "Law of Mongolia on Development Policy Planning" was drafted to express the country's fundamental development concepts including the necessary process and management method. A working group composed of representatives of government and non-government organizations was established to craft a long-term development perspective until 2030, based on which the "Mongolia Sustainable Development Vision 2030 (SDV)" was formulated in February 2016.

After the election in June 2016, the new administration was expected to carry out the government's action plan and to draft a mid-term development policy that would address especially the implementation of strategic public works projects and the formulation of a public investment plan (PIP), public-private partnership (PPP) schemes, the national budget, or businesses as guided by the Development Bank of Mongolia (DBM). At the same time, the new administration was also expected to resolve several unclear matters, such as how to evaluate the increasing need for development projects in relation to midterm development policies / PIP and how to manage and monitor projects from project formulation to implementation. Moreover, it was expected that the new administration would put in place a rational procedure to formulate PIPs including the evaluation of public enterprises.

Though the Mongolian government has already started work on two important concerns, i.e. the reconsideration of the existing 400 sectoral policies and the formulation of development policies by region and aimag, matters relating to long-term development policies / PIPs or detailed work procedures would be addressed later. With this situation, measures were based only on lessons obtained from the experiences of the short-lived MED. It should also be stated here that there is a lack of skilled government officers at the national and local level and that there is a huge need for capacity development.

To solve the above-mentioned development policy/PIP problems, the Government of Mongolia and the Japan International Cooperation Agency (JICA) agreed on the necessity for technical assistance. JICA approved the conduct of this data collection survey to collect and analyze data and information regarding the country's development policies, its stand on public investment, and donor support; train personnel; and identify needs, future cooperation direction with Japan, and development projects.

1.2 Study Objectives and Expected Outputs

(1) Study Objectives

This survey aims to collect information, analyze current conditions of development policies/ PIPs in Mongolia, and propose institutional and strategic support for upstream assistance, including public financial management /PIP, in JICA's program on governance enhancement in Mongolia.

(2) Study Area

The study area is the entire Mongolia with Ulaanbaatar as the study's focus.

(3) Study Outputs

Four (4) outputs are expected through this survey, as follows:

- 1) Confirmation of policy-related acts, regulations, organization, personnel, budget, government policy and their implementation; Medium Term Fiscal Framework (MTFF) of several policies, which are based on the "Sustainable Development Vision 2030," such as midterm development policy/PIP; regional development policy; development policy for each economic sector; aimag development; and the direction of support from, as well as current conditions of, other donors;
- 2) Analysis of the functions, responsibilities, and capabilities of Congress and other governmental organizations at each project development stage (formulation, approval of budget distribution/expenditure, procurement, project monitoring, operational management, etc.) of public investment projects, PPP business and development projects; and clarification of issues to establish a system to monitor and manage development projects effectively;
- 3) Conduct of seminars and workshops for the MOF, NDA¹, related agencies, and local government officer; and.
- 4) Proposal on the basic direction of and modality for the forthcoming JICA technical assistance to enhance the Mongolian government's capacity for planning national development policies and public investment programs.

¹ At the time the official request for technical assistance to JICA was submitted by the Mongolian government, the task/responsibility for preparing a public investment plan was with the Ministry of Finance, as provided for by the Development Policy Planning Law (DPPL). However, after the new administration took over, the task and responsibility shifted to a new organization named National Development Agency (NDA), as provided for by the amended DPPL. Projects costing over MNT30 billion (USD12.1 million) fall under the PIP to be prepared by the NDA.

1.3 Study Progress and Relevant Agencies

(1) Study Progress

The Study was conducted in a phased manner, as follows:

Domestic Work -1 (October 2016): Existing documents, data, and references were reviewed to identify the current situation of the Mongolian government's policies as well as the socio-economic status in Mongolia, after which the Inception Report for the Study was prepared.

First On-site Survey (November through December 2016): During this period, the Study Team had a series of discussions with relevant government organizations and conducted the first seminar to present the Inception Report to facilitate a common understanding of the issues to be tackled in the study such as those about policy building and PIP formulation. In particular, intensive and extensive meetings were held with key NDA officials to confirm the organizational, institutional, and capacity issues facing the agency. The demarcation of roles and responsibilities between the Ministry of Finance (MOF) and the NDA was the main issue in formulating the PIPs. The Study Team sought the most suitable Mongolian model for rational development administration in consultation with the chairman of the National Affairs Standing Committee. At the same time, donors interested in providing the NDA and the MOF with technical assistance to achieve the government's sustainable development goals (SDGs) were interviewed to strengthen donor coordination.

Domestic Work -2 (December 2016): Based on the data and information collected through the on-site survey above, a hypothetical scenario suitable for JICA's technical assistance project on strengthening Mongolian governance was elaborated.

Second On-site Survey (January to February 2017): This on-site survey aimed to verify or revise the hypothetical scenario. Three main activities were performed as follows:

First, a two-day workshop was held on 26-27 January 2017 between the NDA and the JICA Study Team. During the workshop, participating ministries and the NDA reviewed more or less 10 priority projects/programs proposed by each ministry for inclusion in the PIP to be submitted on 15 May 2017. This workshop was an important venue for the NDA to demonstrate its capacity to coordinate priority projects in line with the country's long-term development vision. The JICA Study Team supported this workshop to observe and identify NDA's capacity to carry out its mandate.

Secondly, the Study Team organized a seminar for NDA and MOF officials to discuss the former's findings on the issues and problems underlying the actual PIP formulation process. Possible solutions for issues about coordination or joint work between the NDA and the MOF were proposed and discussed. At the end of the seminar, six vital topics (refer to Chapter 6 of this report) to be studied under a forthcoming JICA technical assistance project were proposed by the Study Team, and the appropriateness of the six topics were confirmed by both NDA and MOF participants.

Thirdly, a second round of visits/interviews with donors were undertaken to collect more

detailed information about their technical assistance projects and to determine the need for donor coordination with the help of JICA.

It should be noted that the JICA Mongolia Office provided the Study Team with timely and proper advice regarding the conduct of the on-site surveys.

(2) Relevant Authorities and Organizations

During the on-site survey, the JICA Study Team interviewed the following entities and government organizations:

1) Mongolian Government Organizations:

- National Affairs Standing Committee, the Parliament;
- Prime Minister's Office;
- MOF (departments of Economic Policy, Fiscal Policy Planning, Investment Budgeting, Development Financing);
- NDA (Director General, Deputy Director General, Departments of Development Policy Planning, Sector Development Policy Coordination, Investment Policy Integration);
- Officers in charge of policy and planning, ministries of Construction and Urban Development, Roads and Transportation Planning, Energy, Mining and Heavy Industry, Foods • Agriculture • Light Industry, Natural Environment • Tourism, Justice, Foreign Affairs, Education Culture and Sports, and Defence, and ICT Office; and
- DBM.

2) Donors Supporting MOF

- ADB, EU/GIZ, WB, KOICA

3) Donors Supporting NDA

- UNDP, GIZ, IFC

4) Key Resource Persons

- Members of the working group on “Sustainable Long-term Development Vision 2030”

2 MONGOLIA'S DEVELOPMENT POLICY PLANNING SYSTEM

2.1 Structure of the New Government

The new government was established after the parliamentary elections in June 2016. (Please see the new government structure in Table 2.1.1.) Major changes in the government structure were the dissolution of the Ministry of Industry and their Strategic Planning Department's merger with the newly established National Development Agency; the merger of the Light Industry Policy Coordination Agency with the Ministry of Food, Agriculture and Light Industry; and the merger of the Heavy Industry Policy Coordination Agency with the Ministry of Mining and Heavy Industry. Significant changes were made to Mongolia's development policy planning system with the forming of the new government. The National Development Agency, a regulatory agency for national development policy planning, was established under the Prime Minister with the purpose of implementing long-term and sustainable development policies.

Table 2.1.1 Structure of the Government of Mongolia

Ministry and Cabinet Member		Regulatory Agency	Implementing Agency
	Prime Minister	General Intelligence Agency Communications and Information Technology Agency National Development Agency	State Property Policy Coordination Agency
	Deputy Prime Minister	State Professional Inspection Agency National Emergency Management Agency Authority For Fair Competition And Consumer Protection Agency For Standardization And Metrology	
Cabinet Secretariat of the Government	Head of the Cabinet Secretariat of the Government		
Ministry of Environment and Tourism	Minister of Environment and Tourism		National Agency for Meteorology and Environment Monitoring
Ministry of Foreign Affairs	Minister of Foreign Affairs		
Ministry of Finance	Minister of Finance		Customs Agency General Agency of Taxation
Ministry of Justice and Internal Affairs	Minister of Justice and Internal Affairs	General Police Department General Agency for Border Protection	General Agency of State Registration and Intellectual Property General Archival Agency General Executive Agency Of Court Decision Immigration Agency
Ministry of Construction and Urban Development	Minister of Construction and Urban Development		Agency of Land Management, Geodesy and Cartography
Ministry of Defense	Minister of Defense	General Staff of the Mongolian Armed Forces	
Ministry of Education, Culture, Science and Sports	Minister of Education, Culture, Science and Sports		Physical Culture and Sports Agency Agency of Culture
Ministry of Road and Transportation Development	Minister of Road and Transportation Development		Civil Aviation Authority
Ministry of Mining and Heavy Industry	Minister of Mining and Heavy Industry		Mineral Resources and Petroleum Authority
Ministry of Food, Agriculture and Light Industry	Minister of Food, Agriculture and Light Industry		Veterinary and Animal Breeding Agency
Ministry of Labor and Social Protection	Minister of Labor and Social Protection		Health and Social Insurance General Office Labor and Welfare Service General Office Youth Development Office
Ministry of Energy	Minister of Energy		
Ministry of Health	Minister of Health		
Cabinet +13 ministers	16 ministers	29 agencies	

Source: JICA Study Team

2.2 National Development Policy based on Development Policy Planning Law

The current system of formulating national development policies was reviewed in 2015 which resulted in the formulation of the “Law of Mongolia on Development Policy Planning (LDPP)” which was approved on 26 November 2015. Before the enactment of the new law, the legal framework was insufficiently developed although there were different strategies, policies, and plans at several levels (national, local, and sectoral) and by timeframe. Therefore, policy coordination was weak, an integrated system and methodology of policy planning was not established, and financing sources of development policies were unclear. To address such issues, the new law was developed to define the basic principles and procedures in planning; implement, monitor, and evaluate development policies; assign authority and responsibility of organizations responsible for development policies; and build an integrated development policy planning system.

The Development Policy Planning Law organizes development policies by timeframe and institutional level (national, local, and sectoral) and stipulates relations between policies, monitoring systems, and approving authorities (see Table 2.2.1).

Table 2.2.1 Policy Document Stipulated by Law on Development Policy Planning

	Policy Document	Duration (years)	Formulation Authority	Approval Authority	Monitoring, Evaluation
Long	National Development Vision	15-20	GoM	State Great Khural	MOF in 4 years
	State Policy	8-10	MOF, Central administrative body	GoM	MOF in 2 years, GoM in 4 years
	Regional Development Policy		NDA	GoM	NDA, Local government in 2, GoM in 4 years
	Aimags, Capital City Development policy		Governor	Local representative khural	Local representative khural in 2 years, Cabinet office in 4 years
Medium	Government Action Programme	3-5	Cabinet office	State Great Khural	in 2 years
	Governor Action Programme		Governor	Local representative khural	in 2 years
	National Programme, Sub Programme		Central administrative body	GoM	every year
	Public Investment Programme		NDA	GoM	in 2 years
	Annual Socio-economic Development Guideline	1 year	MOF	State Great Khural	every year
Short	Local Socio-economic Development Guideline	1 year	Local government	Local representative khural	every year
	Annual national budget, local budget		MOF	State Great Khural	every year

Source: Law of Mongolia on Development Policy Planning

2.3 Mongolia Sustainable Development Vision 2030

Based on the Law on Development Policy Planning, the National Long-Term Strategy Working Group, which consists of nonpartisan groups of parliament members, developed the "Mongolia Sustainable Development Vision 2030 (SDV)." The SDV was approved by the parliament in February 2016. The vision indicates the final goals to achieve by 2030 and its 20 key result indicators (see the following box and Table 2.3.1).

Goals to Achieve by 2030

1. Increase Mongolia's GNI per capita to USD17,500 and become an upper-middle income country based on its income per capita.
2. Ensure average annual economic growth of not less than 6.6 percent in 2016–2030.
3. End poverty in all forms.
4. Reduce income inequality and have 80 percent of the population in the middle and upper-middle income class.
5. Increase enrollment rate in primary and vocational education to 100 percent and establish lifelong learning classes.
6. Improve living environment of Mongolian people to lead a healthy and long life; increase life expectancy at birth to 78 years.
7. Be among the first 70 in country ranking of the Human Development Index.
8. Preserve ecological balance and be among the first 30 in country ranking of the Green Economy Index.
9. Be in the first 40 in country ranking of the Doing Business Index and first 70 of the Global Competitiveness Index.
10. Build professional, stable, and participative governance that is free of corruption and adept at implementing development policies at all levels.

Table 2.3.1 Key Indicators of the Sustainable Development Vision 2030

No.	Indicator	Measuring Unit	Base Level (2014)	Target Level (2030)
1	Annual average economic growth	percent	7.8	6.6 (average in 2016– 2030)
2	Gross national income per capita	USD	4,166	17,500
3	Human development index	rank	90	70
4	Life expectancy	years	69.57	78
5	Poverty rate	percent	21.6	0
6	Global competitiveness index	rank	104	70
7	Doing business index	rank	56	40
8	Environmental performance index	rank	111	90
9	Share of the population with social insurance coverage in the total economically active population	percent	84.4	99
10	Gini coefficient of inequality	score	36.5	30
11	Infant mortality ratio per 1,000 live births	ratio	15.1	8
12	Maternal mortality ratio per 100,000 live births	ratio	30.6	15
13	Number of students in a class at high school (national average)	number	27.3	20
14	Area of the land with disease free status for international trade certified by World Animal Health Organization	percent	0	60
15	Area of desertified land	percent	78.2	60
16	Area of specially protected land	percent	17.4	30
17	Number of foreign tourists travelling in Mongolia	million persons	0.392	2.0
18	Share of households using reliable electricity	percent	89	100
19	Share of processing sector exports in total exports	percent	17	50
20	Share of main fuel products supplied from domestic production	percent	0	100

Source: Mongolia Sustainable Development Vision 2030.

The SDV is classified into four policies (see Figure 2.3.1). The development period consists of three phases: Phase 1: 2016–2020, Phase 2: 2021–2025, and Phase 3: 2026–2030. Benchmarks are set by phase, and specific objectives are included in the medium-term development policies, government action plans, annual socioeconomic guidelines, and government budget to implement.

Sustainable Economic Development	Sustainable Social Development	Green Development	Governance
<ul style="list-style-type: none"> • Agricultural sector • Tourism sector • Industrial sector • Mining sector • Energy and infrastructural sector • Macro-economic policies • Business environment development 	<ul style="list-style-type: none"> • Ensuring social equality through inclusive growth • An effective, high quality, and accessible health care system • Knowledge-based society and ensure skillful Mongolian 	<ul style="list-style-type: none"> • Integrated water resource management • Coping with climate change • Ecosystem balance 	<ul style="list-style-type: none"> • Strengthen a governance structure to formulate, implement, monitor and evaluate sectoral and local development policies • Improve leadership of civil organizations and ensure transparency and accountability of governance • Enforce laws and procedures on ethics for politicians and civil servants, and eliminate all forms of corruption

Source: JICA Study Team based on Mongolia Sustainable Development Vision 2030.

Figure 2.3.1 Four Policies in the Sustainable Development Vision 2030

In the development of Mongolia’s SDV 2030, the medium- and short-term policy planning is reflected in the Law on Development Policy Planning. The law specifies that long-term and sustainable development will be the basis not only of Mongolia’s development but also of formulating political party and candidate platforms for parliamentary and local elections.



Source: JICA Study Team based on Mongolia Sustainable Development Vision 2030.

Figure 2.3.2 Policy 1 on Sustainable Economic Development

The policy on “Sustainable Economic Development” incorporates macroeconomic policies and business environment development as well as strategies for the major sectors of agriculture, tourism, mining and energy, and infrastructure. The principles for macroeconomy and sectoral development and the strategies for sustainable economic development are summarized in Figure 2.3.3. The strategies aim to achieve sustainable economic growth by promoting industrial diversification; strengthening global competitiveness in exports and investment promotion; strengthening the agricultural sector such as measures for animal disease control, intensive stock farming, and capacity development of farm business; shifting to processing industry; promoting processing exports; and improving trade and investment systems. The vision also aims to enhance self-sufficiency in energy, develop transport networks, and expand information technology and telecommunications coverage to improve international competitiveness, as well as develop infrastructure and brand tourism resources for tourism development.

In addition, strategies for macroeconomic policies include a medium-term debt management strategy, reduction in debt service cost, strict compliance with debt ceiling requirements, sound

planning of the state budget revenue and expenditure, and proper expenditure management.

Principles on Macroeconomy

- Sustain long-term economic growth at no less than 6.6%
- Achieve zero overall budget deficit
- Maintain appropriate budget balance
- Strict compliance with debt-ceiling requirements
- Implement policies to hedge the country from international market and commodity price
- Accumulate foreign reserves at the proper amount
- Keep the trade balance free of deficits and maintain the stability of the Tugrik
- Ensure long-term sustainability, credibility, and accountability in the banking and financial sectors and implement proper credit and interest rate policies
- Cooperate with international economic cooperation organizations
- Promote public-private partnership, utilize international cooperation funds and long-term concessional loans, and cooperate with international financial organizations

Principles on Sectoral Development

- Adopt advanced technology with high productivity and encourage new products, production, and services that adopt innovations
- Encourage production methods that are natural resource-efficient
- Strict compliance with principles of efficiency and effectiveness in all economic and social sectors

Source: JICA Study Team based on Mongolia Sustainable Development Vision 2030.

Figure 2.3.3 Principles on Improving Macroeconomic Stability

2.4 Basis of the Public Investment Policy

In line with the macroeconomic projections of the country, the newly formed Government of Mongolia was tasked to reduce its budget deficit. They formulated the Economic Recovery Program (ERP) which reflected the improvement of investment opportunities in lieu of the determination of source of funds to repay debts due 2017, which is one of the most pressing issues.

International lending agencies, particularly the International Monetary Fund, are concerned about putting limits to lending and are currently refraining from making important decisions that will greatly influence financial policies. Thus, the formulation of the Public Investment Program (PIP) is being considered in the medium-term outlook. The action program selected by the new government, as previously mentioned, has a lot of political wishlists. But due to financial restraints, the PIP assumed in the action plan needs to be ascertained. The action plan's contents will be reviewed in detail and prioritized through political coordination as well as cooperation from various ministries.

The formulation of the PIP will be carried out by the NDA in compliance with relevant laws. Based on the amendments made to the law, the development project efficiency and benefit assessment to be reflected in the PIP will be conducted by a member of the Cabinet, i.e., the NDA chief (28.6 of the Law on Budget), while project performance assessment methodology will be approved by another member of the Cabinet, i.e., Finance minister (28.11 of the Law on Budget). PIP monitoring and evaluation will be conducted every two years, according to the Law on Development Policy Planning. However, some issues, namely standards for defining project priorities, sources of funding, procedures, and project assessment criteria, remain unclear despite having laid out the foundation of the public investment policy.

With such important responsibilities over the development plan and fiscal balance, it is necessary to increase the coordination ability of the NDA and the Ministry of Finance.

2.5 Action Plan of the Government of Mongolia

In October 2016, all the ministries and agencies (including Ulaanbaatar City Municipality) submitted their respective policies and national programs for inclusion in the Government Action Plan 2016–2020, which is based on the “Mongolia Sustainable Development Vision 2030.” The Government Action Plan has five chapters, as follows:

1. Special policy to overcome economic slowdown;
2. Policy on the promotion of sustainable economic growth;
3. Social policy;
4. Environment and green growth policy; and
5. Governance policy.

Action plans: 1) special policy to overcome the economic slowdown and 2) policy on promoting sustainable economic growth are shown in Table 6.6.1. From the table, the action plan is seen to reflect sustainable development visions and multifaceted policies. However, the coordination among policies, actions, funding, and priorities should also be taken into consideration.

Table 2.5.1 From the Action Plan of the Government of Mongolia (2016–2020)

Policy Pillars	Implementation Action
<p>1. Special Policy to Overcome the Economic Crisis:</p> <p>To increase resilience of the economy and implement in the medium term continually expanding policy by overcoming the economic crisis in a short period, securing a macroeconomic balance, diversifying the economy, eliminating the influence on resource prices, and mitigating the pressure of repayment of medium-term government bonds.</p>	<ol style="list-style-type: none"> 1. To overcome the economic crisis in a short period and propose a stabilization program. 2. To ensure macroeconomic sustainability and increase foreign and domestic investments. 3. To improve the effect by securing fiscal consistency, withdrawing expenditure on non-budget items, and improving policies and planning concerning public investment. 4. To reduce budget loss by strengthening fiscal management and reducing inefficient expenditure and costs. 5. To ensure efficient and transparent expenditure of regional development funds. 6. To solve citizen, company, and national debt problems; support civic lives; and increase income levels. 7. To pay individuals and companies, which were not paid as contractors of public works. 8. To reduce the conditions of national debt, negotiate repayment deadlines, and mitigate fiscal deficit step by step. 9. To evaluate the issued loan under “stabilized price” program and increase efficiency. 10. To evaluate the national bonds of the development bank, loans, projects, and programs and repay inappropriate usage and overdue loans. 11. To control amount of new taxes, do business in specific fields within the framework of domestic industrial promotion policies, and reduce income tax to 1% for companies with annual incomes lower than MNT1.5 billion. 12. To distinguish income tax of enterprises and individuals by income. 13. To establish legislation for reduction of individual income tax with minimum wage. 14. To fully support domestic investors and adopt legal measures such as tax reduction and exemption until the first investment is reclaimed. 15. To support domestic enterprises with tax delinquency by delaying payment of taxes, penalties, and interests; extending payment deadline; and reopening of closed bank accounts. 16. To provide an opportunity to repay debts and improve the debt history of companies and individuals registered in the “debtor blacklist,” which were influenced by the economic crisis and delayed repayment of loans. 17. To continually operate for more than five years and deliver long-term soft loans to SMEs

Policy Pillars	Implementation Action
	<p>that create employment.</p> <ol style="list-style-type: none"> 18. To reduce service charges and fees for public services. 19. To reduce the number of national licenses and approvals to operators by three times, extend term of validity, and eliminate redundant management and auditing. 20. To collaborate with international and regional banks and financial institutions to overcome the economic crisis and vulnerable situations and reduce risks. 21. To hold a council with partner countries, international banks, and financial institutions. 22. To bring up basic indicators of the economy and national bonds of Mongolia and obtain confidence of foreign investors. 23. To implement the “Made in Mongolia Program” and improve the competitiveness of the industrial sector. 24. To promote “Erdenes Mongolia” OT project and start strategic deposits such as TT.
<p>2. Policy to Support Stable Economic Growth</p>	<ol style="list-style-type: none"> 1. To increase GNI of Mongolia to reach that of upper-middle-income countries. 2. To create an industrial map of Mongolia and develop a heavy industrial development program. 3. To support companies besides those in the mining industry, which export more than 50% of products produced in Mongolia with tax collection measures. 4. To increase the value of the shares owned by all citizens. 5. To distribute profits to citizens from mega projects such as OT, TT, Erdenet, etc. 6. To extend the deadline of finance loans issued to companies that conduct mega projects and improve the environment to reduce interest payments. 7. To build a financial market that is friendly to people and benefits the economy. 8. To revise the legislation of standards and survey in accordance with international standards and implement the “national quality program.” 9. To adapt a mechanism that accepts and introduces the standard and evaluation of survey in order to enhance the competitiveness of products and eliminate technical obstacles in transactions. 10. To stabilize fee for industrial steam, water, heating, electricity, etc. and gradually reduce cost. 11. To build a system concerning shipment, transport, processing, and consistency of livestock materials. 12. To strengthen activities of the free zone and support domestic and foreign investment. 13. To support fair competition in the market and strengthen the legislation to protect consumer rights. 14. To support domestic industries through customs clearance and tax policies. 15. To implement a one-stop export policy and centralize public service such as customs clearance, tax collection, and audit for digitization. 16. To issue “trust loans (low rate of interest)” with favorable conditionality and support SMEs, family businesses, and small business owners. 17. To implement "regional assistance" policy to support businesses in local and remote areas. 18. To adjust the fuel price to global standards. 19. To start “Healthy Food - Healthy Mongolian Program,” “Industrialization 21:100 Program,” “Domestic Industry Program,” and “Meat and Milk Program Phase I” to support sustainable development of food in the food, livestock, and light industry sector, and continue to Phase III.
<p>3. Food Industry Sector</p>	<ol style="list-style-type: none"> 1. To implement Phase I of the “Meat and Milk Program” so as to stabilize public food supply and reduce seasonal impact of strategic food supply and supply healthy and safe products to citizens. 2. To increase competitiveness of food products and create an environment for value-added product exports. 3. To improve the legal environment of organic and macrobiotic foods and implement funds, investment, and tax collection policies for industry promotion. 4. To support construction of small- and medium-sized food processing model factory with the latest technology to meet the needs of the aimag, city, sum, and residential area. 5. To build a registration and integrated information database on food safety. 6. To improve the environment of healthy and safe food provision to citizens and build a

Policy Pillars	Implementation Action
	<p>system of food production, processing, preservation, transport, and sales for food safety improvement.</p> <p>7. To increase the category of domestic food products, implement sub-programs of chickens, pigs, bees, fish ,etc., and expand supply of goods.</p>
<p>4. Livestock Industry</p>	<p>1. To implement the “Mongolian Livestock” national program to improve livestock industry productivity and economic circulation and introduce the latest machinery, technology reform, and innovation.</p> <p>2. To implement “national nomadic policy,” “Mongolian nomads,” and “domestication” programs.</p> <p>3. To support meat and meat products export through combination of grazing, intensive pastoralism, and farming; increase annual export volume to 50 thousand tons; and raise income level of nomads.</p> <p>4. To learn experiences of other countries on training of livestock industry experts, re-training, and livestock industry and implement a “knowledge and information program” to local nomads.</p> <p>5. To implement a flexible policy on soft loan, investment, insurance, and tax collection for the livestock industry and ensure income and quality of life for nomadic households and fund expansion of direct industry development to prevent devaluation of livestock raw materials and burden on nomads.</p> <p>6. To establish a system to clarify the registration of livestock, collection of livestock raw materials, collection quality, improvement of standards, and product origin.</p> <p>7. To encourage nomads to participate in the housing program and practice welfare measures.</p> <p>8. To ensure smooth and consistent operation of the veterinary system with international standards; implement prevention, management, and countermeasure strategies for livestock infections in zoning based on the border gateway; and increase raw materials of livestock industry and possibility of product export.</p> <p>9. To convert the quantity to quality of livestock, improve efficiency, protect genetic resources and breeding, and carry out introduction of new biotechnology technologies, new species development, and capacity building for regional breeding units.</p> <p>10. To increase loan support for the construction of livestock feed plants and feed storage.</p> <p>11. To improve wells in grasslands, construction of artificial ponds, and management maintenance for increasing the water supply of residents and livestock.</p> <p>12. To enhance grassland efficiency and challenge latest ecological technology against regeneration, decomposition, and desertification for better grasslands for insects.</p> <p>13. To improve and implement legislation about genetic resources of livestock for livestock’s stable growth, health, and development.</p> <p>14. To protect the traditions and wisdom of the livestock industry and implement intensive pastoral development program to ensure livestock numbers, types, and composition.</p>
<p>5. Realization of Fertile Lands</p>	<p>1. To improve working rate of farmland and domestically produce 100% of grain, potatoes, main vegetable demand, and 50% of feeds in agricultural and intensive livestock developed area.</p> <p>2. To increase fruit categories and productivity, network of Seabuckthorn production, and provision of nutritious fruits for more exporting incomes.</p> <p>3. To increase nutrition and productivity of lands, accumulate greenhouse cultivation, and improve categories and quality.</p> <p>4. To introduce new technologies to integrated cultivation projects such as countermeasures against decomposition and withering of farmland, increase organics in land, and carry out crop rotation.</p> <p>5. To annually increase the area of irrigated farmland by construction of irrigation system-based water exploration and survey and introduce renovation, new technology, machinery.</p> <p>6. To develop an accumulated farm for greenhouse cultivation in summer and winter and provide fresh vegetable to citizens.</p> <p>7. To support tax policy on latest agricultural technology, machines, and fertilizer according to lease conditions.</p> <p>8. To build an integrated system for storage, elevators, threshing machine, machine</p>

Policy Pillars	Implementation Action
	<p>capacity improvement, and sales.</p> <p>9. To improve legislation of agricultural insurance.</p>
<p>6. “Domestic Product” Program</p>	<p>1. To improve legislation, business environment improvement, and increase domestic production of value-added products in export-oriented SMEs, business, and service industries.</p> <p>2. To build legislation of price arrangement for agricultural and animal husbandry products.</p> <p>3. To implement a long-term investment and soft loan policy for light industry and SMEs.</p> <p>4. To build a system for raw materials such as wool and cashmere, leather shipping, transportation, stable supply, and raw materials storage.</p> <p>5. To support international and border gateway areas businesses.</p> <p>6. To develop light industry, SME talent cultivation, retraining, and training system and implement a “specialist” program.</p> <p>7. To establish information and incubator centers to hold information and seminar trainings for development purposes of the light industry sector under the cooperation of specialized associations.</p> <p>8. To learn from overseas franchising plants with advanced technology and support construction of “development model” plants for the light industry and SME sectors.</p> <p>9. To hold global advanced technical and mechanical exhibitions in light industry sector regularly and encourage domestic manufacturers to attend overseas exhibitions.</p> <p>10. To support light industry park development, cooperation among plants and companies, and cluster development under governmental policies.</p> <p>11. To increase goods from agricultural market, categories of raw materials, and quantity for operation improvement.</p>
<p>7. Mining Industry and Heavy Industry</p>	<p>1. To improve competitiveness of Mongolia in the international market by improving investment environment and sustainable development in the mining industry.</p> <p>2. To support sustainable development in the mining sector by conducting more surveys in geological map, fundamental investigation, geophysics, geochemistry, water quality, and ecology.</p> <p>3. To build a national geological information database according to international standards for the public.</p> <p>4. To improve investment environment in the geological and mining sectors and implement cooperative projects and programs.</p> <p>5. To join the mining industry county union, improve the cadastral registration system, and simplify the process of license approvals.</p> <p>6. To expand oil exploration, excavation, and mining businesses.</p> <p>7. To revise the legislation for individuals about cooperation in the micro-mining industry.</p> <p>8. To propose a long-term plan for infrastructure development in the mining industry sector and strengthen cooperation among sectors.</p> <p>9. To establish a research institute for the mining industry and improve the mineral resources investment environment.</p> <p>10. To build legislation for mineral resource (type II) utilization and update the natural generation and closedown with international standards.</p> <p>11. To deal with financing and procurement of “Gold II” program with Bank of Mongolia.</p> <p>12. To increase gold yield and build legislation of gold acquisition for small mine owners.</p> <p>13. To increase oil yield and build oil processing factories.</p> <p>14. To support construction of copper smelters.</p> <p>15. To support construction of steelmaking parks in Darkhan and Selenge areas.</p> <p>16. To support coal selection and manufacturing and gasification industry under government policies.</p> <p>17. To support construction of liquid fuel and coal plant under governmental policies.</p> <p>18. To develop metal structure and plant construction.</p>
<p>8. Infrastructure, Construction, Urban Development Sector:</p> <p>To support construction projects to match the</p>	<p>1. To expand the scale and subject of loans by mitigating housing loan restriction through a diverse loan program.</p> <p>2. To make an integrated policy to meet public housing needs and conduct the “affordable houses” program.</p> <p>3. To do environmental improvements using international quota and standards.</p> <p>4. To clarify reasonable directions for planning on human habitation, emigration, and living</p>

Policy Pillars	Implementation Action
<p>conditions of safe cities, urban planning, natural environment, and human health and help improve legislation of safe and reasonable congestion mitigation.</p>	<p>area system.</p> <ol style="list-style-type: none"> 5. To construct land integrated policy/system and improve legislation of land use, occupation, and possession. 6. To provide spatial information by mapping the national territory of Mongolia and build a geographic database. 7. To build legislation of Ulaanbaatar development. 8. To conduct a sub-program for "street" and "bicycle lane" to integrate in Ulaanbaatar masterplans. 9. To increase the green facilities of aimag centers three times in Ulaanbaatar. 10. To implement projects and programs of re-development reconstruction in Ulaanbaatar, ger area, and other cities and reduce air pollution. 11. To plan an underground system and improve infrastructure in new residential areas in cities and other urban areas. 12. To implement development policy for construction equipment to lower construction costs, reduce construction period and weights, prevent heat loss, and enhance fire resistance. 13. To plan and implement countermeasures for earthquake frequency identification in cities, risk setting, seismic design, and safety improvement of current buildings. 14. To conduct national public service policies to reflect urban development masterplan. 15. To separate drinking and normal water in newly planned residential region in Ulaanbaatar, reuse water for grey water, and introduce sewage system and green facility reuse technology. 16. To reform sewage treatment plants in Ulaanbaatar and other cities through foreign and domestic investment with urban master plans. 17. To explore the feasibility of treated grey water and soiled water in plants. 18. To expand the area of wireless internet in leisure areas, libraries, etc. 19. To expand the flow of Tuul, Selbe, and Dund rivers for water supply improvement in Ulaanbaatar and construct a leisure area along the riverside. 20. To increase twice the residential area and public space for parking in Ulaanbaatar. 21. To complete infrastructure in Ulaanbaatar Selbe and Bayankhoshuu sub-downtown.
<p>9. Energy Sector:</p> <p>To ensure stable and reliable supply of energy for national economic security and aim for export.</p>	<ol style="list-style-type: none"> 1. To expand the capacity of and reform current thermal power plants (Choibalsan Power Station, third thermal power plant of Ulaanbaatar). 2. To construct a new power station for stable supply of energy and thermal power plant for TT coal supply in the mining area of South Gobi. 3. To construct export-oriented large-scale thermal power plant and DC transmission line to utilize coal deposits such as Shivee-Ovoo and TevshiinGovi. 4. To develop renewable energy at an increasing ratio. 5. To build regional energy system, heavy industry, power transmission lines between major customers, and electricity origin and sub-station and construct an integrated energy system. 6. To establish heating plants and pipelines for energy supply in aimag centers, cities, and urban areas. 7. To connect sum centers with CS and implement a whole business linking renewable energy and CBM-based intensive infrastructure, heating, water, and sewer service system. 8. To implement specific measures, projects, and programs by introduction of new technology for energy-saving, efficiency improvement, reduction of energy loss, and innovation. 9. To stabilize costs of heating and electricity and make a policy for future price reduction. 10. To construct plants that turn coal to gases, produce smokeless fuel with new technology, reduce air pollution through detailed survey about fault gases for TT and coal deposit in the central area, confirm applicable resources, and conduct a project for modernization of regional gas supply.
<p>10. Road Transport Sector:</p> <p>To develop safe and</p>	<ol style="list-style-type: none"> 1. To expand the network of international, long-distance, and local level paved roads; connect aimag centers with paved roads; and proceed with the Millennium road project. 2. To conduct the railway construction business to TT-GashuunSuhait and Huut-Bichigt. 3. To construct the gateway railway from TT-GashuunSuhait to OT railways and

Policy Pillars	Implementation Action
comfortable roads, transport, and logistic networks with regard to economic growth and needs of the society.	Shiveehuren-Sehe. 4. To start the railway construction business to Zuunbayan-Hangi. 5. To start the BogdHan railway construction business for UBTZ technical improvements. 6. To start the railway construction business to Erdenet-Ovoot. 7. To develop domestic and international transport and logistic network and construct a logistics center in “Hushug Valley” (near the new international airport). 8. To increase domestic and international flights based on national air transport policy and reduce flight costs caused by competition. 9. To expand light aircraft and helicopter market for disaster measures, food, agriculture, livestock industry, emergency medical care, civil aviation, and tourism. 10. To encourage international exchange in the transport sector and develop transit transport by introduction of regional infrastructure and transport network. 11. To establish a regional cooperation planning center via triple cooperation among Mongolia, Russia, and China and conduct a feasibility study survey in the infrastructure sector. 12. To develop ecological tourism water transport in tourism in domestic rivers and lakes. 13. To establish a logistics center at Dunzyan FTZ, Tianjin, China. 14. To introduce an open transport smart system that cater to needs. 15. To build roads to Bayanzurh, Yarmag, Songsolonbridge and UB-Nalaikh for road network improvements based on Ulaanbaatar Development Masterplan. 16. To build viaducts and BRT to mitigate traffic congestion in Ulaanbaatar.

Source: From the Action Plan of the Government of Mongolia

2.6 Economic Recovery Program (ERP)

The ERP, approved by the Parliament on 16 November 2016, was formulated by the Government of Mongolia to overcome economic difficulties and achieve economic stabilization. To do so, the following strategies were put forward with detailed implementation plans:

Strategy 1. Improvement of macroeconomic stability within a short period of time

- 1.1 To implement policy to decrease the budget deficit and maintain financial stability;
- 1.2 To implement monetary policy to decrease balance of payments pressures and maintain stability of inflation rates;
- 1.3 To increase inflows of foreign currency and determine the source of funds to repay foreign debts due in the short term.

Strategy 2. Restructuring of the economy in the medium term to alleviate debt pressures

- 2.1 To increase income of exports of non-mining sectors and lay out the foundations for economic diversification;
- 2.2 To start large projects in order to support material growth of the sector and to intensify works to build infrastructure;
- 2.3 To strengthen responsible governance to support economic growth and create stable legal environment.

Solid measures such as the enhancement of fiscal discipline, extension of fiscal revenue base, assessment of efficiency of local development fund spending, and reduction of the share of the consolidated budget deficit to the GDP to lower than 9.9% in 2017 were reflected in the detailed implementation plans. Other measures include the inspection for concluded and ongoing projects and programs implemented as concessions, revision and approval of the concession list, clarification of implementation mechanisms, and approval and assurance of the implementation of the Law on Public and Private Partnership. The development and implementation of the plan on repayment and refinancing of government and development bank bonds; assessment of the contingent liabilities of the government, Mongol Bank, and Development Bank; and measures for risk prevention were also mentioned.

There will be meetings with partner countries, international banks, and financial institutions in the long term to discuss low interest rates and the legal framework for FDIs. Within the framework of strengthening governance are the following measures: ensure the coordination of the Development Bank and state budget; improve governance, transparency, and reporting of the Development Bank; revise and adopt the Law on the Development Bank of Mongolia; and carry out organizational restructuring.

The intensification of implementation of mega projects, which will boost the economy and support of infrastructure projects, was indicated; yet the coordination between the projects and the public investment program was not clear.

The list of projects reflected in the Government Action Plan and ERP was prepared by collecting proposals, including mega projects that have been discussed for years, from line ministries and agencies and which were then approved by the government. Still, the number of projects and the budget amount can be increased based on Cabinet meetings and parliamentary sessions to accommodate promises made by political parties and politicians prior to the elections. This trend will not end until the involvement and pressure of a political party during the implementation of projects funded by state budget and the private sector are stopped. Transparency in decision-making and better governance are inevitable in the future and must be guaranteed through information disclosure and stakeholder consultation and participation.

3 PUBLIC INVESTMENT: CURRENT SITUATION AND CHALLENGES

This chapter discusses the current situation and the financial challenges facing public investment (Sub-Chapter 3.1), mega projects (Sub-Chapter 3.2), development projects in the fields of development policies and public financial management extended by major international donors (Sub-Chapter 3.3), public investment (Sub-Chapter 3.4), and the training and education programs and implementation (Sub-Chapter 3.5).

3.1 Current Challenges in Financial Resources of Public Investment

Financial resources and challenges for Public Investment in Mongolia will be discussed in this sub-chapter such as Fiscal balance, External debt, Assistance for Official Development Aid and its debt, Financial position of DBM, Public Investment through concession and its debt, Public Investment in local area.

(1) Overall Fiscal Balance

In this section, the outline of the fiscal balance of GOM from MTFF 2017 to 2019, the 2016 Budget Law (Including Supplementary Budget), and the 2017 Budget Law which were resolved at the SGH will be discussed.

1) Mid-Term Fiscal Frameworks (MTFFs)

On 15 November 2016, the MTFF 2017-2019 was approved by the SGH together with the 2017 Budget Law. Such an approval was six months behind the schedule stipulated in the Budget Law. The main economic indicators in the MTFF 2017-2019 are shown in the table below.

Table 3.1.1 Main Economic Indicators in MTFF 2017-2019

Main Economic Indicator	MTFF	Projection (%)	
	2017	2018	2019
Real GDP Growth	3.0%	5.1	7.1
Consumer Price Index	6.5%	7.6	8.0

Source: MTFF 2018-2019

It is assumed that real GDP growth in 2017 will be 3.0% and it will grow to 5.3% in 2018 and

7.1% in 2019. Although the consumer price index is expected to gradually inflate, this may be a conservative projection. The basis of economic growth is not specified in the MTFF, and it was not possible to confirm it with the Ministry of Finance and the National Assembly Standing Committee.

The main financial figures are shown in the table below.

Table 3.1.2 Main Financial Figures in MTFF 2017-2019

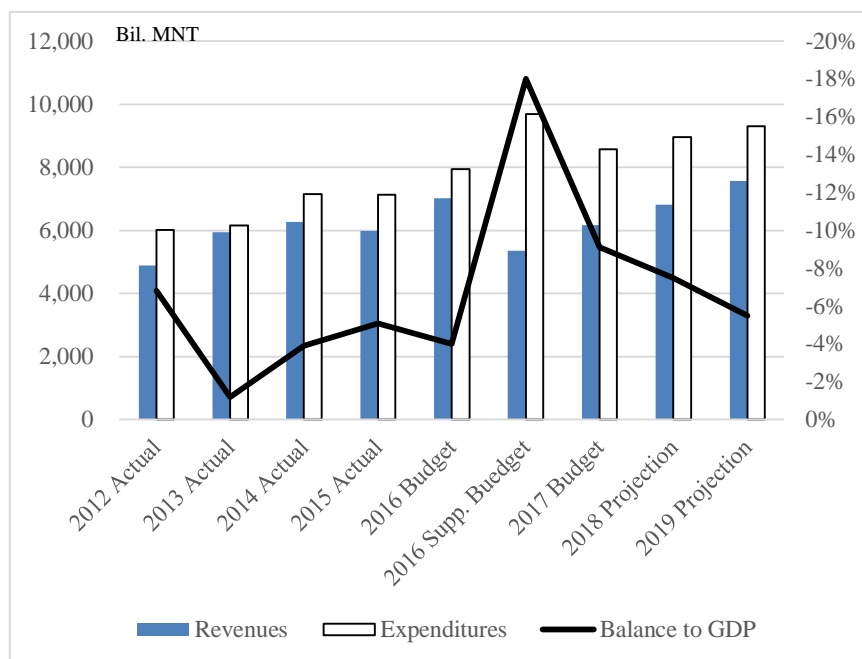
Financial Figure	MTFF	Projection	
	2017	2018	2019
Total general government structural revenues (Billion MNT)	6,160.2	6,822.6	7,561.3
Ratio to GDP (%)	23.3	23.8	23.7
Total general government expenditures (Billion MNT)	8,568.9	8,971.2	9,316.5
Ratio to GDP (%)	32.3	31.3	29.2
Overall general government structural balance (Billion MNT)	▲2,408.7	▲2,148.6	▲1,755.2
Ratio to GDP (%)	▲9.1	▲7.5	▲5.5

Source: MTFF 2018-2019

According to a fiscal policy officer in the MOF, the main target of the MTFF is to reduce the fiscal deficit step by step, with the target of fiscal balance to GDP at -9.1% in 2017, -7.5% in 2018, and -5.5% in 2019. This target is also consistent with the ERP. However, while both revenue and expenditure are set to achieve the fiscal balance target in 2017, there is no clear evidence to support the projections in 2018 and 2019. Moreover, revenues are calculated to maintain 23% of GDP; therefore, the growth rate of revenues will be the same as Real GDP Growth or more. On the other hand, the share of Expenditures to GDP will slightly decrease at 32.3% in 2017, 31.3% in 2018, and 29.2% in 2019. Since the target Real GDP Growth is expected to increase rapidly, the Expenditures projections will increase to 85.7 trillion MNT in 2017, 89.7 trillion MNT in 2018, and 93.2 trillion MNT in 2019.

By reviewing the trend of Revenues and Expenses, as well as fiscal deficits from 2012 to 2019 as shown at Figure 3.1.1, the fiscal deficit which expanded in 2016 as a result of the

supplementary budget, is expected to decrease gradually in the next three years.



Note: Prepared by the Study Team based on MTFF statements 2017-2019 and MOF documents

Figure 3.1.1 Comparison of Revenues and Expenditures, 2012-2019

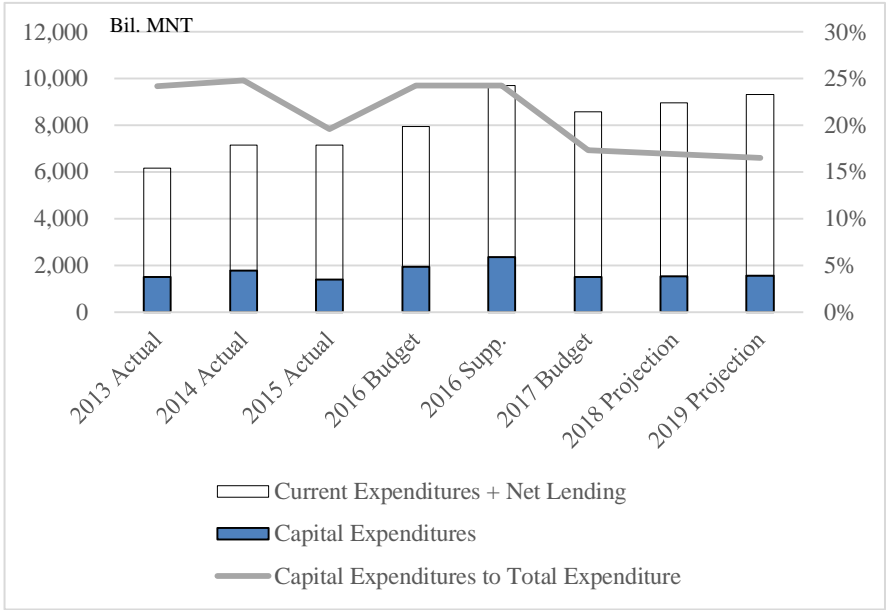
Current and capital expenditures for the period 2017 to 2019 are shown in Table 3.1.3.

Table 3.1.3 Current and Capital Expenditures indicated in MTFF 2017-2019

Expenditure	2017 Budget		2018 Projection		2019 Projection	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Current Expenditures	7,085.0	82.7%	7,453.6	83.1%	7,775.9	83.5%
Capital Expenditures	1,483.9	17.3%	1,517.6	16.9%	1,540.6	16.5%

Source: MTFF 2018-2019

A source of domestic public investment, capital expenditures account for 17.3% of the 2017 budget and are expected to reach 16.9% in 2018 and 16.5% in 2019 compared to GDP. Based on the share of capital expenditure to GDP from 2012, there seems to be a policy to maintain the share under 20% as in order to manage fiscal stability.

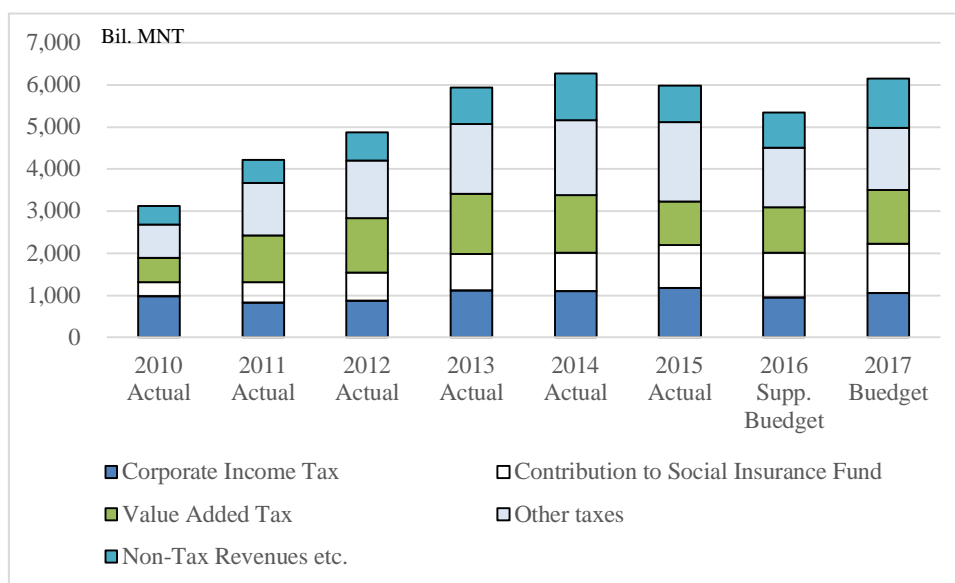


Note: Prepared by the Study Team based on MTFE statements 2017-2019 and MOF documents

Figure 3.1.2 Capital Expenditure Trends

2) Revenue and Expenditure Trends

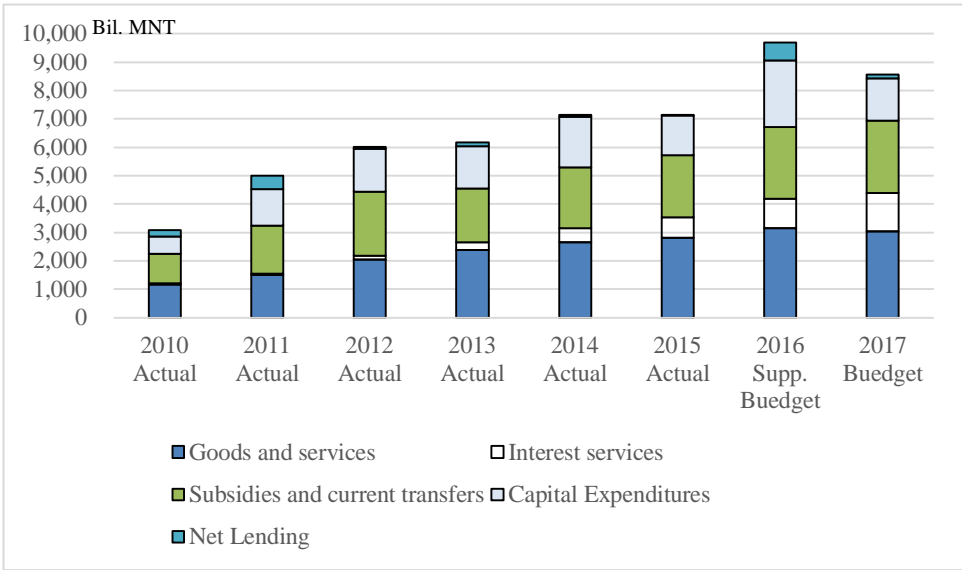
The trends in revenues from 2010 show that tax revenues steadily rose by 185% from 2.7 trillion MNT in 2010 to the expected 5.0 trillion MNT as indicated in the 2017 budget. In particular, value added tax rose significantly by 200% from 0.6 trillion MNT in 2010 to 1.3 trillion MNT as indicated in the 2017 budget. Social insurance contributions also increased dramatically from 0.3 trillion MNT in 2010 to 1.1 trillion MNT in the 2017 budget, or a 340% growth.



Note: Prepared by the Study Team based on MOF documents.

Figure 3.1.3 Revenue Trends

The trend in expenditure from 2010 (actual) to 2017 (budget) also show that the current expenditures rose 250% from 1.2 trillion MNT in 2010 to 3.0 trillion MNT in 2017, exceeding the growth of tax revenues. Subsidies and transfers rose from 1.0 trillion MNT in 2010 actual to 2.6 trillion MNT in 2017 budget and capital expenditures also rose 251% from 0.6 trillion MNT in 2010 actual to 1.5 trillion MNT in 2017 budget. Both growth are in line with the growth of current expenditures. Growth of expenses is higher than growth of revenues and this reason may come from inflation and foreign exchange fluctuation. The growth of interest services is noteworthy. It was only 42.3 billion MNT in the 2010 actual however soared 3,181% to 1, 345.7 billion MNT in the 2017 budget to reach the similar level of the capital expenditures. The reason is bonds issued after 2012 have interest rate higher than 10% for the latest issuance and it is obvious that high interest services make heavy burden to government budget.



Source: Study Team prepared based on documents obtained from MOF

Figure 3.1.4 Expenditures Trends

3) Capital Expenditures

Capital expenditures in the 2017 budget is shown in the table below. Capital expenditures which reached 2.4 trillion MNT in the 2016 supplementary budget seemed to be influenced by the SGH election held in 2016 which was significantly reduced by 1.5 trillion MNT in the 2017 budget under the strict budget policy. For each year's budget lists of projects financed by the state budget, DBM, from concessions as well as from local budgets were partly disclosed, although it is noted that not all projects were listed and disclosed. Projects that had more than 30 Billion MNT and which should be included in PIP are in the list of public investments financed by the State budget.

Table 3.1.4 Detail of Capital Expenditures by source

Unit: Billion MNT

Item	State budget	DBM	Foreign Aids	Total
(1) Central budget				
(1.1) Domestic investment	*196	-	332	528
(1.2) Large repair	*31	-	26	57
(1.3) Others	*23	-	65	88
(1.4) Funds such as Road Fund	**93	-	38	131
(1.5) Contribution to Strategic Reserve	30	-	1	32
(1.6) Capital Expenditures	-	*173	-	173
(1) State budget total	375	173	462	1,009
(2) Local budget				
(2.1) Domestic Investment	35	-	72	107
(2.2) Large repair	1	-	-	1
(2.3) Others	-	-	2	2
(2.4) Funds such as Road Fund		-	-	-
(2.4.1) Capital Expenditures in UB City	***263	-	-	-
(2.4.2) Contribution to UB LDF	12	-	-	-
(2.4.3) Capital Expenditures in Aimags	62	-	-	-
(2.4.4) Contribution to Aimags LDF	28	-	-	-
(2) Local budget total	401	-	73	475
(1) + (2) Grand Total	776	173	535	1,484

Source: Study Team prepared based on documents and information obtained from MOF

* Items which have detail for each investment project under 2017 Budget Law

**Partly including concession projects which have details under 2017 Budget Law

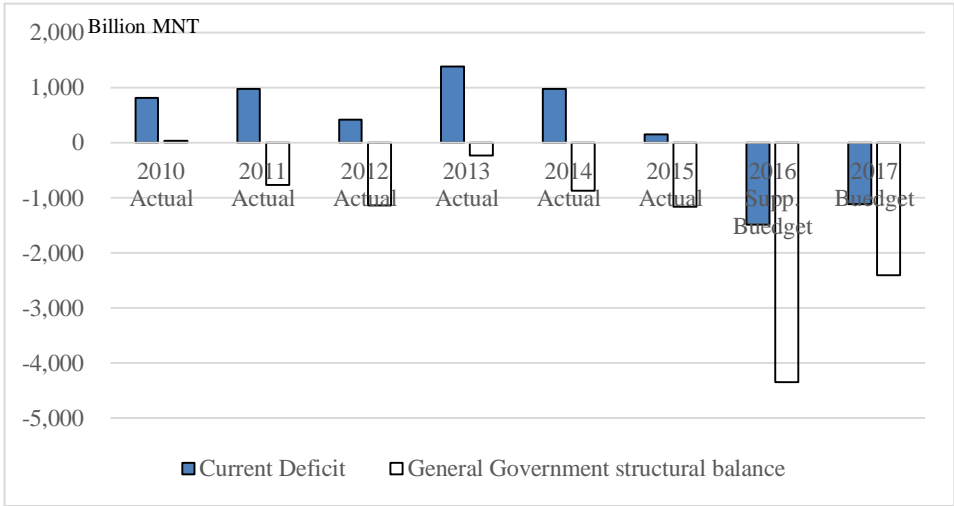
***Partly including investment projects under 2017 UB City budget based on resolution by citizens representative councils

4) Balance trends

The balance is getting worse year by year because the rise in expenditures has been greater than revenues as mentioned in 2).

The current balance was 0.8 trillion MNT of surplus in 2010 rose to a 1.5 trillion MNT deficit in the 2016 supplementary budget and a 1.1 trillion MNT deficit in the 2017 budget. On the

other hand the General Government Structural balance (fiscal balance) fell from 0.04 trillion MNT surplus in 2010 to an actual deficit in 2011. It also had a 4.3 trillion MNT deficit in the 2016 supplementary budget and a 2.4 trillion MNT deficit in the 2017 budget which means 39% of current revenue even under a strict budget policy.



Source: Study Team prepared based on documents obtained from MOF

Figure 3.1.5 Balance Trends

(2) External Debt (Funding source to repay debt such as Chinggis bonds)

5) External debt

The government's external debt are classified into the following: (1) loans from donors and foreign banks, (2) bonds issued to foreign investors, and (3) debt guarantee for state enterprises etc.

The Study Team attempted to prepare a detailed report of the government debt as of December 31, 2016 using several sources obtained through its research. The research showed that the balance of government debt including its debt guarantees stood at 17,086.5 Billion MNT (6,878,86.2 thousand USD). This amount is equivalent to 64.5% of the 26.5 trillion MNT (10.67 billion USD) of GDP and is 2.8 times of total Revenues in 2017 Budget Law

The following list is the debt which include their repayment due dates within the next 5 years and which require large amount of financial resources for their repayment.

- 580 million USD of bond issued by the DBM with government guarantees due March 2017

- 500 million USD of government issued bonds due in January 2018
- 1 billion CNY of government issued bond due in June 2018
- 300 million USD of loan borrowed by DBM from Credit Suisse due in September 2019
- 500 million USD of bond issued by TDB with government guarantee due in May 2020¹
- 500 million USD of government issued bonds due in April 2021
- 240 million USD of loan by government from Credit Suisse due in 2021

¹ Government received collateral from TDB.

Table 3.1.5 Detail of Government debt as of December 31, 2016

Unit: Billion MNT

Item	USD (mil.)	CNY (mil.)	JPY (mil)	MNT equivalent
(1) Loans from donors and foreign banks				
(1.1) ADB	725			1,800
(1.2) JICA	630			1,565
(1.3) China Exim Bank	438			1,089
(1.4) World Bank	422			1,048
(1.5) Credit Suisse	240			596
(1.6) Others	350			870
Sub Total	2,805	-	-	6,968
(2) Bonds issued to foreign investors				
(2.1) Issued in Dec. 2012 (Maturity: Jan. 2018)	500	-	-	1,242
(2.2) Issued in Dec. 2012 (Maturity: Dec. 2022)	1,000	-	-	2,484
(2.3) Issued in Jun. 2015 (Maturity: Jun. 2018)	-	1,000	-	358
(2.4) Issued in Apr. 2016 (Maturity: Apr. 2021)	500	-	-	1,242
Sub Total	2,000	1,000	-	5,326
(3) Debt guarantee for state enterprises etc.				
(3.1) DBM*	1,042	-	30	3,322
(3.2) MIAT Mongolian Airlines	87	-	-	215
(3.3) Erdenes Mongol LLC	5	-	-	13
(3.4) TDB	500	-	-	1,242
Sub Total	1,634	-	30	4,793
Grand Total (1) + (2) + (3)	6,439	1,000	30	17,087

Source: Study team prepared by documents obtained from MOF and SGX

* Including 580 million USD of bond fallen due in March 2017 and 300 million JPY of Samurai bond

6) Bond issuances

GOM registered 5 billion USD of Global Medium Term Note Program in November 2012 and 5 billion USD of Global Medium Term Note Program in June 2015 to allow it to issue bonds from time to time that would not exceed the above mentioned amounts respectively.

Based on the former program, in December 2012 BOM issued 500 million USD bonds with a 5 year maturity and 1 billion USD bond with 10 year maturity. And based on the latter

program the GOM issued 1 billion CNY bond with a 3 year maturity for June 2015 and 500 million USD bond with a 5 year maturity for April 2016. Their interest rates were 4.125% - 10.875% per annum meaning that they incurred heavy financial burdens.

Furthermore the DBM and the TDB issued 580 million USD and 500 million USD bonds with government guarantees respectively. The maturity of the former bond is March 2017. Prime Minister Erdenebat announced that the GOM reserved the fund for in January 2017 however as of the writing of this report no further information on the said repayment fund was available

Table 3.1.6 Detail of Bonds registered at SGX

Type	Issue month	Maturity	Interest rate p.a.	Currency	Issue price
Government issued bonds	Dec. 2012	Jan. 2018	4.125%	USD	500,000,000
	Dec. 2012	Dec. 2022	5.125%	USD	1,000,000,000
	Jun. 2015	Jun. 2018 (estimated)	7.50%	CNY	1,000,000,000
	Apr. 2016	Apr. 2021	10.875%	USD	500,000,000
DBM issued bond with Government guarantee	Mar. 2012	Mar. 2017	5.75%	USD	580,000,000
DBM issued bond with Government guarantee	May 2015	May 2020	9.375%	USD	500,000,000

Source: Study team prepared by documents obtained from SGX

(3) Foreign aid through Official Development Assistance (ODA) and their debt

Documents obtained from the MOF, the ODA loans and grants in the 2017 budget are shown in the succeeding table. The People's Republic of China is the largest donor country for both loans and grants. The amount of loans and grants totals 265 billion MNT (107 million USD) and 42 billion MNT (17 million USD) respectively. By sector, the following were the largest loan assistance recipients: (1) road, (2) energy and mining and (3) education sectors for loans and (1) education, (2) social welfare and (3) natural environment. In the sectors for grants the largest aid project is the New Ulaanbaatar International Airport construction project by Japan with 160 billion MNT (64 million USD) which is in 2017 budget. The second largest project is the agricultural products supply and Poverty Reduction Project in Aimags by China which amounts to 40 billion MNT (16 million USD) in the 2017 budget.

Table 3.1.7 Official Development Assistance in the 2017 Budget (by estimates)

Unit: Billion MNT

Item	MNT	USD equivalent (million)
(1) ODA Loans		
(1.1) P.R.China	265	107
(1.2) JICA	194	78
(1.3) ADB	143	58
(1.4) World Bank	69	28
(1.5) Others	99	40
Sub Total	770	310
(2) ODA Grants		
(3.1) P.R.China	42	17
(3.2) ADB	22	9
(3.3) South Korea	16	7
(3.4) Kuwait	16	6
(3.5) World Bank	15	6
(3.6) United Nations	10	4
(3.7) Others	24	10
Sub Total	145	59
Grand Total (1) + (2) + (3)	916	369

Source: Study team prepared by documents obtained from MOF

(4) Current situation and challenges in the formulation and implementation process and project management and monitoring for projects financed by DBM

The DBM is a state-owned bank that is incorporated under the DBM Law. According to Article 21.1 of the DBM Law, the SGH has a right to define the the government share in the sources of funds to contribute to the equity capital of the DBM including the setting of the maximum limit for loan guarantees to be issued by the GOM. The GOM shall issue loan guarantees for the DBM (Article 22.1.4 of DBM law). However, the DBM is not subject to the supervision of the Mongol Bank and the Financial Regulatory Commission (FRC)².

Regarding large scale development projects and programs the DBM may finance the projects

² The Daiwa Institute of Research (2014) "Study report consigned by Financial Services Agency(FSA) of Japan: Basic study on financial infrastructure in Mongolia"

and programs approved by the SGH under Article 8.1 of the DBM Law, that is if GOM issued guarantees (Article 9.1 of DBM Law). Financial support may be provided from the state budget to implement projects and programs guaranteed by the GOM under Article 9.2 of the DBM Law. On the other hand the Board of Trustees of the DBM shall approve the list of projects and programs to be financed from other capital sources apart from those guaranteed by the GOM including the deposits of the DBM (Article 9.3 of DBM Law).

However the Cabinet Working Group found that some of the DBM-funded projects, such as a loan issued to the Mongolian Stock Exchange and a loan for the construction of an apartment complex, were not approved by the SGH. Moreover the DBM did not undertake precautionary steps regarding exchange rates and the avoidance of incurring huge losses³. In addition to this the DBM ex-chief executive officer was arrested.

Another problem of the DBM its off-budget expenditures, which does not pass SGH resolutions, are technically financed through debt whenever government guarantees are involved⁴. Therefore one priority of the ERP is to update the relationship between the DBM with the state budget, decrease foreseeable risks, enhance governance in the DBM, improve transparency and reporting, widen the scope of DBM activities and increase its independence by way of amendments to the DBM Law as well as other structural changes⁵. An amendment to the DBM Law has just been passed by the SGH in February 10, 2017 and due to the currency of the action this reporter have yet to see the final version of amendment law. However according to the draft version of the amendments which Study Team collected, the new law will feature new articles such as supervision by the Mongol Bank based on the procedures determined by the government in order to meet ERP requirements.

The following table shows the summary of public investment projects financed by the DBM. These projects are financed by the state budget through DBM. There are 119 projects listed in 2017 Budget Law. Six of these 119 projects, such as construction of the access road to the

³ Chintushig Boldsuikh(2016) “Probe into Development Bank of Mongolia finds major violations” *The UB Post* <http://theubpost.mn/2016/10/13/probe-into-development-bank-of-mongolia-finds-major-violations/> (accessed Feb. 15, 2017)

⁴ Hiroshi Kikuchi(2013)“Macro-economy of Mongolia from public finance –Importance of debt management upon Chinggis bond issuance-”
https://www.jbic.go.jp/wp-content/uploads/reference_ja/2013/07/14799/20130712_seriesMongolKikuchi.pdf (accessed Feb. 16, 2017)

⁵ Battushig.B. and Khulan.B(2016) “The Economic Recovery Program of Mongolia 2016-2020 (“Recovery Program”)” *Legal updates* <http://gtsadvocates.mn/the-economic-recovery-program-of-mongolia-2016-2020-recovery-program/> (accessed Feb. 15, 2017)

New International Airport exceed 30 billion MNT, which mean they might be included in the PIP.

Nevertheless according to DBM officers, such public investment projects financed by the DBM in the 2017 budget could be transferred to projects under the state budget. Since MOF officers also acknowledged these forms of transfers, these projects will not be financed by the DBM but directly by the state budget.

Table 3.1.8 Public Investment financed by DBM

Unit: Billion MNT

Item	No. of projects	2017 Budget	Total project budget
2015 2 nd supplemental budget	214	452,351.0	2,112,885.9
2016 Supplemental budget	167	367,059.1	1,593,149.0
2017 Budget	119	172,794.9	1,012,951.7

Source: Study team prepared by documents obtained from MOF

(5) Financial position of DBM

Table 3.1.9 is the financial statement as of December 31, 2015. The financial statements of the DBM are audited by the Pricewaterhouse Coopers Audit LLC (PwC) which issues unqualified opinions. According to the statement, the balance of loans and advances which is more than 80% of Total Assets or 6.1 trillion MNT (2.4 billion USD) is over 17 times more of the shareholders' equity which is 4.9 trillion MNT (2 billion USD) . On the other hand shareholders equity is 287.4 billion MNT (116 million USD) which is 4.7% of total assets. To compare these with top private commercial banks such as TDB, Khan Bank and Golomt Bank, this equity is thin.

Table 3.1.9 DBM's Statement of Financial Position for Financial Year 2015

Unit: Billion MNT

Item	MNT	USD equivalent (million)
Assets		
Cash and cash equivalents	700	281
Bank deposits	154	62
Short term investment	131	53
Loans and advances	4,909	1,976
Other assets	176	71
Total assets	6,070	2,444
Liabilities		
Due to other banks	436	175
Bonds	1,727	695
Borrowings	3,567	1,436
Other Liabilities	54	22
Total liabilities	5,783	2,328
Equity		
Contributed capital	245	99
Retained earnings and others	42	17
Total equity	287	116
Total liabilities and equity	6,070	2,444

Source: Financial Statements audited by PwC

The following table presents the detail of loans and advances by sector. The largest sector in loans and advances is the road sector which has a balance of 1.4 trillion MNT (550 million USD) and occupies 27% of the total balance. Ninety-four percent (94%) of the public investment and more than half of the total loans and advances belong to public investment in the state budget as regards to infrastructure such as railway, utility and power plant besides road infrastructure. However the loans and advances for the manufacturing and mining sectors account for 80% of the loans and advances to corporations.

Moreover 56% of total loans and advances is to be repaid by the state budget in the public

investment projects by 2018⁶. The rest are loans to be repaid by the corporations. Five hundred eighty six (586) billion MNT which is equivalent to 12% of the total loans and advances is classified as loans and advances that are individually impaired because they are so-called non-performing loans. However since loans for advances for the public investment are repayable by the state budget, only 7% have been classified as non-performing loans while 18% of loans and advances for corporates have been classified as non-performing loans. As among major private commercial banks such as TDB and Khan Bank non-performing loans that are less than 10% of total loans management from the DBM have been considered suspicious in the past.

Finally provision for loan impairment is 77.3 billion MNT. Most of provision belong to loans and advances to corporations since the public investment loans and advances are repayable by the state budget.

⁶ Notes to Financial Statement audited by PwC

Table 3.1.10 Balance of DBM loans and advances for Financial Year 2015

Unit: Billion MNT

Item	Loans and advances to be repaid from the state budget	Loans and advances to be repaid by corporations	Total	Ratio
Neither past due, nor impaired:				
-Road	1,186	-	1,186	
-Railway	443	-	443	
-Utility	406	-	406	
-Power plant	365	23	388	
-Manufacturing	9	815	823	
-Mining	6	601	607	
-Others	149	96	246	
Total neither past due nor impaired			770	82%
Past due but not impaired:				
-Construction		302	302	
Total past due but not impaired		302	302	6%
Individually determined to be impaired:				
-Road	180	-	180	
-Manufacturing	-	370	370	
-Mining	-	36	36	
Total impaired loans	180	406	586	12%
Less: Provision for loan impairment	-2	-76	-77	-2%
Total net amount of loans and advances	2,742	2,167	4,909	98%

Source: Financial Statements audited by PwC

On the other hand, the DBM's financial resources mainly consist of bond issuances and borrowings from the GOM as well as from foreign financial institutions, as shown in Table 3.1.11. The former includes 580 million USD of SGX issued bond with government guarantees that is due on March 2017 and 30 billion JPY of the samurai bond issued in Japan. The latter includes 2.5 trillion MNT from the GOM, which is slightly less than the 2.7 trillion MNT total loans and advances that is to be repaid from the state budget. More than half of

both bonds and borrowings should be redeemed or repaid within 5 years and their interest rates are also relatively high at 5% or more. Long-term financing and low-interest funds are a requirement in the continuance of sustainable management.

Table 3.1.11 Balance of DBM loans and advances for Financial Year 2015

Unit: Billion MNT

Item		Maturity	Interest p.a.	Principal in foreign currency	Total	Other conditions
(1) Bonds	(1.1) Bond issued on SGX	2017	5.75	500 million USD	1,175	Government guarantee with interest and principal
	(1.2) Samurai Bond	2024	1.52	30 billion JPY	404	Guarantee of principal and JBIC's guarantee of principal and last 5.5 years of interest
	(1.3) Bond issued to Mongolian bank through private placement	2018 & 2021	4.0	n.a.	148	2 commercial banks through private placement subsequently purchased by Mongol Bank
	Total issued bond				1,727	
(2) Borrowings	(2.1) Financing from the Government	One-third:2018 Two-third:2022	4.7917	n.a.	2,564	Funding from proceeds of the Chinggis Bond
	(2.2) Syndicated Loan Facility	2017 & 2019	LIBOR +4.250 ~4.375	300 million USD	598	Syndicated term facility agreement. Secured by Government Guarantee
	(2.3) China Development Bank (CDB)	2022	6.0	149.5 million USD	302	Secured by Government Guarantee
	(2.4) International Investment Bank	2022	EUR LIBOR +6.0	20 million EUR	43	Secured by Government Guarantee
	(2.5) Vnesheconombank	2023	3.2	20 million USD	35	No Guarantee
	(2.6) Commerzbank	-	1.9-2.3	11 million USD	24	No Guarantee
	Total borrowings				3,567	
Grand Total					5,294	

Source: Financial Statements audited by PwC

(6) Current situation and challenges in the formulation and implementation process and project management and monitoring for projects financed through PPP

The Concession Law, which came into effect in 2010, stipulates legal guidelines for concessions on state-owned properties and local government-owned properties by investors. Under Article 4.1 of the Concession Law, 7 types such as BOT (build-operate-transfer) and BT (build-transfer) system are listed as examples. The latest concession list which was revised in 2013 includes 125 projects under several types of concession written in the law.

In addition the law stipulates a competitive tender (Article 11 of the law) and a direct contract (Article 17 of the law) in the selection of concessionaires on the said concession list. Most projects except 6 were granted through a tender.

On the other hand under Article 28.10 of the Budget Law which was revised in February 2015 projects implemented through concession agreements are included in the PIP.

Meanwhile, concession agreements through BT have caused “off balance deferred debt” especially in the case of the Chinese local governments⁷ projects. Also in Mongolia, Government Decree No.37 dated August 17, 2016 was issued with the goal of suspending BT type concession projects because potential debt risks were earlier recognized from the viewpoint of fiscal discipline. Moreover, SGH Decree No.47, dated September 9, 2016, stipulates that “arrers from 2017 investment projects that were financed through state budget and the DBM and where under BT type concession repayment agreements by the state budget should no longer be paid by promissory notes”. These are the types of decrees which restrained the increase in expenditures or debt through concession agreement in advance and after the project were supposed to be completed.

⁷ Yuko Gomi (2014) “Is BT the next focused China’s local government debt?” *International Finance Topics No.250* The Institute for International Monetary Affairs (IIMA) https://www.iima.or.jp/Docs/topics/2014/250_j.pdf (Accessed 17 Feb. 2017)

Table 3.1.12 Government Decree No. 38 in 2016

No.	Description
1	<p>The following measures will provide the roles for National Development, Provincial and Capital Governors:</p> <p>1) The "Build-Transfer" type concession lists any concession agreements to be repaid by the state and local budgets shall not be signed until the end of fiscal 2018;</p> <p>2) All projects and measures are suspended if concession agreements repaid by the state and local budgets are invalid;</p> <p>3) Creation of new obligations to be repaid by the state and local budgets through concession agreements is prohibited;</p> <p>4) Projects which concession agreement were signed but not commenced implementation yet shall be suspended under proper measures; and</p> <p>5) New projects and measures under concession agreements shall be implemented by other types of concession without incurring debt in the state and local budgets.</p>
2	<p>Proposal for citizens representative councils of provinces and capitals that any projects and measures with repayment by the local budget are not added to the concession list.</p>
3	<p>Exception of policy for Item 1 shall be applied in the case that BT type concession for the priority projects until 2020 have importance due to national economy and social development and where there is no serious effect on the government budget.</p>
4	<p>The implementation of this decree shall be obligation of the Finance Minister Chojjilsuren and the Cabinet secretaries Munkhbat.</p>

Source: Government Decree No.37

(7) Public Investment done by BT projects

The list of BT type concession agreement in the public investment projects is published in the 2016 supplementary budget. Table 3.1.12 summarizes these projects although it seems that PIP projects are also included in the list. It should also be noted that the international road paving project, which is Item (1.1) in the 2016 supplementary budget, is not included in the projects implemented by concession agreement in 2017 budget. Moreover this project is also included in the projects neither financed by the state budget nor financed by the DBM. According to an MOF officer this project is still being undertaken by the private contractor but was finally removed from the 2017 budget.

Table 3.1.13 Public Investment financed by Concession

Unit: Million MNT

Item	Expected completion	2017 Budget	Total project budget
(1) 2016 Supplement Budget			
(1.1) International road paving between Khder and Sukhbaatar in Selenge Aimag	2019	57,163.3	95,272.2
(1.2) 15.8 km Road paving in Mandal Soum	2016	13,141.7	13,141.7
(1.3) Large repair of water supply in Altanbulag Soum	2016	400.0	400.0
Total in 2016 Supplement Budget		70,705.0	108,813.9
(2) 2017 Budget			
(2.1) 165 km road paving between Altai and Darvi	2019	16,118.0	176,405.4
(2.2) 98 km road paving between Altai and Darvi	2019	10,517.1	117,042.0
(2.3) School expansion in Bayanzurkh District	2017	10,787.0	10,787.0
(2.4) 9 other projects	-	34,096.5	47,879.5
Total in 2017 Budget		71,518.6	352,113.9

Source: Study team prepared by documents obtained from MOF

(8) Public Investment by Local Government (Aimags)

1) Situation of Local budget in 2017 Budget Law

Outline of budget in rural areas in the 2017 budget proposal is as follows.

Table 3.1.14 2017 Local budget by Aimag

Unit: Million MNT

Aimag	Revenue	Expenditure	Compensation by the State budget	Contribution to LDF
Arkhangai	6,027.8	18,038.1	12,010.3	634.1
Bayan-Olgii	6,658.0	17,037.3	10,379.3	447.5
Bayankhongor	5,612.2	16,842.3	11,230.1	742.3
Bulgan	17,969.0	16,408.6	0.0	609.6
Gobi-Altai	5,426.8	13,731.6	8,304.8	609.2
Dornogobi	16,049.3	11,872.1	0.0	345.4
Dornod	13,415.3	16,079.0	2,663.7	290.0
Dundgov	4,620.4	10,441.8	5,821.5	357.1
Zavkhan	6,613.1	16,119.4	9,506.3	436.9
Uvurkhangai	8,507.4	18,162.7	9,655.3	678.9
Umnu Gobi	58,373.5	17,943.9	0.0	448.0
Sukhbaatar	7,054.4	12,259.2	5,204.8	541.4
Selenge	14,316.6	17,566.4	3,249.8	732.5
Tuv	11,576.4	19,344.6	7,768.2	637.7
UVS	6,148.2	17,365.4	11,217.2	548.2
Khovd	7,945.9	15,825.1	7,879.2	697.3
Huvsgul	8,378.2	25,150.9	16,772.7	1,159.4
Khentii	7,218.6	15,797.7	8,579.1	607.1
Darkhan-Uul	15,053.6	14,228.7	0.0	1,285.9
Ulaanbaatar	549,151.3	273,676.7	0.0	322.2
Orhon	37,661.0	15,054.8	0.0	1,016.3
Gobisumber	4,287.4	3,786.9	0.0	171.6
Total	818,064.4	602,733.2	130,242.3	13,318.6

Source: 2017 budget drafted by MOF

According to the Budget Law, the activities of the capital, district, aimag and soum will be conducted according to the following resources (Article 58.5 of the law).

- Tax and non-tax revenues of aimags, capital cities, soums and districts;
- Revenue transfers allocated from the State budget; and
- Financial support allocated from the State budget.

Also, under the Budget Law, local budget shall be planned, approved and implemented without deficit and are prohibited from incurring debts, or the issuance of guarantees apart from the cases specified in the Debt Management Law and the Budget Law. However, short-term loans from higher level organizations within the same fiscal year is allowed under the Budget Law.

Regarding the aimag which has 30% of such surplus will be transferred to the state budget while the remaining 70% will be left for each Aimag as stipulated in the Budget Law.

2) Functions and financial sources by local government

According to Budget Law, the following are the activities that should be executed in the local budgets:

Table 3.1.15 Functions to be implemented by local budget

Function	Capital	District	Aimag	Soum
Management	○	○	○	○
Urban planning, construction and establishing new infrastructure.	○	—	○	◎
Capital maintenance of construction and buildings owned by the local government, establishing new property and making investments.	○	—	○	-
Social care and welfare services.	○	○ Follow decision by governor	○	○ Follow decision by governor
Implementing programs and measures to support employment and alleviate poverty.	○	—	○	—
Development of small and medium-sized enterprises.	○	—	○	—
Pasture management.	○	—	—	—
Establishing livestock fodder reserve.	—	—	○	—
Establishing water supply, sewerage and drainage systems, water services (from 2017).	○	—	○	◎
Housing and public utility services.	○	—	○	—
Flood protection.	○	—	○	—
Public transport services.	○	—	○	—
Promotion of fighting infectious livestock and animal diseases, pest eradication and control, providing veterinary services (From 2017).	○	◎	○	◎
Promotion of intensified raising of livestock.	—	◎	—	—
Disaster prevention,	○	○	○	○
Environmental protection and rehabilitation.	○	—	○	—
Establishing roads, bridges and their lighting, traffic lights and other respective construction.	○ Large scale roads	—	○ the aimag and inter-soum road	—
Utility services for public areas, landscaping, public hygiene, street lighting, cleaning, and waste removal.	○	○	○	◎
Development and maintenance of sidewalks, recreational areas and children's playgrounds.	—	○	—	○
Within the territory of local operation and maintenance services of high voltage and electricity lines and substations and other activities to ensure normal functioning.	○	—	○	—
Other functions specified in law.	○	○	○	○ From 2017

Source: Study team prepared based on Budget law

Remark: ◎mark shall be paid by LDF.

Moreover, aimag and the capital city governors shall also be implemented the following functions on behalf of the Government under Article 61 of Budget Law.

- Pre-school education services;
- General education services;
- Cultural services;
- Primary health care services;
- Land relations and cadastre services;
- Child development and protection services; and
- Public fitness activities.

3) Public Investment by local budget and the LDF

(i) Public investment by local budget

Public investment in rural areas is distinguished between (1) projects to be implemented in the local budget and (2) projects to be implemented by the Local Development Fund (LDF).

(ii) Current situation of the LDF

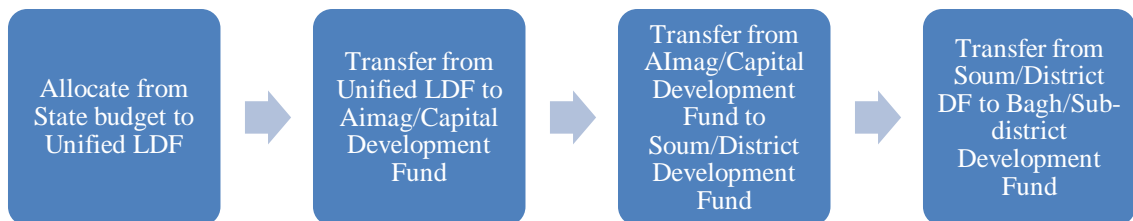
The LDF is not a fund under the Law on Special Fund, but a fund formulated by the Budget Law. A specific level of budget governor must hold the LDF position for the purpose of supporting regional development.

The LDF has a unified LDF framework (United Local Development Fund) and LDF formulated by each municipality. The Unified LDF is defined as a fund reallocated from the state budget to local budgets in order to support local development and to ensure equity of regions in Article 4.1.28 of the Budget Law. The resources of the unified LDF stipulated in Article 59 are as follows.

- 5 percent of VAT revenue of goods and services except imported goods and services;
- 5 percent of the revenues from mineral resource royalty payment;

- Grants and donations rendered by domestic non-governmental organizations and official foreign aid to support local development; and
- 30% of the revenues of the oil royalty payment.

The transfer from the state budget is allocated to the unified LDF, and then transferred to local budget based on (1) development index of local government, (2) population, (3) population density, remoteness and size of territory and (4) tax initiatives of local government.

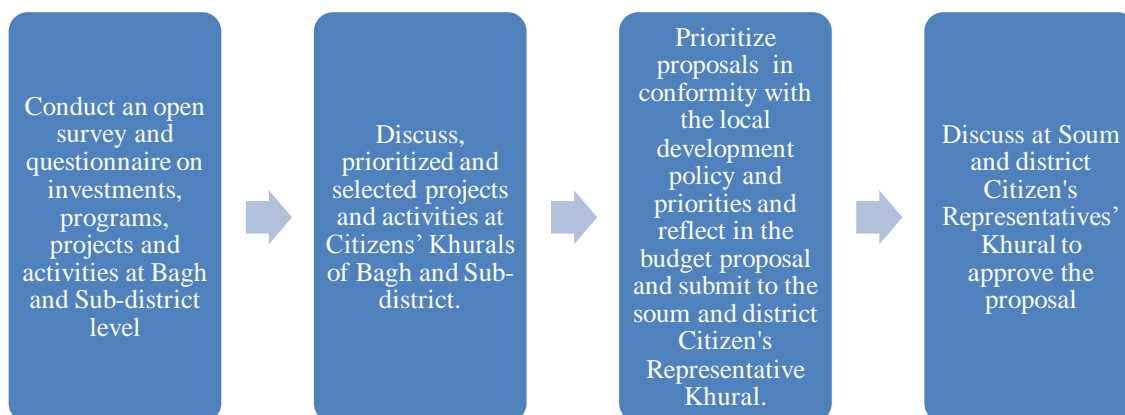


Source: Study team prepared based on budget law

Figure 3.1.6 Transfer of the LDF budget under the Budget Law

In addition to transfers from the unified LDF, resources either from the development fund of aimag, the capital city, soums and the districts under Article 60.2 of Budget Law LDF shall be generated from the following: (1) reallocation to the soum and the district development funds from the aimag and the capital city, (2) additional sources generated through increasing tax rates and expenditure savings, (3) domestic and foreign grants and donations to support local development, (4) 10% of the subtracted amount of mineral resources royalty gained through payment by companies conducting large national-level projects and their revenues from total amount of mineral resources royalty gained (reduced from 30% of rate until 2016), and (5) 50% of mineral exploitation and mining license fees.

On the other hand, expenditure from the LDF is decided by the following process: according to Article 63 of the Budget Law.



Source: Study team prepared based on budget law

Figure 3.1.7 Community participation in the local budget process under the Budget Law

However, under Article 60.3 of the law it is prohibited to use Local Development Fund for the following purposes:

- Programs and activities other than those authorized by law to be financed from the local budget;
- Expenditures of political parties and NGOs;
- Holidays, festivals, anniversary celebration, and religious events other than national festivals;
- Activities that are not in the common interest of the public;
- Issue loans, issue guarantees with financial consequences, and commit to cover loss or damages; and
- Expenditures and measures that do not reflect local community opinions and are not reflected and approved in the local budget.

(iii) LDF in the 2017 budget and challenges for the LDF

The budget amount to be transferred to LDF in the 2017 budget proposal is as follows.

Table 3.1.16 Public Investment financed by DBM

Unit: Billion MNT

Transfer	Item	Amount
State budget for the Unified LDF	5 percent of VAT revenues of goods and services except imported goods and services	20.6
	5 percent of the revenues from mineral resource royalty payment	15.5
	30% of the revenues from oil royalty payments.	8.1
State budget for LDF of each municipality	10% of the subtracted amount of mineral resources royalties from payment by companies conducting national-level large projects	9.5
	50% of the mineral exploitation and mining license fees.	18.5
Total Budget to transfer to LDF		72.1

Source: Study team prepared by documents obtained from MOF

Although the LDF is an effective tool to enhance decentralization through bottom-up approach with citizen collaboration, issues such as governance of expenditure have been pointed out by the State Auditor's Office and the mass media. There is an internet article regarding issues on the LDF titled "Are LDF Expenditures Used Properly?" which was posted on ollo.mn, a local portal site on July 19, 2015. According to this article, the Anti-Corruption Investigation Agency (IAAC) pointed out improper payments for the Naadam Festival that far exceeded the allowable limits and another improper payment for the construction of a 200 million MNT apartment without public hearing and which was significantly more than the standard prescribed by the Cabinet Order for the Naadam Festival and which earned a warning for the responsible officer in Dornogovi Aimag.

This is the reason why the ERP included items such as assessment of effectiveness of the LDF and public disclosure of LDF reports to enhance transparency.

3.2 Current status of “Mega Projects”

Under Article 28.1 of the Budget Law infrastructure and development investment projects aimed at ensuring socio-economic development for the long term with a value of more than 30 billion MNT which are to be implemented for the period of more than one year shall be included in the PIP. In this regard the term “mega projects” are found in government documents and the SGH. However, it seems that there is no unified definition among government agencies as to what constitutes a mega project.

Article 60.8 of the Budget Law stipulates that the government approves the listing of companies that will implement large national-level projects. Based on this article the list of large national-level projects and their implementing companies was announced through Government Decree No. 347 released on August 31, 2015 and which was revised on March 28, 2016. However the list only showed three projects with three companies such as TT, OT, and Erdenet.

Meanwhile, the NDA defines a project costing more than 50 billion MNT as a mega project and defines project costing from 30 billion MNT to 50 billion MNT as a large scale project. As of October 2015, mega projects mainly focused on projects that were initiated before establishment of the NDA. After its establishment the NDA supervised mega projects investments and coordination among ministries and agencies, while “project units” were formed for each mega project by the relevant ministries or departments as responsible for the actual implementation of the mega project. Moreover, since the NDA is a newly established agency, only the “Agro Industrial Technology Park” project was elevated as a mega project under the NDA’s supervision as it took over obligations from the former Ministry of Industry.

Currently, in the PIP formulation, mega projects have been included in the PIP list and these projects were considered in the implementation process of the PIP. However, the policy is still currently not fundamentally clear especially with regard to the question whether mega projects can be taken into the PIP as a whole or whether they can be implemented separately which was the practice in the past.

Table 3.2.1 Major Public Investment projects handled by NDA as of October 2016

Unit: Million USD

Sector	Project	Investment
Construction	Asbestos Factory	18.0
Materials	Limestone Processing Factory	6.3
Railway	TT-Gashuunsukhait route railway	1,300.0
Construction	OT branch line	115.1
	Khoot-Bichigt route railway	1,100.0
	Erdenet-Ovoot route railway	1,300.0
Refinery	Oil Refinery	1,000.0
Petro-chemical	Coal Gasification plant	2,000.0
	Coal Gasification plant	88.9
Steel and Metal	Darkhan-Selenge Area Steel and Metal Industrial Zone and its infrastructure construction	800.0
	Erdenet Metal Industrial Zone	15.0
	“Mongol Cast Iron” project	26.3
Industrial Park	Batangobi Industrial Park	1,550.0
Copper industry	Tsagaan suvarga Copper and Molybdenum mine	700.0
	Copper smelting plant	798.8
	Erdenet Copper smelting plant	35.8
Gold mine	Gatsuurt Gold mine	228.0
Energy	Metallurgical coke plant and clean energy complex	232.0
	Eg River hydropower station	825.0
	Thermal power station	350.0
	TT Power station	1,000.0
	Dornod Thermal power station and grid network	90.0
	Thermal power station and grid network on each Aimag center	130.0
	Amangol Mine Power Station (2,020MW for export)	1,250.0
	Erdenetsogt Mine Thermal power station(2,640MW for export) and 500KV grid	2,458.8
	Mine Power Plant (3,000MW for export)	2,575.0
	Shivee-Ovoo Coal Power Energy Complex	11,000.0
Agriculture	Agro Industrial Technology Park	130,000.0

Source: Study team prepared based on presentation material by NDA

3.3 Technical Assistance projects in the Development Policy and PFM by major donor

Several donors are currently planning to implement the technical assistance projects relative to development policies and the PFM. This chapter reports the results of the interviews with major donors and the data collection. Moreover, a summary of projects currently being implemented by major donors for the NDA and the MOF is shown in the Appendix.

(1) UNDP

The UNDP is interested in assisting the NDA in monitoring and in the evaluation of the SDGs as well as the development policy support at each Aimag level. SDGs monitoring and evaluation will be introduced to the environment sector in Mongolia following the examination of the extended version of the Threshold 21 (T21) model in other countries. On the other hand, development policy support aims to support development finance assessment at each Aimag level in order to achieve the SDG goal. Pilot test of Aimag development policy are under financial assessment before commencement of the implementation planning in Arkhangai and Dornogobi Aimag. In addition, although UNDP does not consider capacity building of Public Investment Management, it is considering the possibility of financing options for existing investment projects and financing resources.

The UNDP needs JICA's cooperation which approaches the central government, while it (UNDP) approaches the aimag government.

(2) World Bank

World Bank (WB) is currently implementing 2 projects with the MOF. One is the Multi-Sectoral Technical Assistance Project (MSTAP I) and the other is the Third Sustainable Livelihoods Project. The former will end in June this year. The MSTAP II as the next phase may be launched from July. This project has 4 components consisting of (1) integration of portfolio of capital expenditure, (2) rationalization of priority of investment, (3) PPP and (4) involvement of MOF on PPP. Moreover, 20 local consultants who were hired by World Bank were currently dispatched to the MOF and most of them are implementing the daily work of MOF as a key player. Therefore, if the next phase is cancelled, attention should be paid as to avoid stagnating the daily work of the MOF.

On the other hand, the latter project is the 3rd phase of the Sustainable Livelihoods Project

which commenced in 2001, and is running its 2014 to 2018 phase. This project is divided into three components consisting of (1) governance and capacity building under the government's policy to support regional development, (2) promotion of participation of Soum citizens raising good performance by giving bonus to LDF and (3) project management, monitoring and evaluation support activities.

(3) IFC

IFC signed an MOU with the NDA for nine months from November 2016 to July 2017. The contents of the MOU includes screening and PIP evaluation of PIP and PPP support. In addition to sponsoring each ministry consultation in November 2016, a three day workshop was held at NDA in January 2017 and guidance was given to NDA staff using a case study on project evaluation method. Currently, we are selecting a consultant to be dispatched to the NDA to support the selection and evaluation processes before and after PIP submission in May. However, the IFC intends to minimize such upstream support and prefers financial support of its downstream part, such as looking for concrete PPP projects that can be tackled on a business basis and on a financial institution level. Cooperation with JICA is also positive because it provides little overlap with IFC's support period and field matters.

(4) ADB

ADB just completed its Investigation TA project titled "Transparency and Efficiency in Financial Management" in November 2016. This project is undertaking a preparatory study on the development of an ICT system for the Public Investment Management with Investment Budget Department of the MOF to perform the following: (1) study of planning and expenditure process of investment budget and (2) assessment of web disclosures for public investment projects based on the Glass Account Law which interfaces and studies actual public investment disbursements as well as the capacity building for related personnel including the study of electric taxation system in the collection of taxes. However, ADB aims to continue the study so that it can launch the 15 million USD technical assistance project in 2018. ADB also plans to launch 150 million USD of the policy-based loan on social protection for the bottom income segment and 150 million USD aimed at strengthening the banking sector for Mongol Bank and commercial banks, respectively.

(5) EU

Economic Governance for Equitable Growth (EG4EG) project is currently ongoing under the

GIZ as the implementing agency which aims to perform three components consisting of: (1) PFM improvement support (monitoring, evaluation) for the mining sector, and (2) labor protection and social protection in the mining sector, and (3) development policy planning support. The MOF is counterpart of components (1) and (2). In 2016, the project compiled a manual for development policy planning and as draft support for Decree No. 249 titled “General procedure for drafting development policy documents.” This project is a three-year project that runs up to January 2018. In the beginning of February 2017, the annual work plan for the final year was confirmed and its support field fixed. Currently, the project is interested in public investment issues especially in terms of fiscal discipline.

(6) GIZ

The Integrated Mineral Resource Initiative (IMRI) project is currently implemented by the GIZ with the NDA as counterpart until 2020. The project focuses on four aimags: Bayanhongol, Selenge, Uvus, Uvrukhangai in the northwest region. Its aims to support integrated community development programs among the mining companies, local governments, citizen representatives and local SMEs through the bottom-up approach. In November 2016, the project co-hosted the 6th National Sustainability Forum 2016 in cooperation with the NDA. Although the project focuses on economic policy and regional development in the mining sector, the project cooperates with the Swiss Development Division (SDC) in the development of the SME field and is seeking cooperation with the Government of Canada to expand regional development in other Aimags under the same approach. The project also suggested JICA’s cooperation in the common areas in the regional development field had similar actions.

(7) KOICA

KOICA implements the project for the “Medium Term Fiscal Planning Capacity Building and the Improvement of Fiscal Management through the E-System in Mongolia” with the MOF as counterpart. This project will be implemented from 2015 to 2018 and provide equipment such as computer hardware, consultation, and systems development. The project has six topics: (1) legal and institutional frameworks of Mid-Term Expenditure Framework (MTEF), (2) procedural reform of MTEF for better fiscal coordination, (3) capacity building for macro-economic forecasting and aggregate fiscal management, (4) prioritization of public investments and management of fiscal projects, (5) rearrangement of the organizational

structure for better fiscal management, and (6) building information systems for improving MTEF's credibility.

(8) Other donors

In addition to the Swiss Development Bureau (SDC) and the Government of Canada mentioned in Item (6), the donor meeting conference organized by the NDA in December 2016 invited Turkey's TIKA Turkey, the UN-REDD (Reducing Emissions from Deforestation and Forest Degradation) Program, the Government of Australia, the United States International Development Agency (USAID), the European Bank for Reconstruction and Development (EBRD), and the Global Green Growth Institute (GGGI). The detailed activities, however, have yet to be confirmed.

If the IMF bailout pushes forth, each donor may modify the activities and schedules of their ongoing and planned projects in line with IMF policies. Careful observation and study are therefore necessary.

3.4 Challenges to implement Public Investment

This chapter summarizes issues related to politics, financial sourcing, and the drafting of policies which will be further discussed in subsequent chapters.

(1) Political situation

The Mongolian People's Party won the SGH elections in June 2016 and occupies over 80% of the legislative seats. This means that decisions from the People's Party Administration is substantially reflected in government policies. Most of the current ministers under the administration of Prime Minister Erdenebat are influenced by SGH Chairman Enkhbold who also sits as chairman of the People's Party. Under these circumstances it could be said that public investment redounds to the benefit of the People's Party. However, under the ERP and based on SGH Decree No.71 the GOM is under a saving's regime so that the country could stabilize its macroeconomy and suppress public investment through lower economic feasibility.

The GOM is also seeking a bailout not only from the IMF but also from the People's Republic of China so that it could repay the 580 million USD government guarantee bond in March 2017. The former assistance requires severe fiscal discipline in order to increase tax revenues while decreasing huge expenditures much more than the latter assistance. However, assistance from People's Republic of China may cause more economic dependency and affect Mongolia's foreign policy outlook as it seek relationship with the other countries other than its neighbors.

(2) Financial resource issues

While there is a risk that public investment with low economic effect as described in (1) can be implemented, the ERP promised globally at the donor meeting in December 2016 and financial difficulties caused by past administration have less capacity to expand public investment. Nevertheless, as recovery in resource prices improves the Mongolian economy and allow further growth this will result in gaining more revenues from tax collecting and mineral resource royalties. Therefore, there is a risk that collected revenues will not be used for debt repayment but for public investments with lower economic feasibilities.

On the other hand, if IMF starts strict monitoring of both revenues and expenditures public investment may be suspended regardless of economic feasibility and thus affect future

economic growth.

In addition, foreign direct investments (FDI) must also be counted as one of the major financial PIP options. But primarily Mongolia should first recover trust from foreign investors especially those who suffered from sudden policy changes in the past. The ERP requires the improvement of legal frameworks to promote FDIs as well as the establishment of a council that would protect the interests of foreign investors and their operations. The NDA is one of the main authorities responsible for these issues.

Moreover, the ERP also requires the re-examination of past and ongoing concession projects as they relate to the approval of projects that will be implemented in the future and the clarification of mechanisms as well as the amendment of relevant laws and regulations. These programs may help promote feasible BOT type concession rather than BT type concession to defer expenditures by the state budget.

In addition, the improvement of governance, which is mentioned in the revised DBM Law, which was just approved by the SGH also influences finance resources. When management independence for the DBM is strengthened, public investment projects with lower feasibility cannot be implemented. On the other hand, if the DBM faces difficulty in getting financial resources the DBM may not be an option in the need to finance public investment projects. Therefore, financial and technical back-ups from donors and foreign financial institutions are required to operate as going concern with sustainable management.

(3) Issues related to policy and budget planning (institutional issues)

As mentioned in Chapter 2, the policy-based framework on development policy and public investment such as drafting, monitoring, and evaluation of development policies are stipulated in the LDPP and the Budget Law. However it seems that demarcation between the NDA and the MOF is not legally clear and identified especially in the administration aspects. Before considering these issues in detail, we prepared the following table in order to clarify authority and responsibilities of both the NDA and the MOF regarding development policies and public investment issues on the LDPP, the Budget Law and the law on debt management.

Table 3.4.1 Authorization of NDA and MOF regarding development policy and public investment issues on LDPP, Budget Law and Debt Management Law

Law	NDA	MOF
LDPP	Article 28 and 29 of Budget Law shall be imposed when planning and getting approval of the National Investment Program. (Article 11.3)	The State Central Administrative Body shall conduct monitoring and evaluation to the Development concept of Mongolia within the scope of its functional responsibilities every 2 years and deliver a report thereof to the MOF and the MOF shall consolidate the reports and submit them for Government discussion. (Article 7.5 and 7.6)
	The NDA shall conduct monitoring and evaluation in the implementation of a National Investment Program once every 2 years. (Article 11.4)	The MOF shall organize an external audit in the implementation of the Development concept of Mongolia every 4 years. (Article 7.7)
	The NDA shall administer formulation of the Regionalized Development Policy in cooperation with the relevant State Central Administrative Bodies. (Article 13.2)	The MOF shall develop the state policy to be implemented at the inter-sectoral level jointly with the respective State Central Administrative body. (Article 8.2)
	The NDA shall draft the Regionalized Development Policy on the basis of the proposals submitted by the State Central and Local Administrative Bodies and shall submit it to the Government discussion for an approval. (Article 13.5)	The MOF approves the National program included in the list of National programs, to be newly developed and to be continued under the framework of priority goals and themes of previously approved National Programs under the area of responsibility of the relevant State Administrative Body and submit it to the government for discussion and approval. (Article 10.3)
	The NDA shall create, operate and maintain an integrated database of development policy plans to coordinate development policies and approve the regulations on operating and maintaining such database. (Article 22.3 and 22.4)	The MOF shall draft the inter-sectoral National Program jointly with the relevant State Central Administrative Body. (Article 10.4)
	The NDA shall approve the regulations on producing and publishing a brochure to notify the public openly and transparently. (Article 22.4)	The MOF receives submission of the proposal on the projects and measures that won't exceed the budget ceilings set forth within the policy actions at the national level and the Public Investment Plan from the Local Administrative Body in order to include in the State General Guidelines for Socio-Economic Development by 15th of February of each year. (Article 12.3)
	The NDA shall provide support for the relevant bodies in determining directions to be observed in development policy planning, ensuring	The MOF receives the finalized draft State General Guidelines for Socio-Economic Development by reflecting proposals presented by the Local

	<p>overall management of formulation of the development policy documents, and providing the methodological advice and strengthening the capacity. (Article 22.5)</p>	<p>Administrative Bodies under the areas of his/her responsibility from the State central and relevant body by 1st of March of each year. (Article 12.4)</p> <p>The MOF shall consolidate proposals from the State Central or Local Administrative Body to include them in the State General Guidelines for Socio-Economic Development and finalize the draft in compliance with the PIP and the Fiscal Framework Statement and submit it to the Government by 1st day of April of each year. (Article 12.6)</p> <p>The MOF shall draft the budget proposal for the particular year on the basis of the State General Guidelines for Socio-Economic Development. (Article 12.9)</p> <p>The MOF shall examine consistency between draft development policy and long and medium-term policy documents and shall review its budget and financial calculations, financial resources and shall issue clearance to the Government discussion and submission to the SGH. (Article 17.1.2)</p> <p>The MOF may run a Policy research institution. (Article 22.6)</p>
<p>Budget Law</p>	<p>The NDA has authority to develop the State General Guidelines Proposal for Socio-Economic Development; and submit to MOF. (Article 12¹.1.1)</p> <p>The NDA has authority to develop the public investment program. (Article 12¹.1.2)</p> <p>The NDA shall receive submission of proposal on projects and measures to be included in PIP from general budget governor. (Article 28.2)</p> <p>The NDA shall establish priorities and implementation orders for investment projects to be included in PIP. (Article 28.3)</p> <p>The NDA shall undertake pre-feasibility studies of projects and measures with a value of more than 30 billion MNT that will be included in PIP. (Article 28.4)</p>	<p>The Finance Minister has authority to prepare the Medium-term Fiscal Framework Statement, budget proposal, supplementary budget proposal and annual budget ceiling discussed at Cabinet meetings. (Article 11.1.1)</p> <p>The MOF shall exercise the power in budget planning to to develop the policy for national socio-economic development and submit to the Government. (Article 12.2.1)</p> <p>The MOF shall exercise the power in budget planning to develop the national PIP. (Article 12.2.2)</p> <p>Budget circular which the MOF shall distribute to general budget governors shall be include policy guidance on the State General Guideline for Socio-Economic Development and the Government Action Plan. (Article 27.4.3)</p> <p>The MOF shall approve the methodology for estimating the result of the projects considering economic benefits and social significance of investment. (Article 28.11)</p>

	<p>NDA shall review and verify projects to be included in the PIP. (Article 28.5)</p>	<p>The MOF and respective level governors shall present investment projects in the annual budget proposal. (Article 29.3)</p>
	<p>The NDA shall carry out the design, budget and feasibility studies of projects which are proven to be beneficial by the pre-feasibility studies in terms of economic benefits and social significance. (Article 28.6)</p>	<p>The MOF shall reflect feasibility studies for investment projects and measures with total budgeted cost less than 30 billion MNT in the budget if the investment projects are proven to be beneficial. (Article 29.6)</p>
	<p>The NDA shall submit to the government a draft update of the investment program to be undertaken in the particular year by May 15 of every year. (Article 28.9)</p>	
	<p>The NDA shall prepare a proposal on continuing and new investment projects within PIP. (Article 29.1)</p>	
	<p>The NDA shall receive submission of a proposal on investment projects prepared in accordance with the budget circular with a total value of less than 30 billion MNT other than infrastructure and development investment projects that stated in Article 28.1. (Article 29.1)</p>	
Debt Management Law	None	<p>The MOF shall exercise power on debt management and develop proposals for projects and measures to be funded by the government borrowing and government guarantee and reflected in the medium term investment program. (Article 9.1.19)</p> <p>The MOF shall review requests for proposals for projects and measures to be implemented under government borrowing and government guarantees submitted by the general budget governors, and prioritize them pursuant to the Budget law as reflected in the PIP. (Article 9.3)</p> <p>The MOF shall propose to lenders and enter into agreements for these projects and measures that are included in the public investment program and pursuant to law on international treaties and other relevant legislations. (Article 25.1)</p> <p>The MOF shall include in the PIP those projects and measures to be financed by borrowing funds and complied with requirements stated in Article 33.3 of this law with request for the government debt guarantee. (Article 33.6)</p>

Source: JICA Study Team based on LDPP, Budget Law and Debt Management Law

On the other hand, policy paper reviews are required in the LDPP as promulgated in November 2015 through Prime Minister Decree No. 249. However, policy papers which are believe to approximate to around 270 papers don't undergo strict review so no one knows exactly how many papers are currently valid.

According to the LDPP's revision in July 2016, the NDA was authorized to formulate the Regionalized Development Policy through the transfer of responsibilities from the MOF (Article 13.2 of the Law). Under this responsibility the NDA shall draft the Regionalized Development Policy and submit it to the government for discussion and approval (Article 13.5 of the Law). However, the MOF is also the responsible ministry in the development of policies since it is tasked with state policy development to allow government implementation at the inter-sectoral level jointly with the respective State Central Administrative bodies (Article 8.2 of the Law) .

On the other hand, monitoring of development policies and their implementation depends on referred laws and regulations. The NDA is tasked with monitor implementation and development of PIP policies (Prime Minister Decree No.64) while the MOF handles monitoring of budget execution (Prime Minister Decree No.249). On the other hand the relevant ministries and local governments are tasked with ensuring the implementing development policies (Article 20 of the Law).

Obviously, there is a lot of practical issues revolving around the drafting, implementation and monitoring of development policies including those for the PIPs, and they include conflicts between existing laws and regulations. These should be discussed, corrected and improved through our technical assistance.

Also, the PIP which the NDA is preparing for submission this May included the following institutional issues which need clarification between the NDA and the MOF as well as among relevant ministries.

- Definition of PIP other than as an investment amount is unclear (What should we treat a project consisting of multiple facilities? How to determine PIP project regardless of types of financial resources?);
- Meetings between the NDA and other relevant ministries in the formulation of the PIP is

not stipulated in the relevant laws and regulations;

- There is duplication with Finance Minister Decree No.415 which stipulates planning and financing investment budget (This regulation shall be followed regardless of amount of investment by the State budget);
- Coordinating regulations between the Construction Development Center and the Energy Development Center; and
- Treatment of confidential information between the NDA and the MOF as well as other ministries.

3.5 Training/Educational Curriculum and Implementation System

(1) Educational Institutions

Interview surveys were conducted among educational institutions, the Ministry of Finance (MOF) and the Public Administration Academy in Ulaanbaatar, so as to create an accurate picture of the current education and training programs being provided to public officials. The educational institutions enumerated for the survey are as follows:

- Mongolian National University (MNU);
- Mongolian University of Science and Technology (MUST);
- Mongolian State University of Agriculture (MSUA);
- Institute of Finance and Economics of Mongolia (IFEM); and
- Mongolian Business Institute (MBI).

The Institute of Commerce and Industry, which was initially listed for the survey, merged with Economics department of the Mongolian National University, meaning it did not exist before. The survey was not conducted in the Mongolian Business Institute because it was a relatively small institute which only specializes in accounting.

Two universities, the MUST and the MSUA, had training programs for active-duty public officials. The MUST has a training programs for senior officers and general public officials of the MOF to improve public procurement system capacity. The MSUA carried short-term programs for public officials in the area of environment, agriculture and livestock farming.

All educational institutions replied that they could design a training program for government agencies if requested and with specialized topics and scopes, as long as the themes were within the limits of faculties and subjects of study. The MUST has had experience in developing training programs for the MOF in the past. It also had one short-term program for senior officials of the MOF on the enhancement of knowledge on risk analysis, land estate asset evaluation, finance and insurance.

The IFEM has similar capability with the MUST. It develops training programs based on request and carries out trainings on site when requested by a government agency. It has received requests from the MOF, customs service agency, social insurance agency and the

Bank of Mongolia.

No university has a curriculum for development planning yet. MUST officials say they have been teaching regional development planning and land use plan in several classes. MNU officials say they will start a new course on development policies and planning after the school finishes developing its new curriculum. This move was made after a new law regarding development policies and planning passed the Mongolian Congress.

The MNU is the only university which has a curriculum for public finance management under its finance studies at the faculty of business. It mainly focuses on public finance, taxation and financing. At the faculty of Economics, it has a public administration class and the faculty of accounting has a financial monitoring class.

Regarding the pool of professors and lecturers on relevant academic fields the surveyed schools said that they had competent and qualified professors and lecturers teaching in the fields of development planning and public finance management meaning that they do not have problems regarding the opening of new training programs in such fields. The fact that the MOF has requested some of those universities to carry out training programs, it is fair to assume that these educational institutions have a pool of professors and lecturers in the concerned fields.

All the educational institutions are in agreement that there is a high requirement for training of officials in government agencies. The following are the main reasons for these view: 1) government agencies exercise personnel rotation every four years which mean that public officials only gain shallow rather than profound knowledge and skills from their work. This short four-year personnel turnaround period depresses and limits the incentive for the officials to learn knowledge about their specific sector, and 2) public officials do not have opportunities for training because most government agencies have scarce training budgets. The fact that many government agencies have limited experience drawing public investment plans for their own agencies only make it necessary for public officials to engage in trainings that would enhance their knowledge and skills on this field.

Most of the surveyed educational institutions also suggested that training courses on policy development planning and public investment planning should be designed as a hybrid course, i.e. an educational institution designs a training program and a curriculum combining theory

and practice with both academic professors and active administrative officials acting as lecturer. In that sense, students will be able to learn not only theories but real administrative issues, bottlenecks and concerns through firsthand experience.

(2) Public Administrative Body

According to the human resources division of the MOF, the ministry has very limited budget for education and training, so it basically relies on various supports from international donors. Education programs, especially higher education and overseas education, have two patterns, i.e. an individual official applies directly to a graduate school and receives a scholarship, or an individual official applies to an overseas program funded by the international donors. According to its human resource division in either cases, the ministry does not have control over the decision on who should take the available overseas program nor does it have a specific plan of whom the ministry sends. Taking training programs is all based on individual's interests, it does not necessary reflect human personnel allocation plan and/or the filling needs of the vacant positions in the ministry.

The ministry draws up a human resource development plan every year and gets the concurrence from the Minister to implement it; yet, due to its tight budget, the human resources division cannot implement the plan as it is. On the other hand, more than 100 persons go out overseas every year to attend conferences, official visitation trips, short-term overseas trainings, and so on. In almost all of these cases, the international donors, or the organizers of events, bear the expenses for these officials and personnel. On average, one third of them go overseas once a year, another one third travel more than once while the remaining percentage are not given an opportunity to go overseas because they have poor language competence and/or they do not work at a division that deals with an international donor, such as general administration, accounting and supporting divisions.

At the MOF, there is no structural or function/technical training systems. The agency provides an orientation for fresh graduates who first join the ministry, but it does not have a similar orientation for mid-career and politically appointed officials; thus, it is becoming a significant issue that those officials do not even know the ethical code for public servants or proper administrative procedures.

The Public Administration Academy belongs to the Cabinet Secretariat and its operation

budget is allotted from the government general appropriation. Due to on-going fiscal austerity policy imposed by the current administration, the Academy has been asked to be financially independent. The Academy's revenues come from tuitions fees from students as well as financial support from international donors. Since government agencies don't have enough budget for education and training the number of students supported by government agencies has significantly decreased.

The Public Administration Academy provides formal education programs, i.e. master and doctoral programs, and short-term training programs for public officials. As of December 2016, it was undergoing an institutional reform. The academy is divided into two major departments, formal education and the training department. Last year, the Academy carried out a training program on development planning, fiscal planning and investment planning for local government officials.

The Academy has three training schemes, request-based training, training on site and online training. It has conducted intensive discussions to develop a structure training program for central government agencies and to start developing a curriculum. According to one lecturer, the Academy can develop a program on the "formulation of development policy and public investment program" targeting public officials from the central government agencies. It can be a weeklong training program and can be co-hosted with JICA's Japanese experts. The Academy also emphasized that the strength of implementing such program is that it has had profound experience in training public officials in the past. Its mandate is to educate them through the provision of educational programs and training courses, and it can easily mobilize active-duty and retired public officials as lecturers who have such experiences.

4 NDA'S POLICY COORDINATION AND ADMINISTRATION FUNCTIONS

4.1 Lessons Learnt in the Transition of Administrative Structures Related to the Development Policy and Budget Planning System

(1) Introduction of PIP in the absence of an investment policy

A comprehensive investment policy has never been formulated in Mongolia. A PIP was formulated for the first time in 1995, using the assistance provided by ADB to the former National Development Agency of Mongolia. However, this PIP proved to be more of a “wish list” in nature, listing a number of projects that they wished to see happen in Mongolia because the support program did not have the experience of working without a comprehensive investment policy. In 2001, the role of executing the PIP was transferred to the Ministry of Finance and Economy, which has since assumed responsibilities related to the program as part of its mandate on public financial management. In 2009, the National Development and Innovation Committee (NDIC) was established. NDIC was made responsible for national priority projects and a new PIP process was implemented. NDIC has come up with a list of 26 priority investment projects (also known as “mega projects”) in five areas, namely mining, agriculture, infrastructure, human resource development & environment, and governance.

(2) A shift from NDIC's approach which featured the division of responsibilities to a new approach driven by the Ministry of Economic Development responsible for a public investment process with specific budgetary authority

NDIC was launched with the primary responsibility for domestic investment projects centering on public investment, while the Ministry of Foreign Affairs was responsible for planning direct investments by foreign entities along with the Foreign Investment and Foreign Trade Agency (FIFTA), an administrative body which executed foreign investment policies under the direction of the ministry. Therefore, the PIP that was formulated in those days was not comprehensive in nature.

When the new administration was inaugurated in 2012, NDIC and those departments in the Ministry of Foreign Affairs responsible for investment policies were integrated with the Ministry of Economic Development, a new administrative body established as a result of the government reshuffles at the time. FIFTA was also integrated with the Ministry of Economic Development as the Department of Foreign Investment Regulation and Registration (DFIRR). The Ministry of Economic Development was made responsible for preparing the capital budget for activities including bond issuances through DBM, mega projects, and concession projects. Given this situation, a capital budget beyond the framework of the national budget was put under the control of the Ministry of Economic Development.

In 2013, the Investment Law was launched as a result of efforts to integrate investment rules both at home and abroad. Accordingly, the Ministry of Economic Development reorganized DFIRR and established the Investment and Business Development Agency within the Ministry, facilitating coordination in policy making for investment projects both at home and abroad within the same administrative body. This has made it possible for the Ministry of Economic Development to update the PIP formulated by NDIC—which expired after four years of its effective period—given the environment in which the ministry was held responsible for preparing the capital budget beyond the framework of the national budget. The PIP formulated by the ministry proved to be somewhat unrealistic and was essentially a disaster, with a total value of MNT45 trillion for around 11,000 projects including those related to infrastructure development listed as concession projects, as well as many other projects which had not been appropriately assessed by municipal parliaments in the aimags and sums.

In December 2014, Mongolia's new Cabinet was launched with Prime Minister Chimed Saikhanbileg under a coalition government joined by the People's Party. After the new administration was inaugurated, the Ministry of Economic Development was reorganized as the Ministry of Industry with some of its responsibilities transferred to other administrative bodies. Accordingly, the Investment and Business Development Agency, which was a subordinate body belonging to the Ministry of Economic Development, was reorganized as Invest Mongolia Agency (IMA) directly under the Prime Minister. These organizational changes have made it possible to normalize the investment processes and the concentration of authorities related to the specified capital budget.

(3) Launch of new PIP process based on Law on Development Policy Planning and SDV-2030

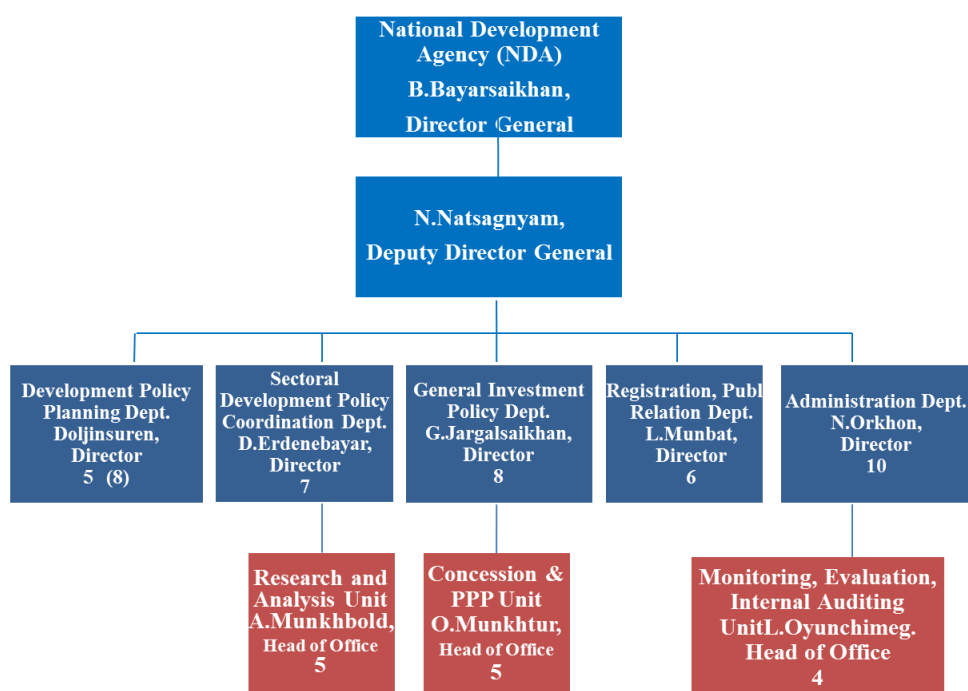
After the regime change in 2017, the NDA was established as an administrative body directly under the Prime Minister as a result of the efforts aimed at normalizing the inefficiencies experienced in the process of public investment without a comprehensive investment policy in place and without the concentration of authorities aiming to work as a cross-functional organization across various ministries. While Mongolia does not have a comprehensive investment policy for the PIP, the NDA has been required by the Law on Development Policy Planning (2016) and the Revised Budget Law (2016) to formulate and implement a PIP that would be consistent with the long-term vision.

Given the current situation in Mongolia, the JICA Study Team believes it is important for Japan to assist in efforts to develop the institutional environment including the formulation of investment policies through reviews and other means, while promoting a new PIP development/implementation process as an evaluation framework for public investment projects consistent with the development concept of SDV-2030.

4.2 Organizational Structure and Administrative Function

(1) Organizational structure

The National Development Agency (NDA) was established as an organization directly under the Prime Minister when the new administration was inaugurated on 7 July 2016. The functional details of this organization are prescribed by a Prime Minister ordinance (2016-64) issued on 28 September 2016. Based on the ordinance, the NDA was launched as a government regulatory agency directly under the Prime Minister, with a total staff of up to 55 reporting to the director of the organization. As illustrated in the diagram shown below, the NDA is comprised of five departments, three of which have specialized work units underneath them. As of 4 February 2017, the NDA had a total of 52 people working in the organization.



Note: Numbers in the chart refer to the personnel assigned to each division or work unit. The number in brackets for the Development Policy Planning Division refers to authorized personnel. Each of the other divisions or work units employs the same number of personnel as are authorized. The word “Sector” refers to an “area” or a “segment” assigned as a ministerial responsibility, meaning a development policy adopted by each government ministry.

Source: Compiled by JICA Research Team, based on the ordinance of Prime Minister 2016-64

Figure 4.2.1 NDA’s Organization Chart

(2) Administrative function

In July 2016, a revision was implemented to the Law on Development Policy Planning at the time of the establishment of the NDA which stipulates that the NDA as an administrative agency responsible for national development will take over the administrative authority of the central government’s Ministry of Finance responsible for finance and budgets granted by laws including those related to the National Investment Program (paragraph 4 of Article 11),

the Regional Development Policy (Paragraph 2 and 5 of Article 13), and Database Management and Its Related Guidance on Development Policy Making (paragraphs 3, 4, and 5 of Article 22).

With the establishment of the NDA, it has become common understanding that it is now responsible for national development matters and it takes full responsibility for investment, as stipulated respectively in the Budget Law (paragraphs 2, 3, 4, 6, 9 of Article 28 and paragraph 1 of Article 29 (revised on 21 July 2016)) related to those public investment programs with a value of more than MNT30 billion, and the Investment Law (Article 8, paragraph 1 of Article 9, Article 17, Article 18, Article 19, Article 22) related to full rights previously exercisable by the state central administrative body in charge of investment affairs.

The Prime Minister's ordinance (2016-64) defined further details of the NDA's authority over policy planning and implementation in extensive areas, as well as in supervising activities related to the implementation, assessment, and promotion of development policies under the direction of the Prime Minister. Details are summarized below.

Table 4.2.1 NDA's Administrative Functions

Functional authority	Area of responsibility
- Identify sectors with economic priorities	Industrial promotion
- Planning regional development policy	Regional development
- Ensure appropriate ownership of ministerial responsibilities specific to infrastructure	
- Comprehensive investment policy, Policies, rules and procedures to attract investment by foreign entities, Policy development regarding concessions and PPPs - Development of a national investment program encompassing regional investment promotion policies, SDV-2030, residential plans, regional development policies, and sector-specific development programs - Execution of comprehensive activities aimed at attracting investment by foreign entities - Development and regulatory implementation of legislation and related rules regarding investment and concessions	Investment promotion
- Promotion of research and analysis regarding development policies, development plans, and investment development - Establishment of an information database and its maintenance and management regarding development policies, development plans, and investment promotion	Policy information management
- Implementation, management, assessment, and promotion of policies under the direction of the Prime Minister	Governance

Source: Compiled by JICA research team, based on the ordinance of Prime Minister 2016-64

4.3 Legal Framework for Public Investment Program (PIP)

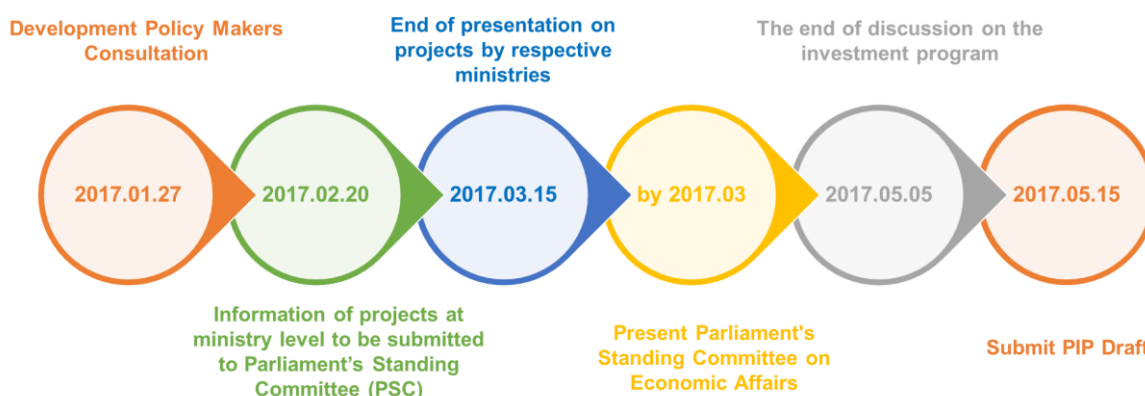
The Budget Law (Article 121) prescribes the NDA’s basic authority over the development and implementation processes of the public investment program (PIP). This article states that: “The State Administrative Body responsible for National Development Matters has the following authorities:” and it lists Public Investment Program in Item 2 under paragraph 1 of this article. This stipulates that the NDA is authorized to make decisions regarding PIPs.

Under Article 28 of the Budget Law stipulating PIPs, paragraph 1 states that: “Those infrastructure and development investment projects aimed at ensuring socio-economic development for the long term with a value of more than 30 billion togrogs which are to be implemented for the period of more than one year shall be included in the Public Investment Program.” This defines the scope of projects to be taken care of by the NDA.

Paragraphs 4 and 6 of Article 28 of this law define the scope of authorities for the NDA, which will undertake pre-feasibility studies (F/S), as well as carry out design, budget, and feasibility studies for the projects and measures included in the public investment program. The NDA will submit to the government a draft update of the investment program to be undertaken in a particular year by May 15 of each year (paragraph 9 of Article 28, Budget Law).

The Law on Development Policy Planning (paragraph 4 of Article 11) stipulates that “the state administrative body responsible for national development projects shall conduct monitoring and evaluation to the implementation of a National Investment Program once in two years,” requiring administrative efforts accordingly.

Efforts by the NDA are currently underway to formulate a new PIP for the first time since the NDIC formerly announced its PIP in 2009. The diagram below refers to the steps being taken in order to ensure convergence in policies.



Source: Compiled by JICA research team, based on NDA presentation materials

Figure 4.3.1 Timetable for PIP Development in FY2017

4.4 Current Challenges for NDA

(1) Demarcation and coordination of functional responsibilities with the Ministry of Finance

When it comes to implementing processes related to project assessment and planning, there will be a difference between the NDA and the Ministry of Finance with respect to their approach to the concept of public investment and its assessment methods; that is to say, the NDA will take care of infrastructure and development investment projects with a value of more than MNT30 billion, while the Ministry of Finance intends to implement a budgeting process to achieve fiscal soundness from a public financial management perspective, given the country's current financial condition. There are no common assessment criteria in place yet that are applicable to both the NDA and the Ministry of Finance. Going forward, it will be necessary for both parties to work out standard assessment criteria and consider the options facilitating assessment and planning efforts based on their respective approaches.

As far as fiscal resources are concerned, the NDA seems to have limited control over the budget ceiling that should be allocated for PIP activities. This might raise some concern when it comes to raising funds in excess of the budget and making implementation plans. In the FY2017 budget related to public investment projects, MNT250.654 billion will be funded by the national budget, with MNT172.794 billion and MNT71,518 million allocated to DBM and BT (concession project), respectively. It is not clear though whether or not the budget assumes expenditures related to PIP projects. While it will be possible to allocate funds to the BT project from the budget, efforts are underway between the two parties to make a specific budget and to set the ceiling for a PPP scheme as part of a PIP project in the future.

Meanwhile, the two parties share an interest in facilitating unified action between them regarding both the development policy and the existing policies adopted by the ministries. In this area, it is also assumed that the NDA and the Ministry of Finance will differ in their approach to the ultimate assessment of policies; that is to say, the NDA will aim to implement its development policies, while the Ministry of Finance will focus on establishing clear significance for public investment projects within the concept of public financial management. That being said, it appears possible for the two parties to collaborate in this area on efforts aimed at reconciling any differences in basic matters.

(2) Comprehensive capabilities and the authority to coordinate with administrative bodies regarding development policies and PIP

As discussed earlier, it is legally obvious that the NDA has been authorized to develop and implement PIP projects. Meanwhile, it is expected that it will be in need of highly specialized expertise and information related to specific sectors belonging to each ministry with respect to ministerial policies and assessment of public investment projects based on those policies. It appears quite challenging for the NDA to have full access to specialized

intelligence and information specific to various different sectors. Its need to become more highly skilled in handling issues related to policy/project assessment, fiscal funding methodologies, and achieving unified action among the various ministries should be seriously addressed.

It appears that further discussions should also be held to clarify the administrative significance of the NDA as it operates today, in addition to its technical challenges. The NDA is currently positioned as an administrative body specializing in coordination among various ministries regarding their policies and public investment projects, while at the same time serving as a subordinate organization to these same ministries. Its current status does not seem strong enough to execute its mission, although it was established as an agency directly under the Prime Minister. Therefore, it will be necessary to bring the NDA's status up to at least a ministry level so that it can more easily achieve coordination between/among the various ministries.

(3) Capacity enhancement required at respective administrative section

The NDA has been given the legal authority to undertake administrative action related to investment projects under the national development policy, as well as the planning, implementation, and management of regional development policies. But it appears that it is not staffed or skilled adequately in order for it to take care of a wide range of activities related to policy making and implementation.

The Sectoral Development Policy Coordination Department is currently responsible for executing the PIP development process. A research unit, which belongs to this division, is primarily engaged in intelligence activities, gathering and analyzing information regarding project assessment and coordination. The division chief and other senior members of this division are all highly skilled personnel with experience working on national investment plans and other assignments related to PIP in their former government organizations, including the NDIC, the Ministry of Economic Development, and the Ministry of Industry. These highly skilled people play a vital role with a hands-on approach within the NDA. However, it is true that the organization is understaffed with experienced people. It will be necessary to improve staff capacity to enable it to assess policies or projects adopted by various ministers. Among other things, being capable of achieving unified action in national development policies across various ministries is particularly important. This will be the immediate agenda that the NDA should address. The capabilities demonstrated during the formulation of the PIP tend to be appreciated today, but it is equally important to develop capabilities to handle project assessment, achievement evaluation, and a PIP review in a hands-on manner as soon as possible.

The General Investment Policy Department is responsible for coordinating policies related to private sector investments, including PPP, which will play an important role in implementing public investment projects as part of a PIP. The Mongolian Investment

Agency, which had previously assumed this role until the current administration was established, has assigned only three specialists with hands-on skills to the NDA. It appears that there are great expectations regarding the functional capabilities transferred from the former investment authority and the programs aimed at promoting capacity development for the division's staff.

A new chief with tremendous experience in policy assessment came on board earlier this year. However, the Development Policy Planning Department remains understaffed (five hired as opposed to the eight which were planned to be hired) with three vacant positions. In reality, three staffers with inadequate experience take care of the hands-on daily work. It is necessary to hire more staff and to also promote capacity development in this area.

(4) Comprehensive investment policies required in view of the introduction of private sector investment

As mentioned earlier, the ordinance of Prime Minister 2016-64 stipulates that the NDA is authorized to develop policies related to comprehensive investment, investment by foreign entities and its related rules and procedures, concessions, and PPP. The PIP has been developed essentially as a program aimed at implementing comprehensive investment policies that should be consistent with the development policy. It will be necessary to accelerate efforts to formulate comprehensive investment policies which will serve as a fundamental evaluation framework not only for PIP projects, but also for implementation planning.

It is the Study Team's understanding that an investment roadmap is also being discussed by an NDA working group set up for the PIP. The working group must accelerate its efforts to undertake additional discussions on more details of this initiative, with the further participation of specialists and others.

(5) Detailed regulations required by the law

A legal framework has been put in place which ensures the NDA's administrative functions related to revisions made to the Law on Development Policy Planning, the Investment Law, and the ordinance of Prime Minister. It is expected that the country will see further developments of its legal system required by PIP planning and implementation processes. Given the current situation of the country, it appears necessary for the NDA to function appropriately within the existing legal framework. The Investment Law (paragraph 4 of Article 28) stipulates that the NDA will undertake pre-feasibility studies of the projects and measures included in the public investment program. It is important to hold further discussions about the possible types of feasibility studies to undertake and assessments/procedures to be outsourced to a third party, if and when a specialist sector belonging to a ministry proposes a certain project that has been substantiated by a feasibility study, with which the NDA happens to be unfamiliar.

Paragraph 6 of Article 28 stipulates that the NDA will carry out design and feasibility studies of those projects which have been proven by feasibility studies to be beneficial. It is questionable though whether it will be practical to redesign the projects that have been originally designed by sectors that belong to their respective ministries. It also seems questionable whether it will be practical to interpret specific project components as those stipulated under Paragraph 6 related to PIP projects for redesign. Is it essentially practical to formulate a project made up of selected pieces of projects from different sectors of the various ministries? It is very important to formulate rules and regulations aimed at ensuring institutional capabilities to accommodate the possible requirements that will be raised.

5 ISSUES IN THE PIP CYCLE AND MEASURES TO ADDRESS THEM

This chapter explains the framework of the PIP management cycle applied by the Government of Mongolia. The cycle covers all necessary steps including formulation, monitoring and evaluation are arranged objectively with reference to standard public investment management (PIM) framework (chapter 5.1). Issues that may be faced in each step are raised, along with their course of actions for possible response or avoidance (chapter 5.2). Further analysis of an expected cooperation among the NDA and the Ministry of Finance are also discussed (chapter 5.3). A framework of possible options for public investment resources under public finance management is also introduced (chapter 5.4).

5.1 Arrangement of the PIP Cycle

To understand the application of the overall PIP cycle in Mongolia, it will be explained by arranging its cycle based on the World Bank's eight must-have features of a PIM¹.

(1) Standard PIP Procedures

In this section, the standard procedures for PIP management under the legal framework of Mongolia are first identified, then the demarcation and authorities of the organizations involved are analyzed.

1) Formulation of PIPs

In 2010, the Government of Mongolia made an official announcement to appoint the then National Development Innovation Committee (NDIC) as the organization to take the initiative of formulating the PIP. This official announcement was applied for legislation in the following year. NDIC managed to draft the first PIP in Mongolia in 2011. However, although the draft passed the Cabinet, it was not approved by the Great Hural due to the change in administration in 2012. Neither did it pass legislation approval in 2013, thereby stripping the NDIC with the authority to formulate a new or revised PIP.

The legal framework of the PIP currently under formulation is based on the requirement of the revised Budget Law (November 2015), Article 28.9. According to this law, the PIP must be formulated by the state administrative body that is responsible for development policy and planning matters, which can be currently interpreted as NDA after its establishment, and must obtain approval from the Cabinet by 15 May 2017. The actual formulation is currently based on the process conducted during the first PIP formulation from 2010 to 2011. This is because some of the key government officials in charge of PIP formulation in the NDIC at that time are now newly positioned at the NDA. The current PIP formulation processes are now in more favorable conditions compared to the process made in 2010–2011 for the following reasons:

- Law on Development Policy Planning (LDPP): Obligations for formulation and

¹ A United Framework for Public Investment Management, Chapter 2, *Power of Public Investment Management*, Anand Rajaram et al, World Bank Group 2014

monitoring of the PIP is clearly indicated in Article 11 of this law issued in November 2015 (revised in July 2016).

- Budget Law: Detailed requirements for the formulation of the PIP are indicated in Article 28 of the Budget Law. It also indicates that the state administrative body responsible for development policy and planning matters is responsible for its formulation.
- Sustainable Development Vision 2030 (SDV): A long-term development target has been established for the nation. This document contains important guidelines when seeking relevance and in prioritizing projects that will be listed under the PIP.
- Action Program 2016-2020: The manifesto developed by the Mongolian People's Party, which won the majority in the June 2016 elections, was approved as the Action Program for 2016-2020. Under Article 28.8 of the Budget Law, the valid period of the new PIP is four years starting in June 2017. This period matches that of the Action Program and the timing of the next elections.

The actual formulation steps of the PIP conducted until January 2017 are as follows:

- November 2016: First series of hearings hosted by the NDA with participants from aimags (18th) and ministries (25th).
- Mid-January 2017: Deadline for ministries' first submission of projects requested to be listed in the PIP. The number of projects was limited to 10 per ministry.
- 27-28th January 2017: Second hearing hosted by the NDA with participants from ministries.

There are some improved points in the current PIP formulation procedures as compared to those in 2010-2011. The initial PIP had over 11,000 projects that were not properly prioritized and had no basis for financial resources. These factors served as basis for the rejection at the Great State Hural at that time. Through this experience, the NDA has requested to conducted internal prioritization within the ministries before submission, limiting the number of projects to be submitted to 10 per ministry. In addition, the NDA hosted two hearings in November 2016 and January 2017, allowing ministries to have opportunities to explain their sector priorities. These sessions also allowed ministries to understand the priorities of other sectors, thereby providing opportunities to exchange positive multi-sector collaborative ideas. Although the NDA intends to further narrow down the number of projects, they have not clearly announced a clear direction on the issue of prioritization. They referred to discussions and results of the past hearings or sessions.

The following procedures are expected from the PIP formulation from February 2017:

- February 2017: Further narrowing down of projects to around five per ministry; individual discussions with ministries when necessary
- March 2017: Submission of the first draft PIP to the Government; start discussions with the Cabinet.

- 15 May 2017: Obtain approval from the Cabinet.

It is expected that according to the status quo, the deadline will be followed.

2) Implementation, Monitoring, and Evaluation of PIPs

The following indications regarding implementation, monitoring, and evaluation of the PIP can be seen in the Law on Development Policy Planning and the Budget Law:

Table 5.1.1 Legal Framework for the Implementation, Monitoring, & Evaluation of PIPs

Summary	Law
The PIP is approved once every four years and reviewed annually.	Budget Law 28.8
NDA conducts monitoring and evaluation of PIP every two years.	Law on Development Policy Planning 11.4
Methodology for estimating the results of the projects considering economic benefits and social significance of investment shall be approved by the Ministry of Finance.	Budget Law 28.11

Source : Mongolian Law on Development Planning, Mongolian Law on Budget

Within the four years of PIP validation, the document is supposed to be reviewed annually and further monitored and evaluated every two years. There are no specific indications on how they are to be reviewed, monitored, or evaluated.

In Article 28.11 of the Budget Law, it is indicated that the Ministry of Finance should approve the economic benefits and social significance of investment. Since this article is under PIP, it can be interpreted that the Ministry of Finance has the authority to evaluate individual projects under the PIP. However, the article does not mention when this evaluation should be conducted.

As set in the abovementioned example, the legal evidence for managing the PIP cycle is yet to be organized, and there are still many gaps that need to be filled in especially on procedures and authorizing organizations. The ongoing formulation process is underway towards Cabinet approval by 15 May, but the procedures that come after approval should be established parallel to its actual progress. Specific procedures and the methodology for annual review (Budget Law 28.8), monitoring and evaluation (Law on Development Planning 11.4), and evaluation (Budget law 28.11) must be established along the way.

(2) Application of PIP Procedures in Mongolia to World Bank ‘Must Have PIM Features’

The World Bank has identified eight must-have PIM features² based on their experiences worldwide. Figure 5.1.1 explains each of the eight features and their specific functions.

² A Unified Framework for Public Investment Management, Chapter 2, The Power of Public Investment Management, Rajaram Anand et al, (World Bank 2014)



Source: The Power of Public Investment Management

Figure 5.1.1 World Bank's Eight Must-Have PIM Features

This study examined the application of the eight must-have features to the PIP cycle for the Government of Mongolia and further outlined issues that the country have faced or will face in each procedure. Before identifying the issues, it is important to know that the said eight features correctly apply to the national system of the Government of Mongolia. Table 5.1.2 indicates the application of the Mongolian national system to each of the eight features.

Table 5.1.2 Application of the Eight Must-Have PIM Features to Mongolia

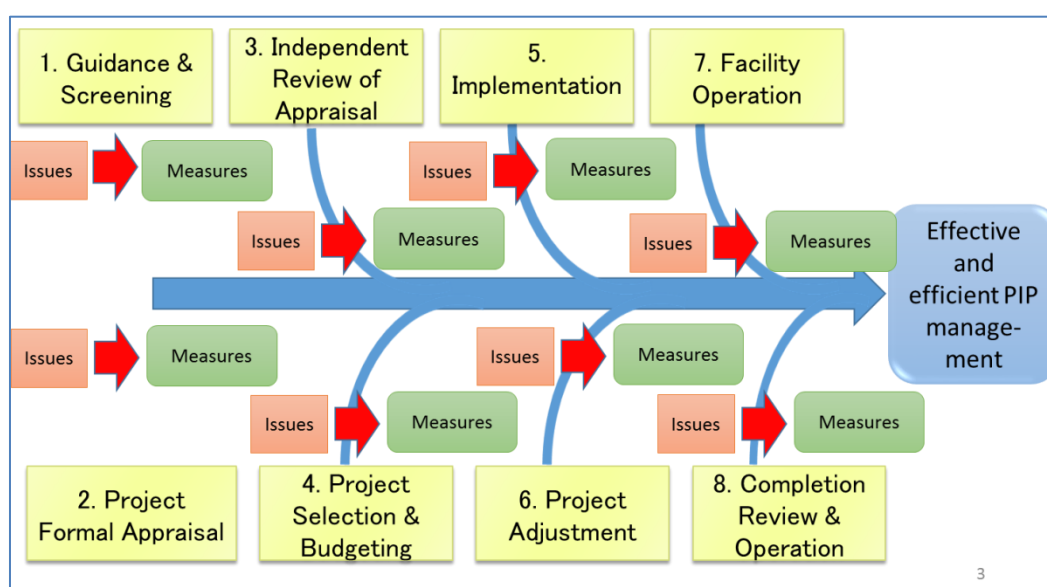
Feature	Application to Mongolia
1. Guidance & Screening Linkage with development plans and sector strategies, and mechanisms to confirm linkage.	Formulate PIP every four years (Budget Law 28). The PIP seeks linkage with SDV 2030, Action Program 2016-2020 and sector policy papers.
2. Formal Project Appraisal Feasibility Studies including Financial/ Economic Analysis for each PIP project. Conforming to international and national standards and legal frameworks.	New projects over 30 billion MNT are developed within ministries and submitted to NDA for PIP listing.
3. Independent Review of Appraisal Third party assessment and selection of project to be listed in the PIP. Avoidance of optimism bias.	Projects must be assessed by NDA before they are listed to the PIP (Budget Law 28.6). Economic benefits and social significance of project require approval by the Ministry of Finance (Budget Law 28.11).
4. Project Selection and Budgeting Prioritization of projects under constraint of financial resources. Medium-term budget allocation and securing budget for projects.	PIP includes projects financed by budget, loans, and grants as well as those to be implemented by concession agreement and Development Bank-funded projects (Budget Law 28.10). The Budget Law does not specify methods to prioritize projects nor to secure financial resources for each project.
5. Implementation Establishment of monitoring system including cost management, securing of multi-year budget.	NDA conducts monitoring and evaluation of PIP every two years (Law on Development Policy Planning 11.4).
6. Project Adjustment Flexibility in cost and expenditure estimation of projects. Follow-up of monitoring results, especially on securing budget for additional costs.	PIP will be reviewed every year. Follow-up for PIP projects will be treated depending on legal framework for each budget resource; for public investment, rules for financing of budget investment plan (attachment of announcement 415, December 2016) applies.
7. Facility Operation Operation and maintenance of completed projects. Management of Completed outputs including appointment of organizations responsible for operation, securing budget for O&M and asset management.	There are no indications specified for PIP listed projects. The Budget Law requires formulation of an O&M plan including financial and organizational aspects during the planning stages of public investment projects (Budget Law 29.2).
8. Completion, Review and Evaluation Terminal and ex-post evaluation. Measurement of outputs and outcomes of the PIP as well as listed projects.	Monitoring and evaluation of the PIP will be conducted every two years (Law on Development Planning 11.4).

Source: JICA Study Team development based on The Power of Public Investment Management, World Bank 2014

5.2 Issues and Measures at Each Step in the PIP Cycle

This subchapter explains the current issues found or expected within the Mongolian PIP cycle. They will be organized based on each step of the World Bank’s eight must-have features. The issues were identified through government document studies, interviews with government officials and related personnel, and through observation of government-hosted seminars. The Study Team conducted the *Workshop on Identifying Issues in the PIP Cycle* on 31 January 2017 to share and further analyze issues and measures in each step.

At the workshop, the *Problem-Driven Iterative Adoption (PDIA)*³ approach was utilized. The fishbone diagram⁴-like concept in Figure 5.2.1 was shared among the participants to support their understanding of each discussion point and its goal towards effective and efficient PIP management.



Source: JICA Study Team

Figure 5.2.1 Overview of PIP Management Issues and Measures for each Step

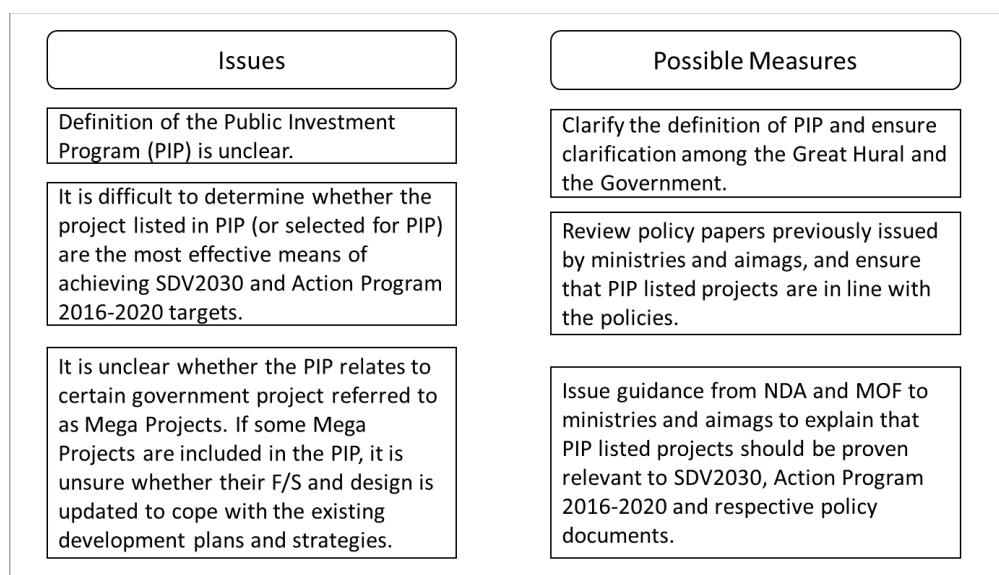
(1) Step 1: Guidance and Screening

Guidance and screening refer to linkages to development plans and sector strategies, in addition to the legal framework that stipulates the linkages between these plans and strategies on PIP management. With the Mongolian national PIP cycle, legal evidence connecting the two can be found in the Law on Development Policy Planning and the Budget Law, as seen in chapter 5.1 (1). The SDV 2030 and Action Program 2016-2020 are considered as the superordinate concept guiding the PIP. Considering the point that both the Action Program 2016-2020 and the PIP share the same validity period, it can be said that they share the same timeline for achievement. The following issues were identified at this step, along with

³ Escaping Capability Traps through Problem Driven Iterative Adaptation (PDIA), Matt Andrews et al, CID Working Paper 240, Harvard College, June 2012
https://www.hks.harvard.edu/content/download/70633/1255342/version/2/file/240_Andrews%2C+Pritchett%2C+Woolcock_BeyondCapabilityTraps_PDIA_FINAL.pdf

⁴ Ishikawa Diagrams, *Introduction to Quality Control*, Ishikawa 1990

measures to address them.



Source: JICA Study Team

Figure 5.2.2 Issues in and Possible Measures on Guidance and Screening

The following issues were identified:

- **Unclear Definition of the Public Investment Program (PIP):** This opinion was raised by an NDA official during the Workshop on Identifying Issues in the PIP Cycle. According to Article 28.1 of the Budget Law, PIP lists infrastructure and development investment projects aimed at ensuring economic growth for a long term with a value of MNT30 billion which are to be implemented for more than one year. In Article 28.10, it indicates that projects financed by budget, loans, and grants as well as those to be implemented by concession agreement and Development Bank-funded projects are to be included in the PIP. However, since this definition is not appropriately shared within the government, many ministries have proposed projects that have not reached the requirements.

Since the definition of the PIP is vague, many projects have difficulty in determining whether they are eligible for PIP listing. For example, it is difficult to judge whether smaller projects of similar type in multiple locations combined together so that the total amount exceeds MNT30 billion can be listed in the PIP, or if they should be requested individually as public investment projects. Further discussions are needed to clarify the treatment of such cases.

- **It is difficult to determine whether the project listed in PIP (or selected for PIP) are the most effective means of achieving SDV 2030 and Action Program 2016-2020 targets:** The SDV 2030 has clear targets to be achieved by the year 2030, and the Action Program 2016-2020 sets milestones to be achieved by 2020, along with the plan of action for those five years. It can be said that the PIP is one of the important means of implementing the Action Program.

However, it is difficult to determine the contribution of each of the PIP projects to the Action Program, and equally difficult to prioritize PIP projects especially with the question of which would be the most effective ones in achieving the Action Program targets. This is because there is a logical gap between Action Program targets and the outcomes of each PIP project. An ideal intermediate logical step will be the presence of relevant policy documents issued by ministries and aimags. But there are over 200 “valid” policy documents, most of them prepared before the Action Program 2016-2020 was issued. Therefore, it is currently difficult to find policy documents that can be used to find prioritization among projects to be listed to the PIP.

- **It is unclear whether the PIP relates to certain government projects referred to as “Mega Projects.” If some of these mega projects are included in the PIP, there is uncertainty whether their design and F/S have been updated to cope with existing development plans and strategies:** As mentioned in Chapter 2, the government has listed projects that are considered important for the development of the nation, and called them mega projects. They have been continuously seeking to implement these projects once conditions are clear. Many of these mega projects are obviously important for national development, but most of them have not measured their actual contribution to the SDV 2030 and the Action Program 2016-2020. Moreover, many of the mega projects require contributions from domestic and overseas private investment, and therefore may not be eligible for PIP listing under the current framework. In the hearings hosted by the NDA, many ministries have announced that they are considering asking that these mega projects be listed into the PIP. Clarification is needed on how the mega projects will be handled as part of national development, including whether they should be included in the PIP, and if so, what would be the requirements.

Based on these issues, the measures following measures were discussed:

- **Clarify the definition of PIP and ensure clarification among the Great Hural and the Government:** There is a need to further clarify the PIP definition, along with clear guidelines of the qualifications for projects to be listed. It is necessary to discuss the current condition of projects costing over MNT30 billion; whether this line is adequate (or should be higher, lower, or have more flexibility in the ceiling); and whether additional criteria such as social and economic conditions, or emergency requirements should be added.
- **Review policy documents previously issued by ministries and aimags, and ensure that PIP-listed projects are in line with these policies:** Policy documents should be reviewed to ensure they are in line with the SDV 2030 and the Action Program 2016-2020. It is ideal that this process be completed before the formulation of the PIP, but due to the deadline of PIP Cabinet approval being on the 15th of May, the NDA and the Ministry of Finance are considering taking the following steps:
 - Organize the SDV 2030 indicators to match the United Nations Sustainable Development Goals, and set up milestones every five years.
 - Match the above-mentioned milestones with the targets of the Action Program

2016-2020.

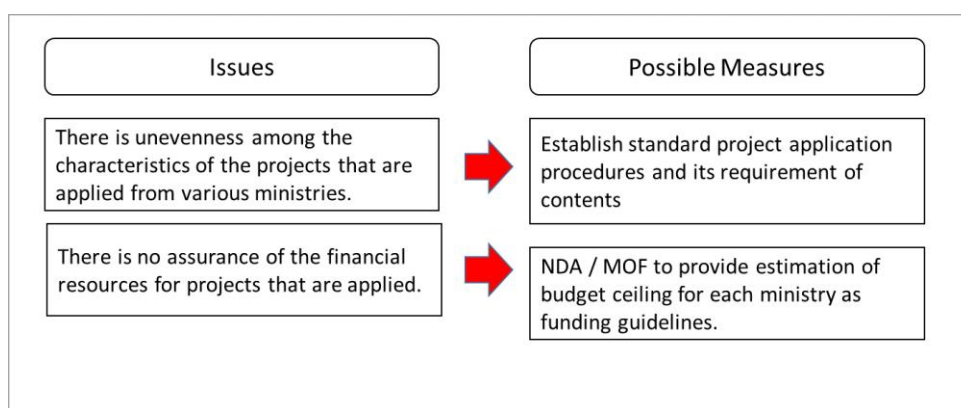
- Review over 200 policy documents to assure consistency with the Action Program 2016-2020, and advise relevant ministries and aimags about revisions to the documents.

The above-mentioned process will be conducted until 2018 when the PIP will face its first annual review. By its completion, the SDV 2030, Action Program 2016-2020, policy documents, and the PIP should ideally be consistent.

- **Issue guidance from the NDA and the MOF for the ministries and aimags explaining that their PIP-listed projects should be relevant to SDV 2030, Action Program 2016-2020, and respective policy documents:** With the objective of sharing the definition of a PIP and the need for it to be consistent with plans and documents, the NDA and the Ministry of Finance should jointly announce PIP guidance documents to ministries and aimags. This will not only improve the quality of submission, but also provide a common basis for discussion among ministries and aimags under the NDA/Ministry of Finance initiative.

(2) Step 2: Formal Project Appraisal

Formal project appraisal refers to the formulation of projects to be requested for inclusion into the PIP. This task is initiated by sector ministries and includes feasibility studies (F/S) and basic design of the projects. An internal assessment can be conducted to ensure that the quality of the formulated projects meets international or national standards. Within the Mongolian PIP cycle, projects requested from ministries are obliged to have the necessary F/S and design documents. Figure 5.2.3 shows the issues identified at this step, along with measures to address them.



Source: JICA Study Team

Figure 5.2.3 Issues in and Possible Measures on Formal Project Appraisal

The following issues were identified:

- **There is unevenness among the characteristics of the projects proposed by various ministries:** This point relates to the definition of PIP as stated in Item (1). Projects that were requested for PIP listing have different components, making it difficult to judge

whether they are eligible for PIP. Some projects have a total cost of under MNT30 billion, but have been requested due to their sector importance. Similar smaller projects have been bundled so that their total amount exceeds MNT30 billion.

- **There is no assurance of financial resources for projects that are proposed:** The financial resources of many of the projects that are applied for PIP listing have not been considered. Some projects have expectations for certain funding, but most have no evidence that they secured budgets or concessions, or were able to obtain a promise from development partners under the current strict financial situation.

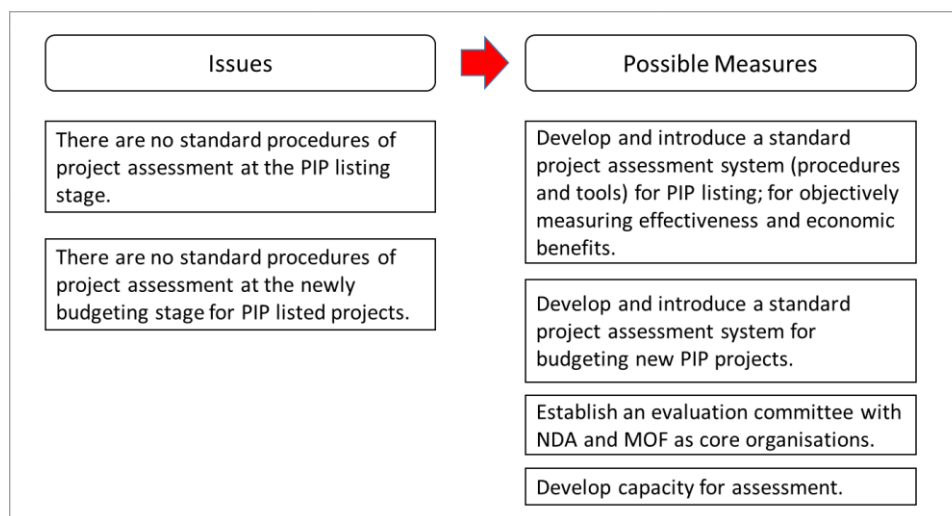
Based on these issues, the following measures were discussed

- **Establish standard project application procedures and the requirement for their contents:** A standard project formulation, F/S, designing and application procedures along with their uniform formats should be developed and disseminated. Guidelines indicating standard methodologies for F/S were announced in 2009, but they need review since they may not match present requirements. At this point when projects are submitted with the objective of inclusion into the PIP listing, project information requirements should be relatively broad in aspect to support the judgement of project selection. An indicative cost estimate, along with preliminary economic and financial analysis, is required. This formulation, F/S, basic design, and application closely relate to Step 3 Independent Review of Appraisal; therefore, the development of these methods and tools should have consistency.
- **For the NDA and the Ministry of Finance to provide estimates of budget ceiling for each ministry as funding guidelines:** Although ministries formulate their project request based on relevant policy documents, they will need some guidelines on financial resources. The NDA and the Ministry of Finance should ideally discuss available resources that can be distributed to each ministry (or aimag), and provide indicative ceilings at the time the initial guidance is announced (as stated in Step 1). If providing indications is difficult, the NDA and the Ministry of Finance should discuss and attempt to allocate their available financial resources to projects that are most needed.

(3) **Step 3: Independent Review of Appraisal**

An independent review of appraisal refers to a third party assessment and selection of projects that are applied for PIP listing from the ministries. In addition to the consistency with development plans and strategies as mentioned in Step 1, further assessment of the project including review of cost estimates and economic/financial analysis will be conducted. This is one of the most vital steps in the PIP formulation process, since it functions as a systematic filter for ineffective projects (including projects that some politicians try to push for their own self interests). In addition, many projects from the ministries—whether the ministries have good intentions or not—generally may have an optimism bias which results in excessive cost estimates or overestimation of the project effect. This process, conducted by the third party avoids these symptoms through uniform assessment. Within the Mongolian context, the NDA conducts assessment (Budget Law 28.6), and the Ministry of Finance checks the economic benefits (Budget Law 28.11). In the past, many large projects that were not effective, or had

small economic benefit managed to secure approval and implementation due to political pressure. The establishment of a strict project assessment system will minimize, if not avoid, these unnecessary politically driven projects. The following issues were identified at this step, along with measures to address them.



Source: JICA Study Team

Figure 5.2.4 Issues in and Possible Measures on Independent Review of Appraisal

The following issues were identified:

- **There are no standard procedures for project assessment at the PIP listing stage:** After ministries have submitted their project proposals for PIP listing, the NDA has the authority to select priority projects. However, the NDA currently does not have a standard project assessment method; therefore, selection results are not consistent.
- **There are no standard procedures of assurance on financial resources for projects that are applied:** PIP projects, once listed, must conduct specific F/S and design before requesting for budget or other financial resources. The NDA has authority to assess projects for budgeting and implementation, which requires a strict criteria to avoid optimism bias. Assessment methods and tools for this stage is also not standardized.

Based on these issues, the measures following measures were discussed:

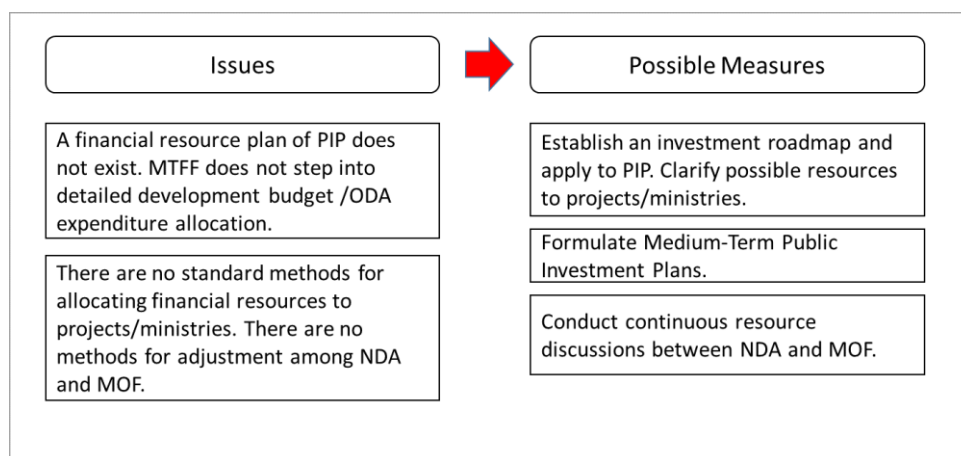
- **Develop and introduce a standard project assessment system (procedures and tools) for PIP listing to objectively measure effectiveness and economic benefits:** Development of a standard project assessment system to cope with projects that are applied for PIP listing. The assessment should be connected to the project application system indicated in Step 2. The main point of assessment will focus on the compliance with the SDV 2030, Action Program, and ministry policy documents. Assessment of costs and economic benefits will be conducted based on the indicative figures.
- **Develop and introduce a standard project assessment system for budgeting new PIP projects:** The development of a standard project assessment system to cope with projects

that are already listed in the PIP, and further request for budgets or other financial resources for their implementation. As projects should be ready with specific F/S and design documents, strict criteria shall be used for assessment. In addition to prevent optimum bias, specific cost estimations, economic/financial analysis, social and environmental analysis results, and operation and maintenance plans are also assessed.

- **Establish an evaluation committee with the NDA and the Ministry of Finance as core organizations:** In order to institutionalize the above-mentioned two different types of project assessment, the NDA and the Ministry of Finance must have correct demarcation on their assessment functions as stipulated in the Budget Law while at the same ensuring constant collaboration on their assessment tasks. For PIP projects, an evaluation committee, which consistently overlooks the whole project cycle, should be formed with the NDA and the Ministry of Finance functioning as the core members.
- **Develop capacity for assessment:** Intensive capacity development is required for both the NDA and the Ministry of Finance, in order to conduct project assessment. Technical aspects as well as process management methods must be developed among the officials.

(4) Step 4: Project Selection and Budgeting

Project selection and budgeting confirms the availability of financial resources for PIP projects, and attempts to prioritize expenditures within the limitation of these resources. Ideally financial resources are considered from a medium-term aspect, considering the national budget, ODA (grant and loan), concessions and Development Bank funds as basic resources for PIP. Projects, once listed in the PIP, will be firstly allocated from the medium term perspective, and then followed up annually upon budget request. Figure 5.2.5 shows the issues identified at this step, along with measures to address them..



Source: JICA Study Team

Figure 5.2.5 Issues in and Possible Measures on Project Selection and Budgeting

The following issues were identified:

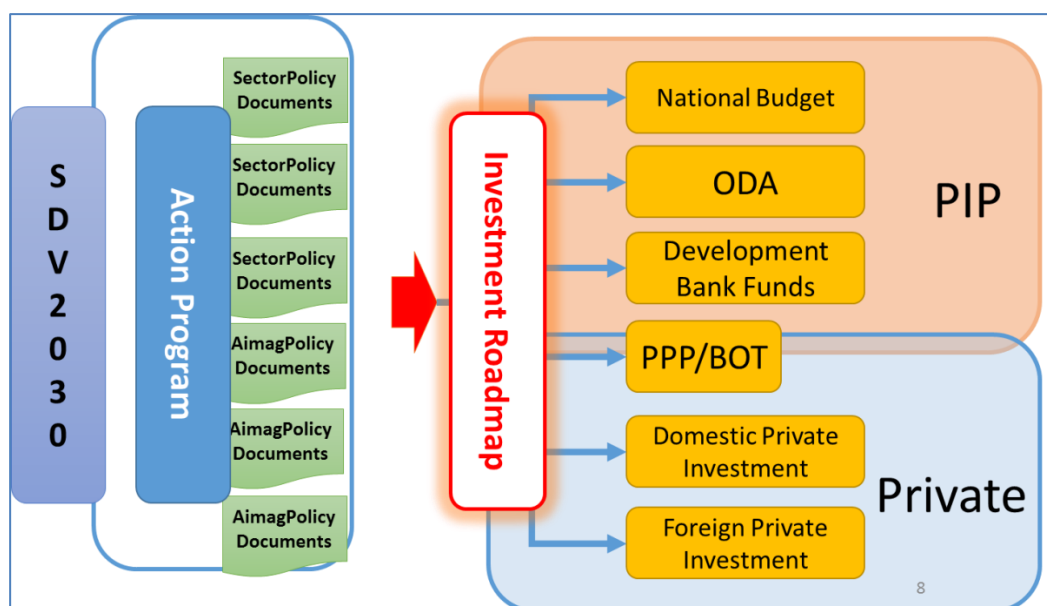
- **A financial resource plan of PIP does not exist. The MTFF does not conduct detailed development budget/ODA expenditure allocation:** The PIP is a policy document by itself, which requires renewal every four years. However, there are currently no financial

plans or guidelines to secure financial resources. The Medium-Term Financial Framework (MTFF) formulated at the Ministry of Finance is in form of a three-year rolling plan with the indications on national development budget and ODA estimation amount provided. However, detailed allocation for projects and ministries are not available.

- **There are no standard methods for allocation financial resources to projects/ministries. There are no methods for adjustment between the NDA and the Ministry of Finance:** While there are no financial guidelines for PIP, there is a necessity for the NDA and the Ministry of Finance to discuss financial resources upon the finalization of the PIP. However, allocation will be extremely difficult owing to the fact that there are no guidelines for resource allocation.

Based on these issues, the measures following measures were discussed:

- **Establish an investment roadmap and apply it to the PIP. Clarify possible resources of projects and ministries:** There is a need to establish a comprehensive investment roadmap with all possible financial resources incorporated; national budget, ODA, concessions, development bank funds, and private/foreign investment. The investment roadmap includes the PIP as an important expenditure means and linkage in achieving development goals. The following diagram indicates the flow of the investment roadmap which contributes to the linkage of various expenditures in the achievement of the desired development goals.



Source: JICA Study Team

Figure 5.2.6 Investment Roadmap and Relation with PIP

When establishing the investment roadmap, selecting the best means of investment (project selection for PIP) is as vital as finding resources. The basic points of consideration when allocating financial resources are indicated in Table 5.2.1.

Table 5.2.1 Basic Requirements for Investment by Type

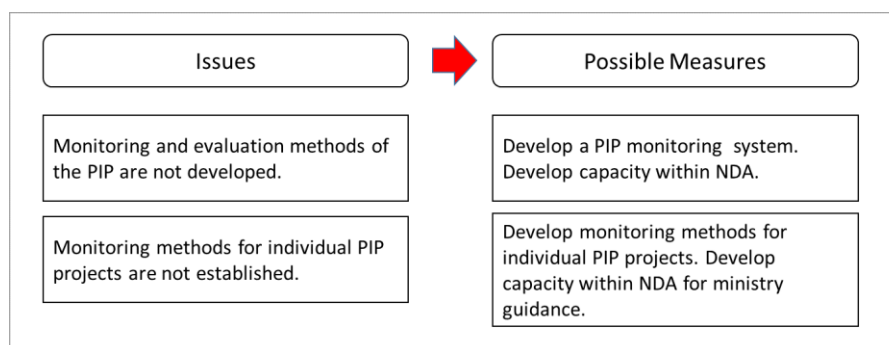
Means of Investment	Basic requirements for investment
National Budget	<ul style="list-style-type: none"> ● Is it through the development budget, or the item should be counted as recurrent budget? ● Would the budget be allocated every year during its implementation stages? ● Could the project provide expected outcomes within the Action Program period?
ODA	<ul style="list-style-type: none"> ● Is the project consistent with the Action Program and ministry / aimag policy documents? ● Are there duplications with other ODA projects?
Development Bank Fund	<ul style="list-style-type: none"> ● Would the financial/economic conditions improve enough so that new funding / concessions can begin?
PPP/BT	
Domestic Private Investment	<ul style="list-style-type: none"> ● Would any private investment be available under the current economic situations? ● How does the government promote potential domestic and foreign investment that matches the development goals? ● Does the potential domestic/foreign investment require basic infrastructure development with government expenditure? ● Would domestic/foreign investment be able provide expected outcomes?
Foreign Private Investment	

Source: JICA Study Team

- **Formulate a Medium-Term Public Investment Plan:** From the viewpoint of ministries, projects to be listed in the PIP are definitely important by means of a comparatively large amount investment of over MNT30 billion. However, it is not the only means to achieve policy targets. Management of public investment projects under MNT30 billion would be equally important by means of covering the various targets within their policy. The ministries therefore should require a comprehensive view of both PIP listed projects and small public investment projects, to ensure that targets are achieved in the most comprehensive, effective and efficient manner. Hence, it is recommended that a medium-term public investment plan; consisting of both PIP and non-PIP projects; be developed by each ministry (and aimag).
- **Conduct continuous resource discussions between the NDA and the Ministry of Finance:** The investment roadmap will require constant review based on possible changes of both resource and expenditure. A continuous discussion between NDA and the Ministry of Finance is therefore needed. In this case, monitoring of the investment roadmap by exchanging updated information is required.

(5) Step 5: Implementation

Implementation refers to detailed implementation monitoring of the PIP as well as the projects under the PIP. The NDA has responsibilities to review the PIP annually (Budget law 28.8) and conduct monitoring and evaluation every two years. Since the PIP has not experienced practical implementation the following issues were based on suppositions, along with their measures for improvement.



Source: JICA Study Team

Figure 5.2.7 Issues in and Possible Measures on Implementation

The following issues were identified:

- **Monitoring and evaluation methods for PIPs are not developed:** The PIP is a program and its program monitoring differs from normal project monitoring. Review, monitoring and evaluation of the PIP have different objectives. Currently none of the required steps have been developed.
- **Monitoring methods for individual PIP projects are not established:** Monitoring projects have totally different aspects compared to monitoring the PIP as a program. General public investment project monitoring methods can be applied to PIP projects, but considering the size of the PIP project, the feedback methods have important implications to policy documents and the PIP as a program. For example, if the implementation of a PIP project is delayed it may trigger delays in other projects that rely on the completion results and outcomes of the delayed project.

Based on these issues, the measures following measures were discussed;

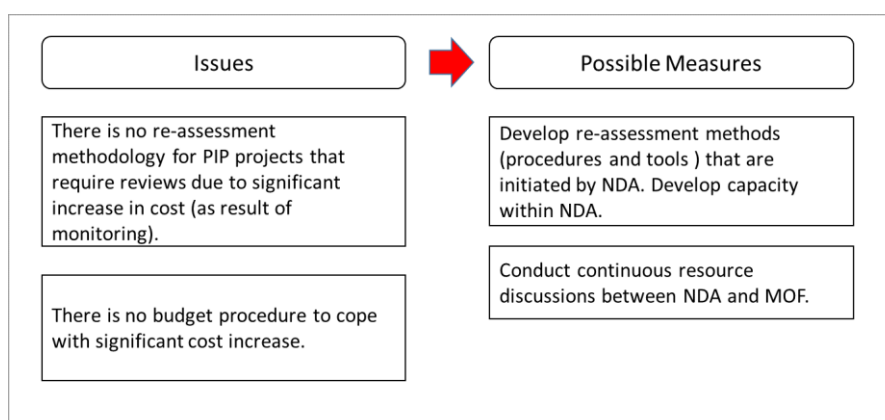
- **Develop a PIP monitoring system. Develop capacity within the NDA:** It is first required to analyse the objectives of the three different aspects of PIP monitoring and evaluation; annual review, monitoring every two years and evaluation every two years. The program monitoring and evaluation should then be developed with methods that align with each aspect. Capacity development of NDA officials are then required in the implementation of PIP monitoring. The following indicates the three different aspects of monitoring and evaluation of the PIP:
 - **Annual Review:** Generally the PIP program review is conducted with the objective of budget allocation adjustment. For projects that are listed on the PIP and were budgeted for implementation for the previous year, the budget allocation and the actual disbursement amounts are compared, in addition to the comparison of physical plan and implementation. The project is further checked whether there would be any changes in the further implementation and budget in the coming years. For new PIP projects that are expected to begin implementation in the following year, a comparison between the original budget (and its annual breakdown) and the newly formulated budget request is conducted. Since financial resource may change in the course of the annual budget, careful studies of the updated MTF in addition to close

discussions between the NDA and the Ministry of Finance are recommended.

- **Monitoring of PIPs:** Projects that are listed in the PIP are monitored every two years to find whether they were implemented as planned. For projects that are delayed, further analysis or a study on the cause of the delay is conducted. Follow up requirements in case of delays are conducted to inform project officials or the ministry in charge.
- **Evaluation of PIPs:** Because PIP evaluation is required as a program every two years the primary objective is to check the relevance and effectiveness of the PIP at the time of evaluation. Reviewing the SDV 2030 milestones, the Action Program, and policy documents should be done at the same time. Therefore it is an opportunity to conduct a mid-term overview of the comprehensive development scenario.
- **Develop monitoring methods for individual PIP projects. Develop capacity within NDA for ministry guidance:** Monitoring methods of individual PIP projects basically follow those of public investment projects. However, feedback must be adjusted so that they will be in line with the annual budget cycle as well as the monitoring and evaluation of the PIP as a program. Since project monitoring is normally conducted by relevant sector ministries and aimags, a standardized monitoring method should be announced and instructed by the NDA. Thus the capacity of NDA officials should be developed so that they could provide appropriate instructions and advice to ministry officials.

(6) Step 6: Project Adjustment

Project Adjustment refers to management and adjustment of project costs during its implementation. Follow up budget requests in cases of cost increases, from the aspect of securing additional financial resources and measurement of project effectiveness and efficiency are required. This step relates to the previous implementation and monitoring stage, especially for individual PIP projects. Figure 5.2.8 shows the issues assumed at this step, along with measures to address them..



Source: JICA Study Team

Figure 5.2.8 Issues in and Possible Measures on Project Adjustment

The following issues were identified:

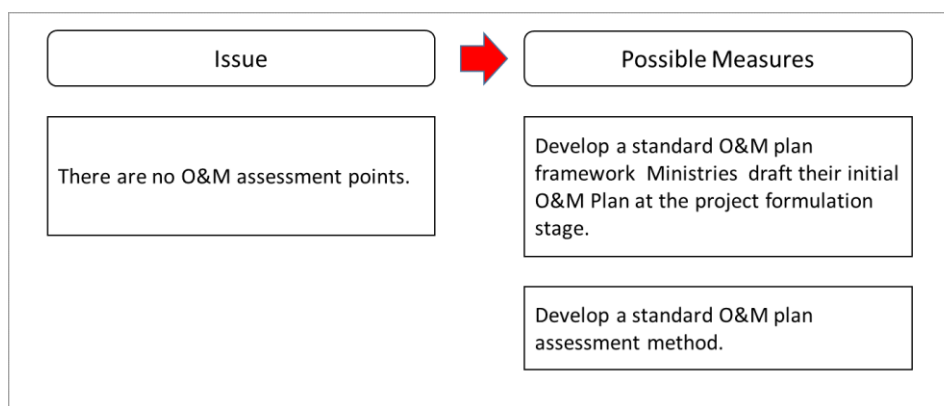
- **There is no re-assessment methodology for PIP projects that require reviews due to significant increases in costs (as result of monitoring):** The Budget Law does not mention any measures when PIP projects suffer cost overruns, thus there are currently no opportunities for re-assessment of the project. Due to the budget scale of PIP projects, cost overruns may become a significant burden to financial resources including the primary budget.
- **There is no budget procedure to cope with significant cost increases:** There are currently no initiative with the Ministry of Finance on cost overrun projects.

Based on these issues, the measures following measures were discussed:

- **Develop re-assessment methods (procedures and tools) that are initiated by the NDA. Develop capacity within the NDA:** It is necessary to establish a legal procedure to ensure that significant cost overruns of PIP projects are re-assessed by the NDA. Cost overrun analysis will be made along with measurement of effects to the project, PIP as a program, and financial resources. The re-assessment is concluded with recommendations and decision whether a cost overrun is grantable and at which level. Development of capacity to conduct re-assessment is required among NDA officials.
- **Conduct continuous resource discussions between the NDA and the MOF:** In line with the formulation of the investment roadmap indicated in Step 4 and implementation monitoring mentioned in Step 5, discussions based on a readjustment of financial resources as a result of cost overrun should be a topic for continuous discussions between the NDA and the Ministry of Finance.

(7) **Step 7: Facility Operation**

Facility operation refers to operation and maintenance (O&M) of outputs through the completion of PIP projects. It is important that the project is appropriately transferred to the operation side. Specific checkpoints should exist for the responsible organization(s), O&M budget resource and asset management. Figure 5.2.9 shows the issues assumed at this step, along with measures to address them.



Source: JICA Study Team

Figure 5.2.9 Issues in and Possible Measures on Facility Operation

The following issue was identified:

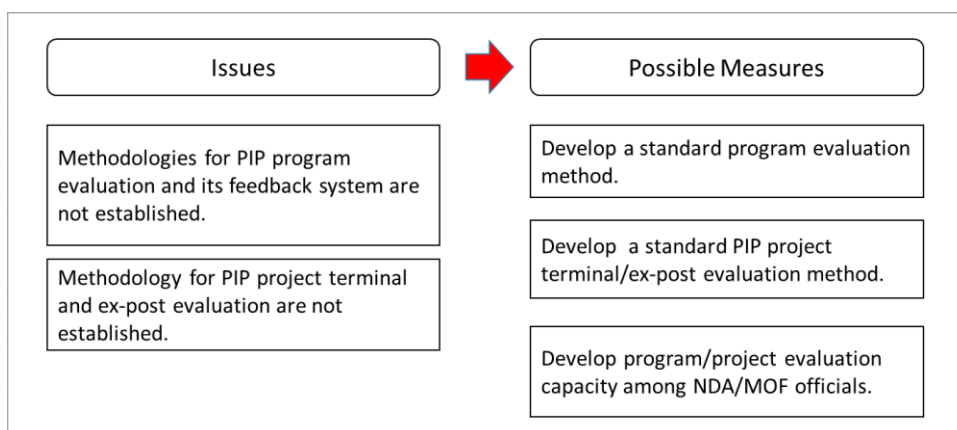
- **There is are no O&M assessment points:** For public investment projects, development of an O&M plan is an obligation (Budget Law 29.2). However, the Budget Law does not specify the necessity of O&M plan for PIP projects. It can be interpreted that the same conditions apply for larger scale PIP projects. However it is important that O&M costs are estimated in the planning stages due to the impact of financial burden after project completion.

Based on this issue, the following measures were discussed:

- **Develop standard O&M plan framework. Ministries draft their initial O&M plan at the project formulation stage:** Relatively, larger scale PIP projects need to develop their O&M plans as part of project formulation. It should be included in the requirements of project application as explained in Step 2 (Formal Project Appraisal). Inclusion of an additional sub-article in Article 28 of the Budget Law should be considered.
- **Develop standard O&M plan assessment methods:** In line with Step 3 (Independent Review of Appraisal), there is a need to develop a standard O&M plan assessment method to assess the O&M plan submitted from ministries, judging projects from organizational, financial and technical sustainability aspects.

(8) Step 8: Completion Review and Evaluation

Completion Review and Evaluation refers to measurement of effectiveness and sustainability of completed PIP projects, as well as the PIP as a program through terminal and export evaluation studies. As explained in Step (5) Implementation, the PIP is required to be evaluated every two years. The following issues were assumed at this step, along with measures for their improvement.



Source: JICA Study Team

Figure 5.2.10 Issues in and Possible Measures on Completion Review and Evaluation

The following issues were identified:

- **Methodologies for PIP program evaluation and its feedback system are not established:** It can be understood that this step refers to the second and final PIP evaluation for the four-year program, since it is stipulated that evaluation should be conducted every two years (the first evaluation: medium term evaluation is referred to in (5) Implementation). The terminal evaluation method for the PIP as a program, including feedback and formulation of the next PIP, have not been established.
- **Methodology for PIP project terminal and ex-post evaluation are not established:** Measurement of effectiveness for large PIP projects are essential at its completion and after. The terminal and ex-post evaluation methods for PIP projects are not established.

Based on this issue, the following measures were discussed:

- **Develop a standard program evaluation method:** The program evaluation studies to be conducted at the final stages of the PIP term is crucial since their results will be feed back to the next PIP, the next Action Program and policy documents. Therefore, evaluation methods along with the feedback system should be established together. Practically, the final evaluation of the PIP should be conducted approximately one year before the PIP termination, since it requires time for the feedback system to function and further move to the development steps of the next Action Program, policy documents and the PIP. Ideally, the final program evaluation of the PIP should be implemented with the collaboration of the NDA and the Ministry of Finance.
- **Develop a standard PIP project terminal/ex-post evaluation method:** The methods of terminal and ex-post evaluation for PIP projects should be developed. At the terminal evaluation, the sustainability criterion including the detailed O&M plan should be emphasized. At the ex-post evaluation, effectiveness and impact of the project should be emphasized.
- **Develop program/project evaluation capacity between the NDA and the Ministry of Finance officials:** Development of capacity for monitoring and evaluation personnel is

crucial since there are various requirements for monitoring and evaluation within both the PIP cycle and the PIP project cycle. The NDA and the Ministry of Finance personnel must become central units for evaluation studies since they largely rely on the evaluation feedback for further development planning. Therefore, comprehensive evaluation skills in both technical and management aspects will be required.

5.3 Coalition and Liaising between the NDA and the Ministry of Finance

As explained in chapters 3.4(3) and 4.4(1), a close cooperation to a level of coalition is vital among the NDA, as the organization overlooking the formulation and implementation of the development policy, and the Ministry of Finance as the organization attempting to gain financial stability. Both organizations, which recognize the importance of collaboration, have yet to determine specific points of coalition and liaising, including the specific outcomes they may share as a result.

This subchapter focuses on the necessity of such coalition and liaison by the two organizations within the PIP cycle explained in chapter 5.2.

Table 5.3.1 Collaboration between NDA and MOF within the PIP Cycle

PIP Cycle Collaboration Stage	Contents of Collaboration
<p>1. Guidance and Screening Issuance of guidance to ministries and aimags to explain that PIP listed projects should be relevant to SDV 2030, Action Program 2016-2020 and respective policy documents.</p>	Discussions to establish medium-term financial resource envelope. NDA will set envelopes for each financial resource while MOF considers the total budget framework as reference to the MTFF.
<p>3. Independent Review of Appraisal (1) Pre-assessment of project upon PIP listing.</p>	A joint project assessment. At this stage before PIP listing the projects will be assessed based on preliminary F/S and financial/economic analysis. While NDA assesses the relevance of the project to the development policy, MOF will assess the economic benefits.
<p>3. Independent Review of Appraisal (2) Project assessment for budgeting new projects already listed in PIP.</p>	Detailed project assessment with the objective of strictly checking whether the project is qualified for budget spending. Detailed F/S, design and financial / economic analysis results will be assessed jointly by NDA and MOF.
<p>4. Project Selection and Budgeting (1) Establishment and Adjustment of the investment roadmap</p>	Establishment of a permanent committee between NDA and MOF to formulate and revise the investment roadmap.
<p>4. Project Selection and Budgeting (2) Formulation of the medium-term public investment plan by ministries and aimags</p>	Jointly promote ministries and aimags to formulate a medium-term public investment plan (covering both PIP projects and smaller public investment). Consistency with their policy documents (with instructions from NDA) and budget allocation (with instructions from MOF) are required.
<p>6. Project Adjustment Re-assessment of ongoing PIP projects, and measures for extra budgeting when costs exceed the original plan</p>	Jointly conduct a re-assessment of PIP projects that require significant cost overruns. Discussion on extra budget allocation when necessary.
<p>7. Facility Operation Careful examination of the O&M plan, and consideration of financial resources</p>	Examine the O&M plan for PIP projects and consider financial resources (development budget, recurrent budget, self-sustain etc.). As for cases where budget is applied, further discussions are required for its determination.
<p>8. Completion Review and Evaluation (1) Program evaluation of the PIP.</p>	Evaluation of PIP as a program as reference to the formulation of the next PIP and development plans. Effectiveness to the development policy will be measured by NDA, while contribution and effect to the financial plans will be measured by MOF.
<p>8. Completion Review and Evaluation (2) Terminal/ex-post evaluation studies for individual PIP projects.</p>	Terminal and ex-post evaluation studies will be conducted in consistency with the assessment schemes conducted in the formulation and implementation process in the project cycle. NDA and MOF secures consistent involvement.

Source: JICA Study Team

Detailed coalition and liaison for the NDA and the Ministry of Finance within the PIP cycle are outlined as follows:

(1) Establishment of the Investment Roadmap and Initial PIP Guidance

Prior to officially formulating the PIP, it is recommended that a comprehensive investment roadmap be established (Chapter 5.2 (4)). Intensive collaboration among the NDA and the Ministry of Finance is essential in this formulation. The NDA is required to provide information related to indicators and milestones for development plan achievement and progress of private investment schemes including its contract conditions, while the Ministry of Finance is required to provide updated macro-economic and financial information. By joining this information, the investment roadmap can be established and revised when conditions change.

In the next PIP formulation opportunity an initial PIP Guidance may be issued jointly by the NDA and the Ministry of Finance for ministries and aimags. The abovementioned investment roadmap will be utilized to determine financial resources and their allocation. This allows clear priority announcement towards ministries and aimags, which may contribute to smooth PIP formulation procedures.

(2) Establishment of a Joint Committee Overlooking Assessment and Evaluation

In many stages within the PIP project cycle, assessment and evaluation is required. The NDA is responsible in measuring the effectiveness of PIP projects by checking the consistency with development policies (Budget Law 28.5), while the Ministry of Finance checks the financial benefits (Budget Law 28.11). Project assessment and evaluation can only be concluded by covering both of these aspects. Therefore, the establishment of a permanent joint evaluation committee is suggested. While officials of the NDA and the Ministry of Finance should become core members of the committee, external experts and ministry officials may be invited for consultation.

(3) Budget Ceiling

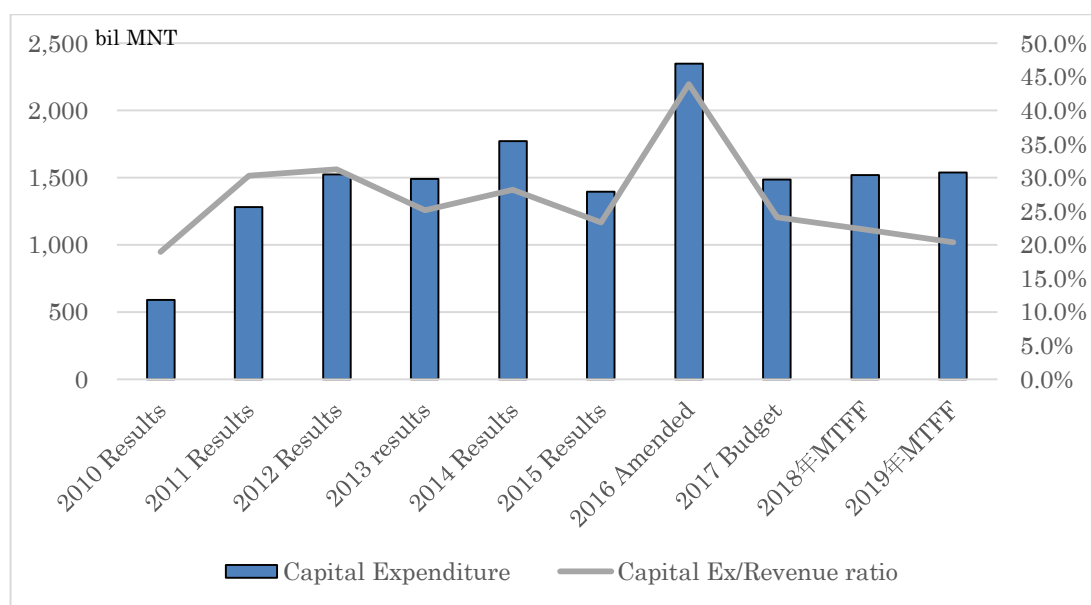
The MTFF does not have a detailed breakdown of the development budget. With the formulation of the investment roadmap, it would allow the Ministry of Finance to provide indicative medium-term budget ceilings for various financial resources. By joining the PIP project monitoring results (including financial disbursement and physical progress), it allows adjustment to the budget framework. In addition, it may allow the estimation of O&M budgets for completed PIP projects.

(4) Program Evaluation

PIP evaluation as a program will provide references in the formulation of the next set of development policies and the PIP. Joint implementation of the PIP evaluation will further provide opportunities in exchanging updated information between the NDA and the Ministry of Finance.

5.4 Financial Framework of Public Investment under Public Financial Management

This subchapter explains the current status of the financial resources related to public investment under the public financial management scheme. It will then further analyze the status quo and issues for each of the financial resource. As stated in Chapter 3.1, according to the MTFF 2017-2019, plans for capital expenditure for the upcoming three years starting 2017 are 1,484 billion MNT, 1,518 billion and 1,541 billion respectively. This level is similar to what were spent in the 2012-2013 period.



Source: JICA Study Team based on MTFF 2017-2019, Ministry of Finance

Figure 5.4.1 Flow of Capital Expenditures and Ratio of Capital Expenditures/Revenues

Meanwhile, according to the 2017 annual budget approved by the Great Hural, public investment was allocated to 250.7 billion MNT for national development budget, 172.8 billion MNT for DBM and 71.5 billion MNT for concession.

As explained in Subchapters 5.2 and 5.3, since there is a lack of a comprehensive investment roadmaps that may indicate future development of the PPP, concessions and private investment promotion, the following recommendations were concluded only within each of the financial resource.

(1) Capital Expenditures from the National Budget

According to the MTFF, 168.9 billion MNT and 141.9 billion MNT was allocated for capital expenditures within the national budget in 2018 and 2019 respectively.

Announcement No. 47 from the Chairman of the Great Hural in September 2016 indicates that from the revised budget of 2016 onwards, construction of new sports and cultural facilities are prohibited while a sale and a lease back scheme will be applied to educational facilities. This policy aims to avoid inefficient investments.

The MTFE estimates a recovery of revenue from 2017 as its bottoms toward 2018. However, since the surplus in revenues will be allocated for recurrent expenditure including debt payment, an increase in public investments from the national budget cannot be expected for a while.

(2) Development Funding including DBM, Capital Expenditures from Project Financing

Estimations of the budget indicate that in 2018, capital expenditure worth 109.1 billion MNT is expected while in 2019 it is zero. The reason for this, as expressed in Chapter 3.1, is assumed that during the 2017 budget formation process, discussions of restructuring the DBM which involves revision of the DBM Law was simultaneously in progress.

The Revised DBM Law was approved in 10th February 2017. According to this, changes were made in the authority levels that the Great Hural and the Government held over DBM. In addition, Article 27 regulating the amount of loans and debt outstanding guarantees respectively to under 50 times their assets. It can be said that the DBM is attempting to avoid past careless management by regulating the Great Hural and government involvement and realize an independent management regime.

Meanwhile in the ERP, there is an article indicating that an investment fund can be established with the objective of securing long-term capital in implementing large scale projects that contribute to economic development. The DBM is currently preparing to be in this position.

The DBM plans to conduct project finance areas such as agriculture, toll roads, railways, energy and mining. They are also considering loans through commercial banks.

The new independent management style under the revised DBM Law has a virtue of reducing public investments that have low economic benefits, while under the current difficulties in securing funds it is difficult to consider them as an eligible financial resource. In addition to strengthening management governance under the revised law, release from political pressures, and further support in terms of financing and technical aspects from development partners and foreign banks are all essential in the need to regain status as a pillar for public investment financial resource.

(3) Private Capital Based on PPP

709.8 billion MNT and 394.5 billion MNT are estimated for capital expenditure concession in 2018 and 2019 respectively.

Meanwhile, ERP indicates that assessment of past and ongoing programs and projects will be conducted, and strict procedures on list approval and implementation mechanism will be applied. Therefore, considering the fact that many BT projects already carry various problems, it is doubtful that new concessions based on the estimated amount will be implemented within the next few years. However, by improving the PPP scheme including BOT utilization, it may be considered as an effective financial resource for public investment in the long run.

Revision of the Concession Law is included in the 259 laws to be revised by 2020. Revision can be expected in the fields of government tendering, concession methods, formulation of an enforcement committee and adjustment with the national budget.

(4) Development of Partner Fund (ODA)

As explained in Chapter 3, many international and bilateral development partners support Mongolia through loans and grants. Although support is expected to continue, the support by IMF may influence the decision of other development partners causing possible delays and changes in their support policies. Continuous monitoring is therefore needed.

(5) Funds etc.

The Law on Government Special Funds was issued in 2006 and revised in November 2016 indicates the existence of the certain funds, some of them off-budget. The LDF mentioned in Chapter 3 is related to public investment but is not counted within the Law of Government Special Funds.

The Future Heritage Fund (FHF) has a possibility of being relatable to public investment. The FHF is managed based on the FHF Law approved in the 5th of February 2016 and enforced last 1st January 2017. It is a fund to utilize current revenues for future generations. Resources resemble that of the Human Development Fund (HDF) with allocation from 65% of mining charges. According to the 2017 budget, since the debt for HDF remains, mining charges are collected for the national budget until 2022. Therefore, FHF usage for public investment is yet to be considered.

Table 5.4.1 Funds under the Law on Government Special Funds

Name of Fund	Resource
Emergency	National Budget only
Government Preparation	
Culture and Arts Promotion	Many from the budget • national budget • support and donation from development partners, domestic/overseas organizations, and Mongolian nationals • Debt from foreign countries and international organizations through the government channel
Education Loan	
Mongolian Residents Abroad	
Environmental Protection	
Science and Technology Promotion	
Military Development	
Compensation for Crime Victims	
Mongolia Studies Promotion	
Government Debt Guarantee	
Sports Promotion	
Health Promotion	
Small and Medium-Sized Enterprises Development	
Grain Production Promotion	
Universal Service	
Livestock Protection	
International Cooperation	
Social Insurance	Funds that have separate regulations under the law
Social Welfare	
National Roads	
Employment Promotion	
Vocational Training Promotion	
<i>Future Heritage Fund (Human Development until 2016)</i>	
Budget Stabilization	
Health Insurance	
Industry Promotion	
Future Pension Preparation	
Various support and donations from development partners, international organizations, foreigners and Mongolian nationals for recovery from natural disasters	Support and donation

Source: JICA Study Team based on the Law of Government Special Fund

(6) Foreign Direct Investments

Foreign direct investments (FDIs) must also be relied upon as a financial resource option. However, recovery from the mistrust from foreign investors due to past inconsistent policy changes has to be seriously addressed. The ERP indicates a movement to improve the legal environment for foreign investment promotion and the establishment of a committee to protect benefits of foreign investors along with improvements in the legal environment in this area. The NDA has been appointed as the organization to promote foreign private investment.

6 ENHANCING CAPABILITIES IN FORMULATING DEVELOPMENT POLICIES AND PIPS (Discussion on Technical Assistance Options)

6.1 Primary Objective and Goal of the Technical Assistance Project

(1) Prior to the November 2016 Elections

In August 2016, the Government of Mongolia conveyed an official request to the Government of Japan for technical assistance. The request for technical assistance was grouped into three categories:

- i) Assistance in developing capacities of human resources engaged in policy development:** This assistance aims to provide training, workshops, and seminars designed for administrative officers both in the central government and local municipal authorities involved with policy development and planning. It was also aimed at honing their understanding of methodologies related to setting targets and objectives and measuring evaluative yardsticks in the field of policy development.
- ii) Assistance in formulating a Public Investment Program (PIP):** This assistance aims to provide technical help and offer support in the formulation of investment plans and the development of human resources capable of both making and implementing the program. The assistance also aims to facilitate evaluative capabilities related to PIP projects pursuant to the country's Law on Development Policy Planning.
- iii) Assistance in evaluating consistencies between the existing policies adopted by the ministries and the development policy, while improving their coordination:** This assistance aims to support evaluation efforts that would help in the formulation of the development concept of Mongolia as described in the country's development policy (known as SDV 2030: Sustainable Development Vision). It also intends to ensure development consistency among various government ministries while seeing to it that all ministerial efforts are well coordinated in the pursuit of an appropriate PIP framework.

(2) Post November 2016 Elections

Based on the survey and analysis the above objectives are being pursued in light of the new political regime following the recent national elections and is reflective of the inputs, comments, and opinions from concerned counterparts.

- i) Assistance in evaluating and ensuring consistency between policies and related public investment projects adopted by the respective ministries and the development policy (or SDV 2030) for PIP formulation:** The purpose of this technical assistance is to improve capacities in reviewing projects and coordinating

priorities and relevant PIP projects to avoid redundancies among policies adopted by the respective ministries while ensuring consistency with the SDV 2030.

- ii) **Technical assistance in developing the PIP:** This assistance includes the provision of support in the development of a comprehensive investment policy and the relevant roadmap to achieve it. It also includes a comprehensive formulation of the PIP program based on the SDV-2030, the Government Action Plan 2020, and the ERP. (Included in this assistance will be technical efforts related to project evaluation, implementing and monitoring methodologies, refining processes on PIP-based achievement and evaluation, and assistance in the establishment of institutional structures that will facilitate project coordination among government ministries as well as secure fiscal resources for the projects.)
- iii) **Assistance in capacity development (CD)/enhancement programs aimed at training human resources engaged in policy formulation activities:** This assistance aims to support capacity development programs for responsible officers working in administrative bodies to enhance their capabilities in running a series of processes, ranging from policy review, evaluation of PIP development, to monitoring.

6.2 Scope of the Counterpart Institutions

(1) Collaboration with the MOF

As was clarified earlier in Chapter 5 on the overview on the NDA, the MOF is the agency responsible for public investment, that is, for the evaluation of relevant policies that are eventually adopted by government ministries (those responsible for individual business sectors) and the development of a new public investment program (PIP). Today, the NDA is responsible for working out policy evaluations and developing, or drafting, the PIP from the viewpoint of public investments associated with national development policies. On the other hand, the MOF is responsible for public financial management including policy evaluation and budget creation.

Therefore, based on the objectives summarized above, it is rational to designate the NDA as a counterpart institution because it has the primary PIP responsibility. It should also be noted that the fiscal resources required in the success of the PIP is inseparably linked to the national budget. The MOF will find it hard to achieve unified action in the process of developing/implementing the PIP without the involvement of the NDA. The MOF is also tasked with checking the contents of the PIP as drafted by the NDA. However, even if the NDA is considered a primary counterpart institution, it is vital that it collaborates with the MOF. Thus, it is necessary to achieve a realistic scheme that is flexible enough to ensure the involvement of the MOF and the types of assistance it can provide.

Further program coverage will include setting clear and consistent criteria for project evaluation between public investment projects under the annual budget schedule and those under the scope of the PIP, clarifying how the national budget will be allocated to the PIP, and elaborating a range of available funds other than the national budget. A common and mutual understanding should be set up between the NDA and the MOF based on collaborative activities. Thus, the establishment of certain groups (such as committees and/or working groups) should be considered whenever this is appropriate.

(2) Coordination with Aimags and Soums

It is essential to view the PIP as primarily a national endeavor. However, many PIP projects are linked to the development of specific regions such as aimags and soums. Thus, while the PIP primarily focuses on the macro level, it should also be important that they are consistent with the respective development projects in the Aimags. In this regard, the NDA has already concluded MOUs with aimags and some soum administrative bodies aimed at promoting closer relationships with them. In the mid to long-term perspective, it will be important to consider establishing a platform (or a working group) involving the administrative offices responsible for developing the PIP.

(3) Partnership with external advisory bodies and other stakeholders

In addition to the items suggested earlier, it is also important to nurture collaborative relations with Parliament's standing committees, working groups, government-sponsored research institutions, colleges, international donor organizations and agencies, technical advisory bodies (or think tanks which the NDA plans to establish), and other institutions as suggested in the above discussions regarding project objectives.

6.3 Prospective Technical Assistance Schemes

(1) Implementation Set-up

The creation of a steering committee should be expected which will function like a Joint Coordinating Committee (JCC) and will be composed of Mongolian counterparts, including the NDA secretary as chairman of the committee, chiefs of the Parliament's standing committees, NDA managers, responsible bureau directors from the MOF, and other high-ranking officials in relevant government ministries including vice ministers. The JCC setting can be co-chaired by an appropriate representative from the MOF. This is as an option to be taken after consultations with the parties concerned. The NDA currently is subordinated directly to the Prime Minister, thus it is positioned under the ministries in terms of bureaucratic hierarchy. Meanwhile, the concerned parties appear to have started discussions about the need to reconsider the bureaucratic hierarchy, involving an attempt to bring the position of the NDA up to the ministerial level. It is expected that JCC committee members would be discussed after due consideration and consultation with the Mongolian counterparts.

When it comes to implementing PIP projects, a project unit or a cross-functional working team is usually organized. Its membership commonly comprises of members across various ministries and other related administrative organizations.¹ It will be important to consider establishing a platform to facilitate discussions on technical issues in various fields, while setting up working groups under the JCC which will have specializations in each project/field covered by the Project Unit. (NDA sources have said that the agency will take the initiative in the Project Unit activities, but the scope of its authority will have to be thoroughly identified and prescribed.)

The JICA Project Team, which is highly specialized in technical assistance programs, will set up a platform to be managed by the JCC which will comprise of some specialists capable of delivering technical assistance and capacity development programs that are relevant to the PIP development process, policy evaluation, and funding schemes, or which will involve (functional) departments in to the scheme. The JICA Project Team will also establish a system aimed at welcoming the participation of an advisory council, or a think tank, that would probably be formed during the course of the assistance process as members of the JCC committee, as necessary.

(2) Implementation Period

The implementation period for the technical assistance will be from September 2017 (provisional) to June 2021 (46 months in total). During the first half of the project (34 months), from September 2017 through June 2020 (there will be a general election in 2020 with the campaigns starting from July to August), the Project Team will support efforts to

¹ (Note 1): "Project Units" have been established across various government organizations including the Ministry of Mining and Energy, specific to each public investment project currently underway. (E.g. coal liquefaction project in Baganuur)

establish platforms for PIP development, as well as ensure consistency with the SDV 2030 in light of the project objectives discussed earlier and progress monitoring, even while it assists in steps to promote capacity development aimed at achieving successful results (outputs) through these collaborative efforts. In the latter half of the project (10 months) from September 2020 through June 2021, the Project Team will carry out support activities centered on capacity development, efforts to maintain the effectiveness of the achievements even after the election, and the effective handover to new counterparts after the election. It should be considered that the Project Team may well stay abreast of any new developments with the government during the election period in order to ensure that it will be able to immediately take responsive actions in the second half. It is also important to examine support schemes and make adjustments for the second half, if necessary.

6.4 Components of Technical Assistance in Developing and Implementing the PIP

In this JICA survey, the NDA requested technical assistance from JICA covering the five items listed below, while the MOF expressed its interest on assistance regarding capacity development required for policies review and evaluation.

(1) **Technical assistance for capacity development on policy review and evaluation ensuring consistency with SDV 2030 and coordination among sectoral policies under PIP perspectives**

To examine consistencies between the SDV 2030 and policies adopted by the various ministries serving as the basis for PIP projects, while providing technical guidance and development methodologies, including capacity development related to efforts aimed at achieving a unified action among various ministries handling PIP projects.

In this area, both the NDA and the MOF are preparing to review and evaluate consistencies of sectoral policies relative to SDV 2030 (4 officials are assigned in the NDA, 8 in the MOF). The reviewing and evaluating process itself should be similar on both sides. Thus, the initial technical assistance programs can be addressed for both through proper coordination. The methodology and criteria for identifying priority projects, and coordination among ministries can be covered in the same technical assistance programs such as through workshops, training programs, manuals, and TOTs for further training of the sectoral ministries. However, the difference in the approaches by the two agencies should be in how they reflect the evaluation result on individual public investment projects, a difference that is highlighted below.

In case the NDA is the primary beneficiary of assistance: The task will be to prioritize public investment projects aimed at realizing a national strategy for development planning. This will include process support, which will be partially related to the efforts in identifying fiscal resources/funds (further than the national budget) for the projects, as well as serving as part of the PIP development process. (Possible counterpart section: Development Policy Planning Dept.)

In case the MOF is the primary beneficiary of assistance: The major task will be placed on efforts to identify public investment projects that could be executed by the respective ministries both efficiently and effectively within the fiscal year. This will be linked to activities that identify the significance of public investment in the framework of the national budget from the viewpoint of public investment expenditure, as well as public financial management serving as part of the budgeting process for public investment, which is one of the essential components of a public financial management system. (Possible counterpart section: Development Policy Planning Dept., Public Investment Bureau)

(2) Technical assistance for the development of a comprehensive investment policy and investment roadmap

As underscored by the Prime Minister, it is highly urgent for all ministries, including the NDA and the MOF, to make the five-year medium-term development plan for Phase I based on the SDV 2030. It is in this light that the PIP has to be drafted by 15 May 2017, along with the development of a framework for a medium-term investment plan (including policies and strategies) which should be consistent with SDV 2030 and generally serve as a basis for public investment. In this area, the NDA has sole responsibility when it comes to planning a development investment program (PIP). According to the Law on Development Policy Planning, the MOF is responsible for the development of the medium-term development policy², which by nature, should serve as the basis for the development investment program to be planned by the NDA. Even following the reorganization at the onset of the new administration when the responsibility of developing medium-term development policy (a five-year plan based on SDV 2030) was moved to the NDA, the responsibility still legally falls within the ambit of the MOF under the Law on Development Policy Planning. Currently, the law is being prepared for amendment so that this responsibility will be under the NDA. The following summarizes the contents of support to be provided to the NDA and the MOF:

In case the NDA is the primary beneficiary of the assistance: The focus should be placed on activities aimed at supporting efforts to develop investment policies which will serve as the basis for PIP development. Providing support in this area will play a significant role, not only in terms of PIP development, but also in offering guidance with respect to PPPs, concession strategies, attracting FDIs, and private-sector investments, especially because Mongolia still has no robust investment policy. The NDA has already started discussions for an investment roadmap as part of the activities that will be conducted by the PIP Working Group. The assistance can be extended to support these NDA activities including how to secure fiscal resources (funding) for investment projects. (Possible counterpart section: Development Policy Planning Dept.)

In case the MOF is the primary beneficiary of the assistance: The focus should be on prescribing a financial framework to develop a medium-term development plan which will serve as the basis for the investment policy to be developed and implemented by the NDA, as provided in the revised Article 8 of the Law on Development Policy Planning. The medium-term development plan should include investment activities which will serve as the basis for public investment as part of the activities related to public financial management, as mentioned in the case above. (Possible counterpart section: Development Policy Planning Dept. Public Investment Bureau)

² Article 8.2 of Law on Development Policy Planning stipulates: “The State Central Administrative Body Responsible for Finance and Budget matters shall develop the State policy to be implemented at the inter-sectoral level jointly with respective State Central Administrative body.”

(3) Technical assistance for capacity development and institutional strengthening in public investment projects, their evaluation processes and funding design

This capacity development program is directly related to the second objective of the support project listed earlier. This is related to activities including project evaluation, implementation, and monitoring methodologies, evaluation standard settings, and institutional arrangements to ensure that processes for project prioritization and implementation planning in the field of public investment are clear and objective.

In case the NDA is the primary beneficiary of the assistance: The focus should be placed on activities aimed at supporting efforts to promote capacity development and ensure institutional strengthening, including evaluation and priority settings for national development policies relative to PIP projects.³ The assisting activities will be essentially related to the PIP refining process including funding methodologies and institutional strengthening which should achieve standardized procedures among the various ministries that are evaluating projects, especially since the new PIP is scheduled to kick off by 15 May 2017. It should be noted that the MOF's collaborative and consultation process is essential especially on fiscal funding that is beyond the scope of the national budget and the establishment of certain arrangements with the respective ministries to achieve standardized procedures (ex., defines institutional arrangements related to PPP processes for PIP projects, fiscal funding methodology using investment funds, and the role of the NDA, etc.) (Possible counterpart section: General Investment Policy Dept.)

In case the MOF is the primary beneficiary of the assistance: The focus will be placed on activities aimed at supporting efforts to promote public works projects financed by the general budget, with evaluation and project priorities being considered as part of the overall budgetary implementation relative to projects based on policies adopted by the respective ministries in each fiscal year. These public works projects will eventually be taken into the respective budgets of the various ministries. Given this situation, emphasis for support activities provided for budgeting and the MTFF processes will be placed particularly on the public investment area, among other areas covered by public financial management. (Possible counterpart section: Fiscal Policy and Planning Bureau, Investment Budget Bureau)

(4) Assistance in setting up an advisory body, council or think tank, to facilitate PIP development and implementation at the NDA

1) Assistance for setting up the advisory body or council

It will be necessary to establish an advisory body capable of broadly monitoring the NDA's PIP development and implementation processes from a broad perspective, while responding

³ Mongolia's budget law stipulates that those projects worth over 30 billion MNT (around 12 million USD) are categorized as PIP projects, and other projects worth under 30 billion MNT should be recognized as part of the budget for public investment under the general budget.

in a timely manner to requests for advice from the NDA from a macro-viewpoint. The NDA, along with some of the leading experts in Mongolia, believes that an advisory body, or some kind of institution (or a functional system) similar to Japan's Council on Economic and Fiscal Policy should be established. One of the options worthy of consideration would be to expand the functional responsibilities of the Economic Development Committee already established under the Prime Minister. It will be necessary to conduct research regarding the ideal responsibilities of such an advisory body and provide assistance to facilitate the development and management of an institutional structure with specific roles and responsibilities in the development and implementation of the PIP. (Possible counterpart section: Development Policy Planning Dept., Sectoral Development Policy Coordination Dept., General Investment Policy Dept.)

2) Assistance for the establishment of a think tank

While the advisory body mentioned above is to be given a functional role that focuses on a macro-approach, it will also be necessary to establish a sort of functional mechanism that will be capable of accommodating technical requests specific to each specialized field. The NDA should be provided with some support anyway because it will need technical expertise, or knowhow, in a range of different fields in order for it to evaluate projects under the PIP and track the progress of policy implementation. Efforts are currently underway at the NDA toward establishing a think tank that could be comprised of experts from international donors and the government, as well as specialists from academia. As in the case mentioned earlier, it will be necessary to provide technical assistance aimed at facilitating the establishment of a related institutional mechanism with ideal roles and responsibilities. (Possible counterpart section: Development Policy Planning Dept., Sectoral Development Policy Coordination Dept., General Investment Policy Dept.)

(5) Extensive substantiation of a legal foundation to facilitate PIP development and implementation

A basic legal foundation of the PIP has already been established which encompasses the Law on Development Policy Planning, Budget Law, Investment Law, etc. Rules with respect to specific activities and/or procedures are expected to be finished soon. (E.g., optimization of the NDA's administrative status; promotion of coordinated activities between the NDA and the MOF, rules related to standardized PIP procedures among respective ministries, demarcation and coordination of responsibilities, and implementation of development processes with respect to PIP development and implementation processes; implementation of processes related to public investment projects suggested by the respective ministries; development of a set of objective standards facilitating project evaluations, etc.) Meanwhile, discussions initiated by the NDA are currently underway with the involvement of various ministries. These initiatives are beginning to play a significant role when it comes to efforts in trying to develop (design) and evaluate PIP projects. In these efforts, it is also necessary

to clearly determine the roles and respective functional responsibilities with respect to PIP development and implementation processes. It appears that there is a need to provide technical assistance in the effort to develop and formulate specific rules to be required during the course of the PIP implementation and review processes in the coming months. (Possible counterpart section: related Depts. /Bureaus in both NDA and MOF)

6.5 Potentials for Collaboration with Related International Donors

An update to the situation regarding donor support has already been discussed earlier in Section “3.3 Donor Cooperation Project.” Today, the NDA receives assistance primarily from GIZ, UNDP, and IFC, while support for the MOF primarily comes from internal organizations including ABD, the EU, KOICA, and the World Bank.

(1) Coordination of programs provided for the NDA

The GIZ has been supporting regional development (related to the areas in four aimags) as part of the activities aimed at promoting local economies in the regions with mineral resources (mining) and existing integrated regional resource development initiative, which has been extended to 2020. Under this initiative, the NDA aims to promote standardized processes with the regional governments when implementing policies as part of the activities aimed at promoting the central government’s national investment strategy, while GIZ is focused on efforts to assist the local administration in the related regions. Considering the focus of assistance by each organization, GIZ and JICA, regional focus and central focus can be complementary and mutually collaborative. It seems that GIZ appears to be interested in concluding an MOU with JICA for complementary collaboration. GIZ is allegedly considering an option to conclude an MOU with the Government of Canada regarding a regional development program.

The UNDP will stay focused on supporting the development programs promoted by the respective Aimags, which is aimed at achieving the 17 items adopted as Sustainable Development Goals (SDGs). It appears that the UNDP has some interest in partnering with JICA, which is focused on maintaining support for efforts driven by the central government. Meanwhile, UNDP has assigned an SDG specialist (Professor Khashchuluun) as an advisor to promote SDG-related activities. The advisor is also responsible for providing advice on NDA activities in general. In this respect, it looks possible that JICA and the UNDP will build a complementary relationship with each other since JICA is focused on providing support for the PIP development and implementation processes.

Under the MOU concluded with NDA covering the period until July of this year, IFC will provide technical support in the evaluative policies and projects related to the PIP where a draft was prepared last May 15. This includes the hosting of inter-ministerial conferences and the provision of training opportunities, as well as the hiring of both local and international consultants for the NDA. One possible approach for JICA to take in its support activities would be to build a coordinated scheme, involving an attempt to take over IFC’s role after the MOU with NDA expires in July even as it maintains implementing components of the support program as mentioned earlier. The NDA expects that IFC will provide support on a reactive nature regarding the PIP to be drafted by May 15 and any related matters that should be followed up later. Besides this, the NDA has also expressed its expectations to JICA, requesting that JICA launch its activities as soon as possible to

support the NDA's efforts in trying to establish a sustainable PIP development and implementation process and capacity development mechanisms which are workable over both the short and medium term. IFC has welcomed JICA to join its efforts and build a partnership in supporting activities related to upstream consulting. Given this situation, it will be important for JICA to discuss a support scheme capable of facilitating a seamless transition to full-fledged support activities, while accommodating a range of requirements in terms of both policy evaluation and project evaluation by dispatching experts (ex. a short-term expert) to the NDA until the full-length technical assistance project has been extensively launched.

(2) Coordination of programs provided for the MOF

ADB is currently undertaking feasibility studies aimed at establishing an ICT relative to public investment management, tracking developments with regard to planning and spending processes for project development budgets and public investment projects as defined by the Glass Account Law, including the provision of opportunities for training in those areas. Another feasibility study is underway on creating an electronic tax system that is expected to be launched sometime in 2017. The Policy-Based Loan assistance project with 15 million USD scale is also under consideration relative to system development for 2017. It will focus on the introduction of social welfare programs for low-income population. In either case of assistance programs addressed to the MOF or NDA, JICA will have the advantage of resorting to a coordinated scheme offering a system back up when it comes to implementing support for activities including the evaluation of public investment projects.

This year, the EU marks its third year relative to its project Economic Governance for Equitable Growth Projects and is looking to finish Phase 3 of its Annual Work Plan, which was signed last February 14 (with the unexecuted portion of its budget amounting to 2.5 million EUR). The Work Plan covers capacity development for public financial management (PFM) on the national development policy monitoring and evaluation including preservation of consistency with MTFE policies and the Budget Law, M&E process and its implementation, coordination mechanism with parliament, through training programs, workshops, and seminars.

KOICA has been engaged in providing consistent support for capacity development through a specialist group comprised of 10 experts. (As of the beginning of February, labor and welfare experts were involved.) Both hardware and software support had been provided for MTFE development.

The World Bank has provided support for Phase 1 of the Multi-Sectoral Technical Assistance Project (MSTAP) which have activities aimed at integrating budgetary investment portfolios, making rational investment priorities, and assisting the MOF and others with their involvement in PPP schemes. The World Bank will continue its support activities, launching Phase 2 of the said project in July of this year. In the MSTAP project,

the World Bank assigned around 20 Bank-funded specialists in various departments in the MOF. If the NDA is positioned as the primary beneficiary of support, JICA could consider working on a coordinated scheme involving activities to make rational investment prioritization or promote efforts related to PPP. Given the direct support provided by JICA to the MOF there could be, to some extent, redundancies for further necessary coordination in assistance activities with the World Bank.

6.6 Key Points in Implementing Technical Assistance

(1) Significance of budget planning, including allocation policy for PIP projects

It will be necessary to undertake a comprehensive analysis regarding the country's fiscal and economic conditions. Sources of fiscal funding must be consistently examined when it comes to the development of the PIP initiative this is partly because the MTFF tends to use optimistic estimates. The NDA must find other sources of funds for expenditures that go beyond the framework of the national budget for PIP projects. This will pose some concerns in terms of the profitability of projects in the future due to unclear budget limits and non-transparent liability in development funds managed by the DBM. Meanwhile, the MOF proposes MTFF and other budgetary plans assuming that the PIP project will generate fiscal revenues. In this respect, it must be noted that the MOF's discussion may not be fully conducted on fiscal expenditures for the objectives of healthy implementation or application of PPP scheme to the PIP project where appropriate, and also on the strategy for the existing repayment schedule for contracted BT deals. It must also be noted that the country's funding capabilities with respect to public investment projects could be largely affected in the coming years depending on the IMF's decision on financial support arrangements including a Stand-by Arrangement and/or Extended Fund Facility (EFF).

(2) Sustainable mechanisms for enhancing institutional foundation and developing capacities

It has been pointed out for decades that a sustainable and functional policy system regardless of any regime change is essential. This approach has served as a significant principle in substantiating the effectiveness of the Law on Development Policy Planning since its launching. It will be necessary to keep an eye on the consistent involvement and action of the Parliament Standing Committee, which has shown initiative in the formulation of the Law on Development Policy Planning and the SDV 2030. It has been a fact when regime change takes place in Mongolia significant changes happen in the bureaucratic system. Institutional memories are often undermined and outgoing bureaucrats do not usually share know-how and data with the incoming bureaucrats. In this respect, it will be necessary to establish an institutionalized system (such as "knowledge base") that belongs to the organization.

(3) Leveraging JICA's long experience in technical assistance

JICA has a track record of technological cooperation across a range of fields including development planning, investment policy making, PFM and governance. In Mongolia, significant changes usually take place in the bureaucratic system depending on the results of a general election, including the reorganization of ministries and other related organizations as well as reshuffles of the personnel in charge of technological cooperation initiatives. This has made it hard for JICA to evaluate or confirm any achievements with respect to its cooperative initiatives. JICA has experienced such vacuum periods caused by general

elections between its support projects, including the project for Capacity Development for Promoting Foreign Direct Investment (November 2010–May 2013), the Mongolia PPP Capacity-Building Project (May 2014–April 2016). It will be necessary for Japan to maintain its cooperative initiatives which are beneficial to its efforts to secure sustainability in the beneficiary's system, and to ensure to build organic links among the achievements belonging to individuals or being maintained as something belonging to certain organizations or institutional systems, while leveraging the wide range of experiences of achievements made in the past. It will also be necessary to examine the above-mentioned project achievements that may be found in various spheres within both NDA and the MOF.

It will also be necessary to consider the option to leverage the achievements of projects including the Capacity Development Project for Internal Audit and Achievement Monitoring (Phase 1: January 2012–July 2014; Phase 2: August 2014–August 2017), a project addressed to the MOF, and MONDEP (February 2015–October 2016), a regional development project closely related to public investment. Many of the proposals related to public investment initiatives under MONDEP, in particular, have been consistently gained attention with interests by both the previous and the present administrations.

(4) Coordination with planning support for the Comprehensive National Development Plan

The NDA and other government organizations have been optimistic with the cooperative project by JICA that will provide technical assistance on formulation of the Comprehensive National Development Plan, which was made an official request to the Japanese Government in 2016. It must be noted that the SDV 2030 and Space Planning are considered indispensable to each other when it comes to national development initiatives. On 10 January 2017, the MCUD launched a working group aimed at implementing National Habitation Plan with a view of also implementing the Comprehensive National Development Plan. Various government agencies responsible for social/economic infrastructure development will be involved in the planning process of this plan. It must be noted that the NDA will actively take part in the process as one of the core counterparts primarily responsible for development and management, of which the same concept is also shared with the MCUD.

7 Final Remarks:

Special Considerations for the Preparation of the JICA Technical Assistance

The official request for “the Project for Strengthening the Government Capacity of National Development Policies and Planning” was submitted JICA by the MOF on 14 August 2016. After that, organizational reform was executed by the new government. Under such a new structure, the official request needs to be refined to seek the best way for Mongolia, while keeping the original objectives. In Chapters 6 and 7, necessary discussions were thoughtfully made on the preparation for the JICA technical assistance. Of the significant issues that need to be addressed, special focus is given to the following in preceding chapters and summarized here:

(1) Careful Attention to Macroeconomic Forecasts

The mid-term financial framework and/or budgeting capacity of the Mongolian government is determined, depending on the forecasted perspectives on macroeconomic growth and the budgetary policy for debt/deficit management. In this sense, the MTFF and the ERP established by the MOF in 2016 are important; however, the budgetary framework projected in these documents seem somewhat optimistic based on an over-evaluation of the positive impacts of mega projects. In addition, should the external loans from stand-by arrangement (SBA) or extended fund facility (EFF) by the IMF and other donors be determined, the crucial impact of the anticipated fiscal austerity on public investments needs to be considered. Noting these circumstances, the PIP which is obliged to be submitted by May 15, 2017, seems most likely to be substantially amended toward May 2018.

(2) Coordination between NDA and MOF

It is only rational that the NDA will be the counterpart agency for the JICA technical assistance in consideration of the given objectives and the legal framework stipulated under the Development Policy and Planning Law and the Budget Law. However, the coordination between the two has to be clarified in the process of policy reviews and PIP formulation, as discussed in Chapters 6 and 7. For this purpose, some rules and regulations on the modality and agenda of coordination need to be prepared so that both can function effectively. It seems important for both to have a common understanding as to where both should coordinate rather than delineate their respective responsibilities and official mandates.

(3) Parliamentary Roles to Assure Policy Coherence and Consistency

Even if a different political party establishes a new government after the next election (2020), the long-term development policies, priority concepts, and all those achieved during the current term should be largely adopted by the new government. Such policy coherence and consistency need to be assured; otherwise, every political change will not generate any meaningful progress for society. To this end, the deep involvement in the PIP process and the development policy planning process of the National Affairs Standing Committee, which played a vital role in enacting the Development Policy and Planning Law, should be

maintained. Necessary legal setup and monitoring of this new mechanism for national development must be its responsibility. In addition, it is necessary to create a knowledge-based, decision-making system for the PIP process, focusing on the enhancement of institutional and organizational, rather than individual, capacities.

(4) Complementary Coordination among Donors

As mentioned in the preceding sections, 3.3 and 7.5, several donors are interested in providing technical support to strengthen the administrative capacities of either the NDA or the MOF or both. Each donor has a clear objective of the project/program based on its own interests. In this sense, each donor's activities are not comprehensive, but limited to concerned areas/sectors. Therefore, no substantial changes in the scope of the JICA project will be required. Donors that provide technical support to the NDA are UNDP, GIZ, and IFC.

UNDP has been supporting the establishment of the Long-term Development Vision 2030 and is interested in the budgeting process and development administration toward achieving SDGs stipulated in the vision. More concretely, UNDP is facilitating and monitoring local government activities for this purpose, adopting some aimags as models. This local approach complements the JICA approach which will be a holistic approach at the national level.

The GiZ has been conducting the project titled "Integrated Mineral Resource Initiative II" since August 2014, and this project is reportedly to be extended up to 2020. This project is unique, as its four (4) model aimags, namely Bayankhongor, Ovorkhangai, Selenge, and Uvs, all have mining industries as their main economic activity. Under this project, four (4) stakeholder groups of mining companies, small- and medium-scale mining-related industries, community groups, and local governments jointly work to achieve economic and social development. This must be a challenging approach to local development at a practical level, and the outcomes and findings from this GiZ project will definitely serve as good inputs for the JICA technical assistance project. No overlapping of project activities will take place, but some collaboration is expected to be productive.

Meanwhile, the IFC is interested in financing some PPP projects for the energy sector. As the NDA is responsible for facilitating the PPP model project, the IFC intends to strengthen the NDA's capacity in project management. To carry this out, the IFC has committed to dispatch short-term experts to Mongolia to support the PIP process until July 2017. This IFC assistance will also complement the JICA technical assistance project which will hopefully commence after August 2017 at the earliest.

(5) Linkage with another JICA Project for National Comprehensive Development Plan

In August 2016, MCUD officially requested JICA for the "Study on National Comprehensive Development Plan" (referred to as "National Plan") as a national spatial and physical plan closely connected with the Long-term Development Vision 2030. Both the national plan and Vision 2030 are regarded as one policy package. Therefore, the NDA as well as MCUD looks forward to starting this JICA project soon, because this national plan is recognized as one of priority projects under the NDA's mandate.

In this connection, the National Committee for the "Formulation of General Plan for Mongolia

Population Settlement” was officially organized under the Prime Minister’s Resolution No.5, dated 4 January 2017. This resolution consists of three orders, as follows:

- 1) To approve the members of the National Committee which is responsible for the formulation and approval of the General Plan for Mongolia’s Population Settlement;
- 2) To oblige G. Munkhbayar, Minister of Construction and Urban Development, to organize the works to prepare the draft of the General Plan for Mongolia’s Population Settlement and to submit the same to the National Committee for discussion;
- 3) To oblige B. Choijilsuren, Minister of Finance, and G. Munkhbayar, Minister of Construction and Urban Development, to appropriate funds to formulate the plan specified in this resolution in the state budget of 2018 and 2019, including projects and programs to be implemented by foreign and international organizations, and to fund the formulation of the plan by other resources.

The chairperson of the National Committee is the prime minister, and the deputy chairpersons are MCUD minister and UB City mayor. The members are state secretaries of all ministries and heads of relevant agencies, including the director general of the NDA. The secretary is the State Secretary of MCUD.

The national human settlement planning is an official mandate given to MCUD, and it will be one of the significant components of the national plan, the formulation of which has been requested of JICA. The national plan should cover not only human settlement and land management but also a wide range of other sectors such as transportation, mining, agriculture, environment, industrial development, and economic and social infrastructures. Therefore, in the national planning process, a number of working groups should be organized to formulate sectoral spatial plans under the joint project management by MCUD and NDA. The National Committee must be a good venue to discuss the draft national plan, integrating those sectoral plans, because the members cover all the ministries. It is recommended that secretariat work be jointly performed by MCUD and NDA.

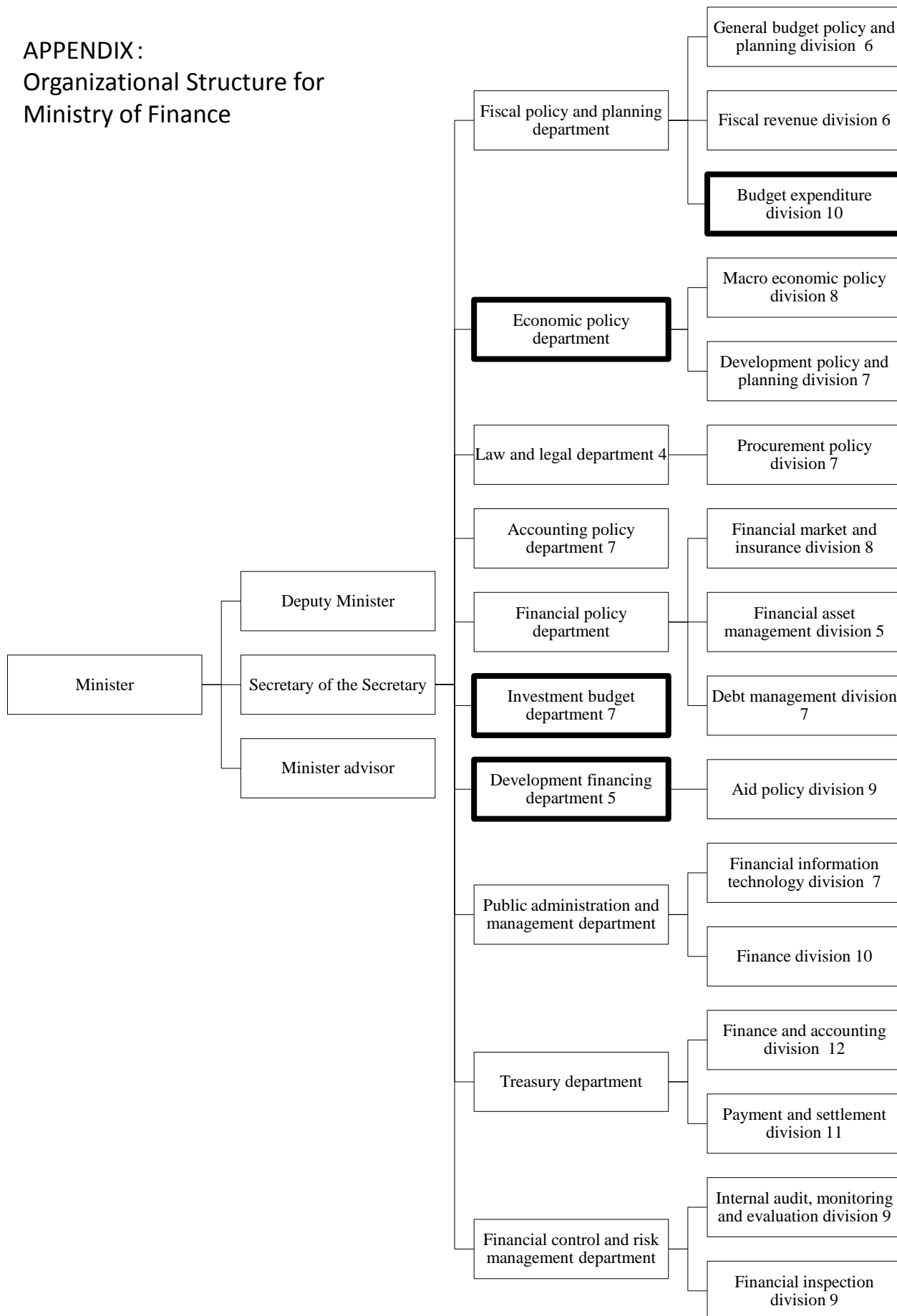
(6) Continued Assistance to the PIP Formulation Process

As mentioned earlier, the NDA is obliged to submit a draft of the new PIP to the Cabinet by 15 May 2017 in accordance with the Budget Law. On the other hand, JICA will not be able to commence its technical assistance earlier than August 2017, so some time gap will take place. Taking into account that the main objective is to assist the PIP process in a rational manner, such a time gap is expected to be eliminated or fulfilled with some professional inputs.

Needless to say, the time until the deadline, May 15, is so important in terms of ministerial coordination not only for the MOF but also for other ministries. In particular, the selection and prioritization of candidate projects to be listed in the PIP and the decision on budget-sealing and framework need the close collaboration of the MOF and other relevant authorities such as the Prime Minister’s Office and the National Affairs Standing Committee. It is the hope of the Mongolia side that JICA will be able to dispatch experienced specialists to the NDA even on a short-term basis to support them in carrying out their crucial obligations.

APPENDICES

APPENDIX:
Organizational Structure for
Ministry of Finance



BUDGET LAW APPROVED by GOVERNMENT

О г н о о : 2016/11/10, Нийтэлсэн: , Төрөл: 2017 оны төсөв, Төсвийн тухай хууль, Төсвийн шинэчлэл, Төсвийн эрх зүйн орчин, Хууль, Хэлэлцүүлэг

BUDGET LAW

(Revised edition)

CHAPTER ONE

General provision

Article 1. Purpose of the Law

1.1. The purpose of this Law is to establish principles, systems, composition and classification of the budget, to implement special fiscal requirements, to define authorities, roles and responsibilities of bodies that participate in the budget process, and to regulate relations that rise in connection with budget preparation, budget approval, spending, accounting, reporting and auditing.

Article 2. Legislation

2.1. The legislation applicable to the budget system of Mongolia shall consist of the Constitution of Mongolia[1], the Fiscal Stability Law[2], Debt Management Law, this Law, and any other legislative acts enacted in accordance with this Law.

Article 3. Scope of the Law

3.1. This Law applies to budget entities and their officials, government and local special funds, fully and partly state and locally owned bodies that provide works and services related to the functions of the state on a contractual basis, which are obliged to collect revenues to the budget in accordance with legislation.

3.2. Provisions and clauses on program planning and performance agreements, and their execution and reporting stipulated in this Law, shall not apply to the budget of authorities engaged in executive functions, in accordance with legislation, involving state security.

3.3. Articles related with transparency of this Law shall not apply to the budgets of entities dealing with state secrets, in accordance with legislation, and to the executive functions of authorities specified in Article 3.2 of this Law.

3.4. Budget relations shall be regulated only by this Law, which shall also govern establishment of the

Appendix: BUDGET LAW

level of financing sources for local government and sector activities and their distribution.

3.5 Registration and management of loans, issuance of government debt guarantees, and sublease by the government and Aimags are stipulaed in the Debt Management Law.

Article 4. Definitions of terms used in this Law

4.1. Terms used in this Law shall be understood to mean the following:

4.1.1. “Special fiscal requirements” is defined in Article 6 of the Fiscal Stability Law;

4.1.2. “medium-term” is defined in Article 4.1.9 of the Fiscal Stability Law;

4.1.3. “medium-term fiscal framework statement” is defined in Article 4.1.10 of the Fiscal Stability Law;

4.1.4. “budget proposal” means a draft budget submitted by the Government to the State Great Khural and a draft budget submitted by each Governor at all levels to the respective Citizens’ Representative Khural, prepared on the basis of the Medium-term Fiscal Framework Statement, in accordance with the requirements specified in the legislation for each budget level and using the budget classification.

4.1.5. “budget” means the financial resources required to implement government functions, including the mix of assets, revenues, expenditures, liabilities, financial commitments and obligations where funds are collected, allocated and spent within the authority of the state, related financial activities, activities to be implemented, inputs required for them and expected outcomes..

4.1.6. “state budget” means a budget approved by the State Great Khural and generated, allocated and expended by general budget governors subordinated to the Government and the state budget;

4.1.7. “baseline budget” means a budget which is adjusted to macroeconomic assumptions and where expenditures and revenues are projected assuming no legal or policy change in the year when the budget is executed.

4.1.8. “annual budget ceiling” means the maximum amount of expenditures and minimum amount of revenues, established in conformity with special fiscal requirements and the Medium-term Fiscal Framework Statement, that guide general budget governors when preparing their budget proposals for the particular fiscal year;

4.1.9. “budget revenue” means revenues that are collected in accordance with legislation that support state and local budgets and revenues generated from budget entities’ own operations;

4.1.10. “budget expenditure” means funds allocated from the approved budget for financing activities, programs, projects and measures implemented by budget governors;

4.1.11. “budget balance” means the difference between total budget expenditure and total budget

revenue of a particular fiscal year;

4.1.12. “budget surplus” means revenues that exceed expenditures;

4.1.13. “budget deficit” means expenditures that exceed revenues;

4.1.14. “receipts” means all types of cash inflow transactions from external parties excluding internal transactions of a particular body;

4.1.15. “outlays” means all types of cash outflow transactions excluding internal transactions of a particular body;

4.1.16. “program” means a set of closely related activities combined for the purposes of budget allocation and aimed at implementing government functions for which performance is reportable and assessable;

4.1.17. “activity” means works and services produced as a part of a program which is specified by criteria such as quantity, quality and timing ;

4.1.18. “input” means tangible and intangible resources required for implementing works and services;

4.1.19. “aggregate economic classification” means grouping of detailed items in the economic classification;

4.1.20. “detailed economic classification” means the lowest level items in the economic classification;

4.1.21. “financial support” means funds to be allocated to finance budget deficits;

4.1.22. “revenue transfer” means funds to be allocated from the revenue of upper level budget to the local budget to support the local budget;

4.1.23. “special purpose transfers” means funds to be allocated from the state budget to Aimag and capital city budgets, in accordance with the specifically determined purposes, conditions and requirements, to finance functions specified in 61.1 of this Law.;

4.1.24. “investment” means capital expenditures to be financed from the budget and to be transferred into the ownership of a legal body who is associated with the budget of the respective level;

4.1.25. “tax expenditures” mean tax discounts and exemptions to taxpayers in the particular year in accordance with tax laws;

4.1.26. “supplementary budget” means amendments to the decision of the authority who approved the budget for the particular year;

4.1.27. “local budget ” means a budget approved by Aimag, capital city, Soum and district Citizens’

Appendix: BUDGET LAW

Representative Khurals and money collected, allocated and expended by general budget governors subordinated to the budget of the respective level;

4.1.28. “General Local Development Fund” means funds reallocated from the state budget to local budgets in order to support local development and to ensure equity of regions;

4.1.29. “base revenue of local budget” means the sum of non-tax revenues and revenues estimated at the minimum rate and the amount of taxes to be collected for the budget of the respective level;

4.1.30. “base expenditure of local budget” means the sum of recurrent and capital expenditures related with functions stated in 58.1.1, 58.2.1, 58.3.1 and 58.4.1 of this Law and recurrent expenditures related with functions stated in 58.1.4, 58.1.14, 58.2.4, 58.2.13, 58.3.2, 58.3.5, 58.4.2 and 58.4.6 of this Law;

4.1.31. “basic local budget deficit” means the portion of base expenditure of local budget that exceeds the base revenue of local budget;

4.1.32. “Social Insurance Funds’ budget, means the budget with revenues collected and expended in accordance with the Law on Social Insurance[3] and approved by the State Great Khural in the particular year;

4.1.33 (deleted)

4.1.34. “budgetary entity” means state or locally owned, not-for-profit legal body who provides work and services to execute the functions of the state in accordance with the approved budget and registered by the State Central Administrative Body Responsible for legal entity registration, in accordance with the Law on State Registration of Legal Bodies[5].

4.1.35. “budget governor” means general, central and direct budget governors;

4.1.36. “general budget governor” means an official who is authorized to plan budgets for the area within his authority and allocate, oversee, manage and report on the execution of the approved budgets in accordance with legislation;

4.1.37. “central budget governor” means an official who is authorized to plan budget for functions assigned by the general budget governor, re-allocate it to a direct budget governor, oversee and manage budget resources and report on budget execution in accordance with legislation;

4.1.38. “direct budget governor” means an official who is authorized to plan budget resources for functions assigned by a general budget governor or central budget governor, and manage the budget resources and report on its execution in accordance with legislation;

4.1.39. “contractor of work and services that belong to state functions” means a body who undertakes work and services that belong to state functions on a contractual basis and takes sole responsibility for the quality, quantity and outcome of the work and services;

4.1.40. “treasury activities” means executing the government’s budget, managing cash and liabilities, processing payments and reporting budget execution;

4.1.41. “treasury single account” means the general budget account with Government’s general coordination and cash accounts of all budget governors who belong to the Unified Budget of Mongolia which are located in the Mongol Bank;

4.1.42. “general budget account” means an account to consolidate and record cash transactions of the respective level’s budget.

4.1.43. “spending authorization” means the maximum amount of a budgetary entity’s budget to spend on monthly and quarterly basis within its approved budget;

4.1.44 (deleted)

4.1.45. “debt” means payment obligation to be repaid through debt instruments by the particular body to other bodies;

4.1.46 (deleted)

4.1.47. “Public Debt ” is defined in Article 4.1.8 of the Fiscal Stability Law;

4.1.48. “Contingent liability” means risks expressed in money terms that may occur in connection with policy actions to be undertaken by the government with the purpose of keeping government guarantees, ensuring national security and political, social, economic, financial and fiscal stability;

4.1.49. “internal audit” means independent activities of internal budget control aimed at effective and efficient usage of budget resources and managing risks.

4.1.50. “revolving fund” means a special budget account that finances activities, specified in law, implemented over more than one fiscal year. Revenues earned from these activities or repayment of funds are retained by the fund to finance the continuation of the activities.

4.1.51 “health insurance fund budget” is the budget approved by the Great Hural, raised through procedures stipulated in the Social Insurance Law and the Health Insurance Law, and utilized based on the Health Insurance Law

4.1.52 “Lending” is action made based on the Debt Management Law

4.1.53 “External assistance” is funding by international operations and development partners in form of grants and technical cooperation. There are no obligations for return.

4.1.54 “future pension reserve fund budget” is a budget resource under rules stipulated in the Pension Accumulation Law.¹

¹ Enter into force on Jan. 1, 2019

CHAPTER TWO

Budget principles and its adoption

Article 5. Budget Principles

5.1. The following principles shall be followed in the budget planning, approval, implementation and reporting processes:

- 5.1.1. Ensure fiscal stability;
- 5.1.2. Ensure comprehensiveness and accuracy of the budget;
- 5.1.3. Ensure efficient financial and budget management;
- 5.1.4. Ensure fiscal transparency; and
- 5.1.5. Ensure accountability;

Article 6. Applying budget principles

6.1. Authorized bodies and budget governors shall be responsible for following the budget principles in budget planning, approval, implementation and reporting processes.

6.2. The principle of ensuring fiscal stability stated in Article 5.1.1 of this Law shall be followed as outlined below:

- 6.2.1. Follow the special fiscal requirements specified in the Fiscal Stability Law.
- 6.2.2. Plan, approve and execute annual budget expenditures in such a way that they are covered fully by budget revenues and other financing sources.
- 6.2.3. If fiscal deficits increase due to a decrease in budget revenues or an increase in budget expenditures caused by unforeseen circumstances, balance the budget by amending the particular year's budget by decreasing budget expenditures or increasing revenue sources.
- 6.2.4. Any decisions made by the President of Mongolia, the State Great Khural of Mongolia, self governing body of the local government, the Government or Governor shall be based on the assessment of its impact on the budget.
- 6.2.5. If policy decisions with the consequence of reducing revenues and increasing expenditures are made in the middle of the fiscal year, these decisions shall become effective starting from the following year.

6.3. The principle of ensuring comprehensiveness and accuracy of the budget stated in Article 5.1.2 of this Law shall be followed as outlined below:

6.3.1. Plan and report transactions related with budget revenues, expenditures, assets and liabilities on a gross basis.

6.3.2. Accurately record and report any financial transactions in a timely and accessible manner in accordance with international and national accounting standards, and presenting them in the national currency.

6.3.3. In the budget present Government guarantees secured by budget revenues, foreign loans and contracts, agreements and actions related with all types of financial obligations.

6.3.4. Any revenues, loans, donations, and grants made newly available during the budget year and expenditures financed by them shall be part of budgets.

6.4. The principle of ensuring effective fiscal management stated in Article 5.1.3 of this Law shall be followed as outlined below:

6.4.1. Plan and expend budgets in an efficient and economical way.

6.4.2. Budget financing of programs or activities that do not belong to state functions is prohibited.

6.4.3. Consider the possibility of using citizens, entities or non-government organizations in delivery of programs or activities if these programs or activities can be carried out by them.

6.4.4. Unless otherwise specified in law, selection of a body to delivery any goods, work or services shall be conducted through an open and competitive procedure.

6.4.5. A budget governor shall not use budget revenue as collateral or guarantee.

6.4.6. Unless otherwise specified in law, purposefully assigning budget revenues to anybody or any activities is prohibited.

6.4.7. Any activities, programs, and measures to be undertaken by the state, tax imposition or its discount, guarantees, loans, liabilities, financial activities, or contingent liabilities as well as their outcomes shall not create inequality for current and future generations.

6.4.8. Efficiently manage finance and budget, and avoid incurring receivables and liabilities.

6.5. The principle of ensuring fiscal transparency stated in Article 5.1.4 of this Law shall be followed as outlined below:

6.5.1. Budget discussions and the budget approval process shall be open to the public and information on the budget plan, execution and reporting shall be publicly available in a timely and accessible manner and in understandable way..

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6.5.2. Ensure community participation in budget planning, revenue collection, allocation and reporting processes.

6.5.3. Provide the public with possibilities to oversee the budget process and verify that the budget is executed and spent as approved in the plan.

6.5.4. Provide the public with possibilities to oversee any works or services delivered by the state and procurement of goods and services within these works and services.

6.5.5. Consider public opinion in making decisions on establishing priorities, the sequence of implementation and the means for implementing programs, projects and activities.

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

6.6. The principle of ensuring accountability stated in Article 5.1.5 of this Law shall be followed as outlined below:

6.6.1. A budget governor shall be accountable on budget matters to the institution or the official who appoints him/her or to an upper level budget governor.

6.6.2. A budget governor shall resolve budget issues through the respective upper level budget governor.

6.6.3. Budget governors may delegate to lower level budget governors some of his/her authorities. However, such delegation shall not limit the accountability of the budget governor for exercise of those powers.

6.6.4. If a budget governor, under his/her area of responsibility granted by this Law, makes amendments and adjustment to the particular year's budget during the fiscal year, he/she shall report its execution in comparison with the initially approved objectives and outcomes.

6.6.5. If responsibilities other than the ones assigned by this law are assigned to the local budget by other laws, the transfer of these responsibilities must be accompanied by financing to carry out the responsibilities.

6.6.6. Functions to be financed from the respective level's budget as defined in this law shall be financed only from their part of the respective level's budget.

Article 7. Fiscal year

7.1. A fiscal year starts on January 1 and ends on December 31.

7.2. A fiscal year is divided into months, quarters, half year and full year.

7.3. Budgets are approved and reported on an annual basis and approved budgets are allotted and implemented on a monthly and quarterly basis.

7.4. A budget execution report shall be prepared on a monthly basis and financial and budget execution reports shall be prepared on a quarterly, half yearly and yearly basis.

7.5. Preparatory work for implementing the approved budget can be started from the date when the budget is approved by the respective authority.

7.6. With the start of the fiscal year each budget governor's authorization to spend in the approved budget of the corresponding fiscal year shall become effective.

7.7. Apart from the cases specified in Article 43 of this Law, with the end of the fiscal year each budget governor's authorization to spend that fiscal year's budget will lapse. The unused balance of the budget governor's budget shall be mobilized into general budget account of the respective level's budget.

7.8. If the business cycle of a particular sector is different from the fiscal year due to specificity of its activities, budget planning shall be regulated with a procedure approved by the Cabinet Member in Charge of Finance and Budget Matters.

7.9 Article 7.7 of this Law does not apply to budget managers of national and Aimag-owned special and general hospitals.

Article 8. Budget calendar

8.1. The Medium-Term strategic document for state debt management / hereinafter referred to as "Strategic Document", and the Medium-term Fiscal Frameworks Statement shall be prepared and approved in accordance with the following calendar:

8.1.1. The State Central Administrative Body Responsible for Finance and Budget Matters shall submit the draft of the Strategic Document, the Medium-term Fiscal Framework Statement to the Government no later than the 15th of April of each year.

8.1.2. The Government shall discuss and submit the Strategic Document and the Medium-term Fiscal Framework Statement to the State Great Khural no later than the 1st of May of each year.

8.1.3. The State Great Khural shall discuss and approve the Strategic Document and the Medium-term Fiscal Framework Statement no later than the 1st of June of each year.

8.1.4. The State Great Khural shall publish the Strategic Document and the Medium-term Fiscal Framework Statement within 7 working days after its approval.

8.2 (deleted)

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8.3. General budget governors' annual budget ceilings, based on the Medium-term Fiscal Framework Statement, shall be prepared and approved in accordance with the following calendar:

8.3.1. General budget governors shall submit his/her proposal for a budget ceiling based on the Medium-term Fiscal Framework Statement to the State Central Administrative Body Responsible for Finance and Budget Matters by the 10th of June of each year.

8.3.2. The State Central Administrative Body Responsible for Finance and Budget Matters shall consolidate and prepare draft budget ceilings of general budget governors and submit it to the Government by the 20th of June of each year.

8.3.3. The Government shall discuss and approve draft annual budget ceilings of general budget governors by the 1st of July of each year.

8.3.4. The State Central Administrative Body Responsible for Finance and Budget Matters shall deliver to general budget governors annual budget ceilings approved by the Government along with the budget circular by the 5th of July of each year.

8.4. The State budget, Social Insurance Fund budget, Health Insurance Fund budget and the Future Pension Fund budget² shall be prepared and approved in accordance with the following calendar:

8.4.1. Direct budget governors who report to the central budget governor shall submit his/her annual budget proposal to the respective central budget governor by the 25th of July of each year.

8.4.2. Central budget governors and those direct budget governors who do not report to him/her shall submit his/her annual budget proposals to the respective general budget governor by the 1st of August of each year.

8.4.3. General budget governors shall submit his/her budget proposal to the State Central Administrative Body Responsible for Finance and Budget Matters by the 15th of August of each year.

8.4.4. The State Central Administrative Body Responsible for Finance and Budget Matters shall consolidate and prepare annual budget proposals defined in Article 8.4.3 of this Law and submit it to the Government by the 15th of September of each year.

8.4.5. The Government shall submit the annual budget proposal to the State Great Khural by the 1st of October of each year.

8.4.6. The Government shall publish the annual budget proposal within three working days after its submission to the State Great Khural.

8.4.7. The State central audit body shall present its opinion on the annual budget proposal to the State

² Health insurance fund budget and future pension reserve fund budget are entered into force on 1st of July 2018.

Great Khural by the 15th of October of each year.

8.4.8. The State Great Khural shall discuss and approve the annual budget proposal by the 15th of November of each year.

8.5. Aimag and the capital city annual budgets shall be prepared and approved in accordance with the following calendar:

8.5.1. Aimag and capital city governors shall submit the budget proposals of the respective level to the respective Citizens' Representative Khural by the 25th of November of each year.

8.5.2. Aimag and the capital city Citizens Representative Khurals shall discuss and approve the respective annual budget proposal by the 5th of December of each year.

8.5.3. Soum and district governors shall submit budget proposals to the respective Citizens' Representative Khural by the 10th of December of each year.

8.5.4. Soum and district Citizens Representative Khurals shall discuss and approve the respective annual budget proposal by the 20th of December of each year.

8.5.5. Aimag and capital city Governors shall submit approved annual budgets of the respective level to the State Central Administrative Body Responsible for Finance and Budget Matters by the 31st of December.

8.6. Monthly and quarterly budget allotment schedules for the state budget, Social Insurance Fund budget, Health Insurance Fund budget and Future pension reserve fund budget³ shall be prepared and approved in accordance with the following calendar:

8.6.1. Central budget governors and direct budget governors who do not report to a central budget governor shall submit their budget allotment schedule proposals to their respective general budget governor by the 15th of December of each year.

8.6.2. General budget governors shall submit his/her budget allotment schedule to the State Central Administrative Body Responsible for Finance and Budget Matters by the 25th of December.

8.6.3. Cabinet Member in Charge of Finance and Budget Matters shall approve the budget allotment schedule for the state budget, Social Insurance Fund budget, Health Insurance Fund budget, Future Pension reserve Fund budget⁴ by the 1st of January of each year.

8.7. Monthly and quarterly budget allotment schedules for Aimag and capital city annual budgets shall be prepared and approved in accordance with the following calendar:

³ Health insurance fund budget and future pension reserve fund budget are entered into force on 1st of July 2018.

⁴ Health insurance fund budget and future pension reserve fund budget are entered into force on 1st of July 2018.

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8.7.1. Aimag and capital city governors shall approve the respective level's budget allotment schedule by the 25th of December of each year.

8.7.2. Aimag and capital city governors shall submit his/her budget allotment schedule to the State Central Administrative Body Responsible for Finance and Budget Matters by the 31st of December.

8.8. Monthly budget execution reports for the state budget, Social Insurance Fund budget, Health Insurance Fund budget, Future pension reserve fund budget⁵ and Aimag and capital city budgets shall be prepared and approved in accordance with the following calendar:

8.8.1. Direct budget governors shall submit monthly budget execution reports to the respective central budget governor by the 2nd day of each month.

8.8.2. Central budget governors shall submit special fund's monthly budget execution reports to the respective general budget governor by the 4th day of each month.

8.8.3. General budget governors shall submit monthly budget execution reports to the State Central Administrative Body Responsible for Finance and Budget Matters by the 6th day of each month.

8.8.4. The State Central Administrative Body Responsible for Finance and Budget Matters shall approve the Unified Budget's monthly execution report by the 8th of each month

8.8.5 (deleted)

8.9. Quarterly, semi-annual and annual budget execution reports for the state budget, Social Insurance Fund budget, Health Insurance Fund budget, Future Pension reserve Fund budget⁶ and local budgets, and consolidated financial statements of general budget governors shall be prepared in accordance with the following calendar:

8.9.1. Direct budget governors shall prepare and submit quarterly budget execution reports and financial statements by the 15th of the first month of the next quarter to the respective upper level budget governors, submit annual budget execution reports and financial statements by the 25th of January of the following year to state audit bodies and audited financial statements to the respective upper level budget governors by the 25th of February.

8.9.2. Central budget governors shall prepare and submit semi-annual budget execution reports and consolidated financial statements to the general budget governor no later than the 25th of July and annual budget execution reports and financial statements to the state audit body no later than the 5th of March, and submit audited reports to the general budget governor no later than the 25th of March of every year.

8.9.3. Soum and district treasuries shall prepare and submit semi-annual budget execution reports

⁵ Health insurance fund budget and future pension reserve fund budget are entered into force on 1st of July 2018.

⁶ Health insurance fund budget and future pension reserve fund budget are entered into force on 1st of July 2018.

and consolidated financial statements to the general budget governor by the 25th of July of every year, annual budget execution reports and consolidated financial statements to the state audit body by the 5th of March of the following year, and submit audited reports by the 25th of March of every year to the respective upper level general budget governor.

8.9.4. Aimag and capital city general budget governor shall submit budget execution reports and financial statements by the 1st of April to the state audit body and audited statements by the 20th of April to the State Central Administrative Body Responsible for Finance and Budget Matters.

8.9.5. General budget governors shall submit semi-annual budget execution reports and consolidated financial statements by the 15th of August of every year, annual budget execution reports and consolidated financial statements by the 5th of April of the following year, and submit audited annual statements by the 25th of April of the following year to the State Central Administrative Body Responsible for Finance and Budget Matters.

8.9.6. The State Central Administrative Body Responsible for Finance and Budget Matters shall prepare a consolidated semi-annual budget execution report and financial statement by the 25th of August of every year.

8.9.7. The State Central Administrative Body Responsible for Finance and Budget Matters shall prepare and submit a consolidated annual budget execution report and financial statement by the 15th of April of the following year to the central audit body and the central audit body conducts the audit of the annual reports and issue its audit opinion by the 5th of May.

8.9.8. Fully and partly state and locally owned legal bodies shall submit their annual financial statements to state audit bodies by the 15th of February and submit their audited statements to the respective general budget governors and the State Central Administrative Body Responsible for Finance and Budget Matters by the 15th of March.

8.10. The Unified Budget execution report and Government's consolidated financial statement shall be prepared in accordance with the following calendar:

8.10.1. The State Central Administrative Body Responsible for Finance and Budget Matters shall submit the unified budget execution report and Government's consolidated financial statement to the state central audit body by the 10th of May of every year.

8.10.2. The state central audit body shall conduct audits of Unified Budget execution report, Government's debt report and Government's consolidated financial statement within one month and submit its audit opinion to the Government and the State Great Khural.

8.10.3. The Government shall submit the Unified Budget execution report and consolidated financial statement along with the audit opinion to the State Great Khural within seven working days of the issuance of the audit opinion specified in 8.10.2 of this Law.

8.10.4. The State Great Khural shall discuss the Unified Budget execution report in its spring session and approve the state budget execution.

8.10.5 (deleted)

CHAPTER THREE

Authorities and Responsibilities of state institutions and officials on budget

Article 9. Authorities of State Great Khural

9.1. The State Great Khural has the following authorities and responsibilities:

9.1.1. Approve the Medium-term Fiscal Framework Statement as stated in Article 9.1.1 of the Fiscal Stability Law;

9.1.2. Approve the State General Guidelines for Socio-economic Development, state budget, Social Insurance Fund Budget, Health Insurance Fund budget, Future Pension reserve Fund budget⁷ and their amendments prepared in conformity with the Medium-term Fiscal Framework Statement;

9.1.3. Discuss the Unified Budget execution and approve the state budget execution;

9.1.4. Oversee the spending and result of the budget funds; and

9.1.5 (deleted)

Article 10. Authorities of Government

10.1. The Government has the following authorities :

10.1.1. Submit the draft Medium-term Fiscal Framework Statement to the State Great Khural;

10.1.2. Approve budget expenditure ceilings by each general budget governor within the constraints of the Fiscal Framework Statement approved by the State Great Khural;

10.1.3. Submit the State General Guidelines for Socio-Economic Development, annual budget proposal and supplementary budget proposal in compliance with the Government Action Program and the Medium-term Fiscal Framework Statement to the State Great Khural;

10.1.4. Approve every General budget governor's procurement plan for goods, works and services;

10.1.5. Approve the public investment program.

10.1.6. Review budget proposals to verify that they meet the requirements of the Debt

⁷ Health insurance fund budget and future pension reserve fund budget are entered into force on 1st of July 2018.

Management Law and specified in Article 27 of this law;

10.1.7. Oversee budget execution;

10.1.8. Report on the execution of the Unified Budget to the State Great Khural;

10.1.9 (deleted)

10.1.10. Establish, restructure and dissolve budget entities except the ones established by decisions of the State Great Khural's as stipulated in law.

10.1.11. Manage budget resources efficiently and ensure fulfillment of quality requirements for works and services to be delivered by budget entities;

10.1.12 (deleted)

10.1.13. Approve procedures for preparing, implementing, financing and overseeing of projects implemented with public funds ;

10.1.14. Reallocate funds within the budget of the general budget governors in line with their progress without adding new projects in the list of investment projects approved by the State Great Khural.

10.1.15 Receive, evaluate and approve selection criteria for projects to be included in the Public Investment Program,

10.2. The Non-Permanent National Budget, Financial and Economic Council with 9 members comprised of NGOs, professional associations and sector scholars, who represent tax payers, shall be established under the Prime Minister with the purpose of improving fiscal and economic policy planning, ensuring its reporting and transparency, and exercising public oversight.

10.3. The National Council specified in Article 10.2 of this Law shall discuss a budget proposal and the State General Guidelines on Socio Economic Development and present their comments and conclusions to the Government.

10.4. The charter of the council stated in Article 10.2 of this Law shall be approved by the Government.

Article 11. Authorities of the Cabinet Member in Charge of Finance and Budget

11.1. The Cabinet member in charge of Finance and Budget has the following authorities:

11.1.1. Prepare the Medium-term Fiscal Framework Statement, budget proposal, supplementary budget proposal and annual budget ceiling discussed at Cabinet meetings;

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- 11.1.2. Approve and issue procedures and instructions on financial and budget management matters under his/her authority;
- 11.1.3. Set budget expenditure norms and normative, and determine the structure of budgetary entities and standard limits for staffing budgetary entities;
- 11.1.4. Prepare proposals on improvement of budget and financial management, planning and coordination and submit them to the respective authorities for their approval;
- 11.1.5. Approve the detailed classification of the budget;
- 11.1.6. On behalf of the government, incur debts, issue debt guarantees and issue permission to incur debts as stipulated in Article 62.6.2 of this Law as authorized by the government according to relevant laws and regulations;
- 11.1.7. Provide comments on draft laws that regulate budget and tax relations regarding their consistency with budget and financial policy documents;
- 11.1.8. Administer loans, grants comprehensive policy for ODA, management of donor coordination and services and registration;
- 11.1.9 (deleted)
- 11.1.10. Manage treasury functions;
- 11.1.11. Conduct and manage budget and financial internal audit and inspection;
- 11.1.12. Provide budget execution with integrated management;
- 11.1.13. Approve, enforce and make changes to budget allotment schedules defined in 8.6.3 of this Law;
- 11.1.14. Define terms and conditions for government securities stated in Article 10.1.9;
- 11.1.15. Issue financing for programs to be financed from the state budget according to the approved budget to general budget governors, budgetary entities and other bodies;
- 11.1.16. Define capital charges for the usage of state property;
- 11.1.17. Approve a procedure for developing local budget proposals;
- 11.1.18. Establish a general procedure on purpose and spending of governors' reserve funds;
- 11.1.19. Obtain information required for exercising authorities defined in this law from budgetary entities and other bodies.

11.1.20. Represent the Government of Mongolia concerning ODA contracts and agreement except for those that require special authority

11.1.21 Approve plan, financing, implementation and registration of the Regional Development Fund

11.1.22 Approval of the local development fund planning, financing and spending, and regulations related to registration.

Article 12. Authorities of the State Central Administrative Body Responsible for Finance and Budget Matters

12.1. The State Central Administrative Body Responsible for Finance and Budget Matters has the following authorities:

12.1.1. Prepare the Medium-term Fiscal Framework Statement and the economic and fiscal projections reflected in the Medium-term Fiscal Framework Statement;

12.1.2. Prepare proposals for the state budget, Social Insurance Fund budget, Health Insurance Fund budget and Future pension reserve fund budget⁸ and their amendment;

12.1.3. Prepare annual budget ceilings for each general budget governor within the indicators specified in the Medium-term Fiscal Framework Statement approved by the State Great Khural;

12.1.4. Prepare a budget circular to formulate an annual budget proposal, in accordance with the budget preparation calendar, and circulate it to general budget governors;

12.1.5. Prepare the government's proposal for a supplementary budget;

12.1.6. Monitor budget execution of general budget governors;

12.1.7. Prepare a report on the execution of the Unified Budget;

12.1.8. Prepare the Government's consolidated financial statement in accordance with international accounting standards;

12.1.9. Develop accounting standards of Mongolia in accordance with international accounting standards and ensure its implementation;

12.1.10 (deleted)

12.1.11. Authorize state budgetary entity to open bank accounts;

⁸ Health insurance fund budget and future pension reserve fund budget are entered into force on 1st of July 2018.

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12.1.12 (deleted)

12.1.13. Implement state central treasury functions, and manage budget funds and reserve funds;

12.1.14. Provide various offices responsible for economic, budget and financial matters with professional and methodological guidance;

12.1.15. Monitor the implementation of activities of budgetary entity under the authority of general budget governors and the activities of local budgetary entities financed with state budget funds;

12.1.16. Execute budgetary internal audit and inspection functions;

12.1.17. In line with budget revenue collection, decrease authorization to spend and authorization to finance within the cash management framework;

12.1.18. Prepare a proposal on establishment and operation of an independent center with responsibility to undertake economic, financial and budget policy analysis and research and submit to the authorized body for approval;

12.1.19. Manage integrated information systems on budget planning, budget execution, accounting, and reporting;

12.1.20. Obtain necessary information from budgetary entities and other bodies in order to exercise authorities defined in this Law.

12.1.21 Formulate proposals of tax exemption and deduction for ODA projects

12.2 The State Central Administrative Body Responsible for Finance and Budget Matters shall exercise the following powers in budget planning:

12.2.1 Develop the policy for national socio-economic development and submit to the Government.

12.2.2 Develop the national public investment program

12.2.3 Develop the amendment of bonds and loan conditions issued for government investment projects

Article 12¹. Authorities of the state administrative body in charge of the National Development

12¹.1 The State Administrative Body responsible for National Development Matters has the following

authorities:

12¹.1.1. Develop the State General Guidelines Proposal for Socio-Economic Development; and submit to the State Central Administrative Body Responsible for Finance and Budget Matters

12¹.1.2. Develop the public investment program.

Article 13 (deleted)

Article 14. General budget governors and their authorities

14.1. The following officials shall act as general budget governors:

14.1.1. Head of the Office of the President of Mongolia in relation to the budget of the President of Mongolia;

14.1.2. Speaker of the State Great Khural in relation to the budgets of the State Great Khural;

14.1.3. Heads of organizations who reports directly to the State Great Khural in relation to the respective organization's budgets;

14.1.4. Prime Minister in relation to the budget of organizations within his/her Portfolio specified by Law;

14.1.5 (deleted)

14.1.6. Deputy Prime Minister in relation to the budget of organizations within his/her Portfolio specified by Law;

14.1.7. Head of the Cabinet Secretariat in relation to the budget of the Prime Minister, the budget of the Offices of the Deputy Prime Minister, the budget of the Cabinet Secretariat, and the budget of other organizations within his/her Portfolio specified by Law;

14.1.8. Cabinet Member in relation to the budget of the respective State Central Administrative Body and the budget of other organizations within his/her Portfolio specified by Law;

14.1.9. Head of the Constitutional Court in relation to the budget of the Constitutional Court;

14.1.10. General Judge of the Supreme Court in relation to the budget of the Supreme Court;

14.1.11. Chairman of the Judiciary Council in relation to the budgets of the Secretariat of the Judiciary Council, Aimag, Capital City, Soum, inter-Soum, District and specialized courts;

14.1.12. General Prosecutor in relation to the budgets of the Prosecutor's office at all levels;

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14.1.13. General Secretary of the National Security Council in relation to the budget of the National Security Council;

14.1.14. Head of the Anti-corruption agency in relation to the budget of the Anti-corruption agency;

14.1.15. Head of the Presidium of Aimag, Capital City, Soum and District Khurals in relation to the budget of the respective level Khural

14.1.16. Heads of organizationorganizations who report directly to the Khural in relation to the budget of that organizationorganization;

14.1.17. Governors of the capital city, Aimag, Soum and district in relation to the budget of the respective level of administration except the ones specified in 14.1.15 and 14.1.16 of this Law.

14.2. General budget governors have the following authorities:

14.2.1. Formulation of the budget proposal within the annual budget ceiling;

14.2.2. Estimate realistically the financing for programs implemented under his/her area of responsibility;

14.2.3. Ensure efficient management and execution of the budget under his/her area of responsibility;

14.2.4. Under his/her area of responsibility prepare investment project proposals within the annual budget ceiling in line with all types of financial sources for the budget year and the medium-term;

14.2.5. Maintain normal operation of budgetary entities and agencies under his/her area of responsibility;

14.2.6. Prepare and submit program performance and budget execution reports to the Cabinet Meeting;

14.2.7. Consolidate and submit semi-annual and annual financial statements including financial statements of agencies and other budgetary entities, government special funds, and projects implemented with the support of foreign loans and grants under his/her area of responsibility to the State Central Administrative Body in Charge of Finance and Budget Matters;

14.2.8. Oversee implementation of investment projects and activities during budget execution and report quarterly to the State Central Administrative Body in Charge of Finance and Budget;

14.2.9. Upon completion of investment projects report on investment spending to the State Central Administrative Body in Charge of Finance and Budget;

14.2.10. Carry out internal audit under his/her area of responsibility;

14.2.11 Improving the efficiency of public expenditures and effectiveness of operations, eliminating duplication of functions, increasing productivity, and conducting comprehensive analysis for functions and performances of the responsible agencies and the other budget organizations once in 3-5 years in order to improve quality and accessibility of government services to the citizens and presenting the outcome to the Cabinet;

14.2.12 Revising the organizational structure and functions within the budget and number of positions approved in order to improve the performance of the activities of portfolio budget organizations, eliminate duplication of functions, reduce the number of positions, and increase productivity;

14.3. Ensure appropriate and efficient use of budget expenditures and revenues, and performance execution, and be fully responsible for his/her budget execution before the State Central Administrative Body in Charge of Budget and Finance, respective level of Khural, the Government and the State Great Khural.

14.4. General budget governors may delegate to central budget governors or direct budget governors some of their authorities related with budget allocation and execution. The exercise of such delegation shall not limit the accountability of general budget governor for the exercise of those powers.

14.5. General budget governors shall have a financial unit, accountant and officers in charge of budget matters associated with his/her authority.

14.6 Functions and methods approved by Government will be carried out a comprehensive review and re-allocation of the functions referred to Article 14.2.11.

Article 15. Central budget governors and their authorities

15.1. General budget governors can have central budget governor under his/her supervision who shall have authority to supervise direct budget governors;

15.2. Aimag and capital city governors shall act as central budget governors who received special purpose transfers by agreements as specified in Article 39.1 of this Law.

15.3. The Government shall determine state central budget governors and direct budget governors who shall be under supervision of the central budget governors.

15.4. Central budget governors shall have the following authorities in relation to budgets pertaining to him/her:

15.4.1. Exercise authorities of General budget governors as articulated by Articles 14.2.2, 14.2.3, 14.2.5, and 14.2.8 of this Law and authorities of direct budget governors as articulated by Article 16.5 of this Law

15.4.2. Consolidate reports specified in Article 14.2.8 of this Law and submit it to the respective

general budget governor.

Article 16. Direct budget governors and their authorities

16.1. Budgetary entities shall be managed by direct budget governors who shall provide these budgetary entities with efficient operational management and be responsible for their performance.

16.2. The respective general budget governor shall appoint the direct budget governors for organizationorganizations that report directly to the State Great Khural.

16.3. The respective general budget governor shall appoint the direct budget governor for organizationorganizations that report directly to the Aimag and capital city Citizens' Representative Khural.

16.4. The following officials shall act as direct budget governors:

16.4.1. Deputy Head of the Office of the President in relation to the budget of the President and the Office of the President;

16.4.2. General Secretary of the Secretariat of the State Great Khural in relation to the budget of the State Great Khural;

16.4.3. First Deputy Head of the Cabinet Secretariat in relation to the budget of the Prime Minister and budgets of offices Deputy Prime Minister and the Cabinet Secretariat;

16.4.4. State Secretary of the State Central Administrative Body in relation to the budget of the respective body;

16.4.5. Head of an agency in relation to the budget of the agency;

16.4.6. Head of the Office of the Constitutional Court in relation to the budget of the Constitutional Court;

16.4.7. Head of the Office of the National Security Council in relation to the budget of the Council;

16.4.8. Head of the Office of the High Court in relation to the budget of this Court;

16.4.9. Secretary of the Judiciary Council in relation to the budget of the Secretariat of the Judiciary Council;

16.4.10. Head of the Anti-corruption Authority in relation to the budget of this authority;

16.4.11. Head of the Office of Aimag, capital city, Soum, inter-Soum, district and specialized courts in relation to the budget of respective level court;

16.4.12. Head of the Secretariat of the General Prosecutor in relation to the budget of General Prosecutor's office;

16.4.13. Head of the Offices of the Aimag and capital city Prosecutor in relation to the budget of respective level of Prosecutor's office;

16.4.14. Secretary of the Presidium of Aimag, capital city, Soum and district Khurals in relation to the budget of respective level Khural;

16.4.15. Head of the Office of the Aimag, capital city, Soum and district Governors in relation to the budget of the Office of respective level Governor;

16.4.16. Head of the Project Unit which is implemented with the financial support of a concessional loan and grant through Government in relation to the budget of this project;

16.4.17. Manager of the Government Special Fund in relation to the budget of this fund; and

16.4.18. Head (principal and director) of other budgetary entity in relation to the budget of this budgetary entity.

16.5. Direct budget governors have the following authorities on budget management:

16.5.1. Provide budgetary entity with day-to-day management;

16.5.2. Manage budget resources and control over their realisation within the performance agreement established with the general budget governor on implementation of programs and execution of the approved budget;

16.5.3. Determine staffing and employees' salaries of the budgetary entity within the approved salary fund and staffing limit;

16.5.4. Improve the performance effectiveness of the budgetary entity;

16.5.5. Spend the approved budget according its purpose;

16.5.6. Undertake internal audit activities;

16.5.7. Prepare accurate and correct financial statements, budget execution reports and performance reports within the specified timeframe; and

16.5.8. Provide the State Central Administrative Body Responsible for Finance and Budget Matters with required information in a timely manner;

16.5.9 Revising the organizational internal structure within the budget and number of positions approved in order to improve the performance of activities, eliminate duplication of functions, reduce the number of positions and increase productivity as per approval of the high level body in charge of

budget.

Article 17. Budgetary entity

17.1. A project unit operated with loans or grants rendered by international organizations and donor countries to Mongolia through Government shall be a budgetary entity.

17.2. As stated in the Law on State Registration of Legal Bodies, the State Central Administrative Body Responsible for Finance and Budget Matters shall register budget entities.

17.3. A unit, which carries out one-time, non-permanent activities of a budget governor, shall belong to the budget governor who will directly supervise it and it shall be subject to the budget process.

Article 18. Special funds

18.1. Activities directed at implementing some state functions can be carried out through special funds.

18.2. Special funds shall be in the form of Government special funds and local special funds.

18.3. The establishment of Government special funds, principles for fund's activities, its functions, revenue and spending processes shall be regulated by legislation.

18.4. The establishment of local special funds, principles for fund's activities, its functions, revenue and spending processes shall be regulated by this Law.

18.5. Government special funds shall be part of the state budget and local special funds shall be part of the local budget.

18.6. The remobilization of the revolving fund's balances specified in 4.1.50 of this Law to the budget shall be regulated by law of the particular fiscal year.

18.7. Relations arise in connection with the establishment of revolving funds and its revenue, purpose, spending and reporting of the revolving funds shall be regulated by law.

Article 19. Appointment and dismissal of the budget chief accountant

19.1. Organizations at all levels of the budget process shall employ a budget chief accountant for the respective level.

19.2. General budget governors specified in Articles 14.1.3, 14.1.7, 14.1.8, 14.1.11, 14.1.12 and 14.1.16 of this Law shall have budget chief accountants.

19.3. General budget governors except the ones specified in Article 19.1 and 19.2 of this Law, central budget governors and direct budget governors shall have senior budget accountants and budget accountants.

19.4. General budget governors specified in 14.1.3, 14.1.7, 14.1.8, 14.1.11, and 14.1.12 of this Law shall appoint and dismiss the respective budget chief accountant upon agreement with the State Secretary of the State Central Administrative Body Responsible for Budget and Finance.

19.5. Soum and district general budget governors shall appoint and dismiss the respective budget chief accountant upon agreement with the Aimag and capital city general budget governors, and Aimag and capital city general budget governors shall appoint and dismiss the respective budget chief accountant upon agreement with the State Secretary of the State Central Administrative Body Responsible for Budget and Finance.

19.6. Central budget governors and direct budget governors shall appoint and dismiss respective senior budget accountant as described below:

19.6.1. As for budget accountants of central budget governors and direct budget governors under the State Budget, Social Insurance Fund budget, Health Insurance Fund budget, Future Pension Reserve Fund budget⁹ upon agreement with the State Secretary of the State Central Administrative Body Responsible for Budget and Finance;

19.6.2. As for senior budget accountants of budget entities transferred to the local government through agreement stated in Article 39 of this Law which reports to central budget governors upon agreement with the head of the Aimag's and capital city's treasury division.

19.6.3. Central budget governor and direct budget governors, who deal with Aimag and capital city budgets, will appoint their budget accountants in consultation with Aimag and capital city treasury division heads. Direct budget governors who deal with Soum budgets will appoint their budget accountants, in consultation with Aimag and capital city treasury division heads; and

19.6.4. As for budget accountants of direct budget governor who deal with district budgets upon agreement with the head of the district financial and treasury division.

19.7. The State Central Administrative Body Responsible for Finance and Budget Matters shall determine requirements, criteria and procedure for chief accountants of budgetary entities and fully and partly state owned entities.

Article 20. Integrated Financial Information System

20.1. Preparation of all levels' budgets, budget execution, accounting and reporting shall be implemented through integrated budget information network.

20.2. Data in the integrated financial information system shall be supported by respective decisions, legal acts and accounting documents.

⁹ Health insurance fund budget and future pension reserve fund budget are entered into force on 1st of July 2018.

20.3. Respective entities and officials shall have obligation to enter accurate data into the budget information system, and file, record and protect the original documents entered into the system.

CHAPTER FOUR

Budget structure

Article 21 . Budget level

21.1. The Unified Budget of Mongolia is comprised of the state budget, local budgets, the budget of the Social Insurance Fund Health Insurance Fund budget and the Future Pension Reserve Fund budget¹⁰.

21.2. The local budget is comprised of Aimag, capital city, Soum and district budgets.

21.3. The state budget shall be an upper level budget for Aimag and capital city budget and Aimag and capital city budget shall be an upper level budget for Soum and district's budget.

21.4. Revenues to be imposed and functions to be implemented for each level of the budget shall be determined by law.

Article 22. Budget classification

22.1. Budget is planned, implemented, recorded and reported in accordance with the set classification.

22.2. Budgets shall be classified with the following categories:

22.2.1. By budget level;

22.2.2. By budget governors;

22.2.3. By economic classification;

22.2.4. By programs;

22.2.5. By activities; and

22.2.6. By financing sources.

22.3. The classification specified in 22.2 of this Law shall be the primary budget classification.

¹⁰ Health insurance fund budget and future pension reserve fund budget are entered into force on 1st of July 2018.

22.4. The State Central Administrative Body Responsible for Finance and Budget Matters can determine other classifications and the coding level of the budget classification if needed.

22.5. It is not allowed to change the amount of revenues or expenditures by recording deliberately incorrect information in the budget classification.

22.6. Budget classifications shall be applied in the following ways for every step of budget planning, approval, implementation and reporting:

22.6.1. Establish indicators of the Medium-term Fiscal Framework Statement for each level of budget;

22.6.2. Define budget expenditure ceilings by budget level, by general budget governors for respective budget level, and by aggregate level of expenditures;

22.6.3. Prepare budget planning, recording and reporting by each category of budget classification with detailed classification.

22.6.4. Authorized body approves budgets by each level, by general budget governors for each level, by each program and its expected outcomes, investment project and project and activity implemented through special funds, revenues, and financing sources.

22.6.5. General budget governor, approves his/her approved budget by each central budget governor and by each direct budget governor where the budget is not directly supervised by the central budget governor in accordance with the classification specified in Articles 22.2.3-22.2.6 of this Law together with the outcomes.

22.6.6. Central budget governor, approves his/her budget by each direct budget governor in accordance with the classification specified in Articles 22.2.3-22.2.6 of this Law together with its outcomes.

22.6.7. Direct budget governor, records and reports approved budget in accordance with the classification specified in Articles 22.2.3-22.2.6 of this Law.

22.6.8. Budget execution process shall be controlled by the classifications specified in Article 22.2 of this Law and control level can be set for aggregate level of expenditures within the detailed economic classification.

22.7. By each type of the classifications identified in Article 22.2. of this Law, the State Central Administrative Body Responsible for Finance and Budget Matters shall determine detailed classification for each category of the budget classification and issue procedures for using this classification in budget planning, reporting and execution.

22.8. The State Central Administrative Body Responsible for Finance and Budget Matters shall determine methodology for converting budget classification in conformity with International

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standards on Government Financial Statistics.

22.9. The Government shall define and enforce the procedure for exercising virement between line items of budgets set by classifications as defined in Article 22.6.8 of this law by each category of budget governor and common rule for setting aggregate expenditure level for controlling.

Article 23. Budget revenue

23.1. Budget revenue is comprised of tax and non tax revenues and other revenues.

23.2. Tax revenues are comprised of taxes, fees and commissions as articulated by the General Tax Law.

23.3. Non tax revenues are comprised of dividends from fully and partly state and locally owned enterprises for the share of state and local property, sales revenue and charges for the use of state and local property, proceeds from privatisation, sale and renting of state and local property, fines, revenue from non-core activities of budgetary entity, loans and grants organization and other types of revenues generated into the budget in accordance with respective laws.

23.4. State budget tax revenues are comprised of the following types of revenues:

23.4.1. Company income tax;

23.4.2. value added tax;

23.4.3. excise tax;

23.4.4. customs duties;

23.4.5. fuel and diesel tax ;

23.4.6. mineral resource exploitation tax;

23.4.7. Mining and exploration license fees;

23.4.8. Air pollution tax; and

23.4.9. State stamp tax specified in 11.2 of the Law on State stamp tax.

23.4.10 Water pollution fee

23.4.11 70 percent of oil royalties

23.4.12 70 percent of oil exploration and mining license fees

23.5. State budget non tax revenues are comprised of the following types of revenues:

23.5.1. dividends from fully and partly state owned enterprises for the share of state property except the one specified in Article 7.1.1 of the Law on Future Heritage Fund¹¹;

23.5.2. charges for the usage of state property and revenue from the sale of state property; and

23.5.3. other types of revenues to be generated into the state budget in accordance with the respective laws.

23.6. Aimag and capital city budget tax revenues are comprised of the following type of revenues:

23.6.1. capital city tax;

23.6.2. land fee;

23.6.3. immovable property tax;

23.6.4. vehicle and self movable carriage tax;

23.6.5. charges for service and industrial water users;

23.6.6. taxes on income specified in Article 8.1.1 of the Law on Personal Income Tax;

23.6.7. taxes on inheritance and gifts; and

23.6.8. state stamp tax other than that specified in Article 23.4.9 of this law.

23.6.9 20 percent of oil exploration and mining license fees

23.7. Aimag and capital city budget non-tax revenues are comprised of the following type of revenues:

23.7.1. dividends from fully and partly locally owned legal bodies for the share owned by local government;

23.7.2. charges for the usage of local property and revenue from the sale of local property, revenue from interest and fines; and

23.7.3. other types of revenues to be generated into Aimag and capital city budgets in accordance with respective laws.

¹¹ Health insurance fund budget and future pension reserve fund budget are entered into force on 1st of July 2018.

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23.8. Soum and district budget tax revenues are comprised of the following type of revenues:

23.8.1. Personal income taxes other than articulated by Article 8.1.1 of the Law on Personal Income Tax;

23.8.2. firearms tax;

23.8.3. state stamp tax other than that specified in 23.4.9 of this Law;

23.8.4. hunting fee;

23.8.5.license fee for exploitation of natural resources other than mineral resources;

23.8.6.fee on natural plants;

23.8.7.timber fee;

23.8.8.fee on use of widespread mineral resources;

23.8.9.fee on the household usage of water and spring water;

23.8.10. income tax of self-employed person whose income is not predictable for a certain time period; and

23.8.11. dog fee.

23.8.12 Waste service fee

23.8.13 10 percent of oil exploration and mining license fees

23.9. Soum and district budget's non tax revenues are comprised of the following types of revenues:

23.9.1. dividends from fully and partly locally owned enterprises for the share owned by local government;

23.9.2. charges for the usage of local property and sales revenue, revenue from interest and fines; and

23.9.3. other types of revenues to be generated into Soum and district's budget in accordance with the respective laws.

23.10. Proceeds from donations, grants and assistance specified in Article 25 of this law shall be budget revenues.

23.11. Revenues occurred in relation to owning, using and spending land and natural resources in the form specified in law shall be part of the budget revenue.

Article 24. Budget expenditure

24.1. Budget expenditures shall consist of capital and recurrent expenditures.

24.2. Expenditures related with the creation and purchase of state and local property and establishment of a legal body, financed in the form other than state and locally owned enterprises' own sources, shares, and paid-up capital and all types of financial instruments associated with it, shall be part of budget expenditures of the respective level.

24.3. Budget expenditures shall be planned by each category and sector, presented in the budget execution and reported in detailed way.

24.4. If procurement of goods and services with budget fund is not organized in accordance with the respective legislation it is prohibited to make financing from the budget.

24.5. Activities, works, and services to be implemented by General budget governor and agencies and budgetary entity within the area of responsibility of the General budget governor shall be included in respective programs of the General budget governors.

Article 24¹ Provision of Government Loans

24¹.1 In cases where resources are approved at the annual budget, the government may provide loans from the national budget with the following objectives:

24¹.1.1 Finance for Aimags that have seasonal revenue shortage

24¹.1.2 From Government Special Fund for legal reasons

24¹.1.3 Sublease under Debt Management Law

Article 25. Grant revenue and expenditures to be financed from this revenue

25.1. Grant revenues shall be in the following forms:

25.1.1. development grants to be obtained in accordance with international agreements;

25.1.2. grants and donations obtained from non-state and locally owned bodies;.

25.2. Budgetary entities that provide only the following social services can obtain grants and donations in accordance with the procedure specified in this law:

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25.2.1. health services;

25.2.2. all level education services; and

25.2.3. cultural services.

25.3. The value of grants and donations obtained by general budget governors shall not exceed 50 percent of the approved budget of the particular budgetary entity.

25.4. Budgetary entities through their general budget governor can obtain grants and donations in the form of cash and movable property from non-state and locally owned entities in the following circumstances:

25.4.1. to continue implementation of programs and activities the lack financing sources; and

25.4.2. to implement training programs aimed at strengthening organizationorganizational human resource capacities;

25.5. It is prohibited for budgetary entities to obtain grants and donations considering the following cases as conflict of interest:

25.5.1. a body who rendered grants and donations use public services of that budgetary entity or sells its goods or provides its works and services for that budgetary entity's needs; and

25.5.2. for the purpose of resolving social issues of personnel other than that specified in Article 25.4.2 of this law.

25.6. The same requirements that apply when carrying out activities financed from the budget shall also apply when carrying out the same activities financed from grants.

25.7. Grants and donations shall be recorded and reported in accordance with the respective procedure.

25.8. General budget governors shall submit a copy of the agreement for grants and donations to the either State Central Administrative Body Responsible for Budget Matters or Aimag, the capital city, Soum and district's treasury office within one month.

25.9. Unless otherwise stated in law, non-state and locally owned legal bodies shall render grants and donations from their after tax profit.

25.10. It is prohibited for state and locally owned legal bodies to render grants and donations.

25.11. Relations that arise in connection with obtaining, expending, managing, recording and reporting development grants shall be regulated by law in accordance Regulation approved by the Government

25.12. Unless otherwise defined in international agreements to which Mongolia is a signatory, grant funds shall be placed in the Treasury Single Account.

25.13 Regulations related to Article 25.11 of this law is developed at the State Central Administrative Body Responsible for Finance and Budget Matters, and managed its implementation

25.14 Regulations related to value-added tax exemption for ODA and NGO grants and humanitarian support will be approved at the State Central Administrative Body Responsible for Finance and Budget Matters and managed its implementation

Article 25¹ Service fees for Government Debt

25^{1.1} Government service fee for government debt and bond for commercial investments, and government debt guarantees will be repaid through capital expenditure

25^{1.2} Debt service fees for refinancing the payment stipulation ng 251.2 will be paid through capital expenditure

Article 26. Financial records and standards

26.1. Budgetary entity shall maintain accounts on a full accrual basis in accordance with international and national accounting standards.

26.2. Budget records shall be recorded and reported with modified accrual basis.

26.3. The State Central Administrative Body Responsible for Finance and Budget Matters shall develop and enforce national accounting standards to be applied in public sector and budget records.

CHAPTER FIVE

Budget preparation, submission and approval

Article 27 Requirements for preparation of budget proposal

27.1. In addition to the special fiscal requirements specified in the Fiscal Stability Law, the following requirements shall be met when preparing a budget proposal:

27.1.1. Comply with budget principles;

27.1.2. Be based on macro-economic conditions, analyses and estimations;

27.1.3. Aim at improving accessibility and quality of public services and maximizing public benefits resulting from budgetary financing;

27.1.4. Be based on its annual budget ceiling;

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27.1.5. Prepare the budget proposal by programs and by each general budget governor;

27.1.6. Include all public entities' budgets to be financed from the budget in the relevant General budget governor's budget proposal.

27.1.7. Plan, record and report revenues and expenditures on the basis of all transactions except internal transactions.

27.2. Annual budget ceilings to be delivered to general budget governors shall meet the following requirements:

27.2.1. set budget ceilings by recurrent and capital expenditures; and

27.2.2. present new and continuing projects and activities to be included in the investment program by financing sources.

27.3. The State Central Administrative Body Responsible for Finance and Budget Matters shall distribute to general budget governors a budget circular that outlines detailed instruction on preparation of budget proposals of general budget governors who belong to the state budget.

27.4. The following shall be included in the budget circular:

27.4.1. estimation of the Medium-term Fiscal Framework Statement and explanation on the decisions made;

27.4.2. Government approved budget ceiling;

27.4.3. policy guidance on the State General Guideline for Socio- Economic Development and the Government Action Plan.

27.4.4. general and special requirements for preparation of investment projects;

27.4.5. general conditions for making request on financing of budget proposals;

27.4.6. special forms and their instruction for preparation of budget proposals; and

27.4.7. deadline for submitting budget proposals.

27.5. An instruction for preparation of local budget proposal shall be reflected in the budget circular and shall be delivered to Aimag and capital city governors.

Article 28. Public Investment Program Planning

28.1. Those infrastructure and development investment projects aimed at ensuring socio-economic development for the long term with a value of more than 30 billion togrogs which are to be

implemented for the period of more than one year shall be included in the Public Investment Program.

28.2. General budget governor shall submit his/her proposal on projects and measures to be included in the public investment program to the State Administrative Body Responsible for National Development Matters.

28.3. The State Administrative Body Responsible for National Development Matters shall establish priorities and implementation orders for investment projects to be included in the Public Investment Program taking into consideration the following:

28.3.1. national long- and medium-term development policies;

28.3.2. economic benefits and investment return;

28.3.3. social significance;

28.3.4. Government action program and priority areas;

28.3.5. standards for public services delivered by the government;

28.3.6. sector development policies;

28.3.7. regional development policies;

28.3.8. local development needs;

28.3.9. Medium-term Fiscal Framework Statement; and

28.3.10. assessment of contingent liabilities and other financial risk.

28.3.11 Demands stipulated in the Debt Management Law and Strategic Document

28.4. Taking into consideration the items stated in 28.3.1-28.3.8 of this Law, the State Administrative Body Responsible for National Development Matters shall undertake pre-feasibility studies of projects and measures with a value of more than 30 billion togrogs that will be included in the public investment program.

28.5. The State Central Administrative Body Responsible for National Development Matters shall review and verify projects to be included in the public investment program against requirements stated in 28.3.9 and 28.3.11 of this Law.

28.6. The State Administrative Body Responsible for National Development Matters shall carry out design, budget and feasibility studies of projects which are proven to be beneficial by the pre-feasibility studies in terms of economic benefits and social significance stated in 28.3.2 and 28.3.3 of this Law.

28.7. Studies and estimation stated in 28.4 and 28.6 of this Law shall not be applicable to the following projects and measures:

28.7.1. projects and measures related with the activities of the national security and defense; and

28.7.2. projects and measures aimed at eliminating or recovery from the consequences of natural disaster.

28.8. The Government shall approve once in 4 years and review annually the public investment program within the framework of the state policy documents.

28.9. The State Administrative Body Responsible for National Development Matters shall submit to the Government a draft update of the investment program to be undertaken in the particular year by May 15 of every year.

28.10. The public investment program includes projects financed by budget, loans, and grants as well as those to be implemented by concession agreement, Government debt guarantees and Development Bank funded projects.

28.11. Methodology for estimating the result of the projects considering economic benefits and social significance of investment shall be approved by the Cabinet Member in charge of Finance and Budget Matters.

Article 29. Public investment budgeting

29.1 Within the public investment program, the Administrative Body Responsible for National Development Matters shall prepare a proposal on continuing and new investment projects and general budget governors shall prepare a proposal on investment projects with a total value of less than 30 billion togros other than that stated in 28.1 of this Law in accordance with the budget circular and submit it to the State Central Administrative Body Responsible for National Development Matters within the timeframe defined in 8.4.3 of this Law.

29.2 Estimates related with the operational costs of a capital asset to be established through investment project such as recurrent expenditure, staffing and financing resources, and an assessment of its impact on the budget, shall be attached to the project proposal..

29.3 The State Central Administrative Body Responsible for Finance and Budget Matters and respective level governors shall present investment projects in the annual budget proposal in the following ways:

29.3.1 in compliance with the Medium-term Fiscal Framework Statement and annual budget ceiling;

29.3.2 present projects in the public investment program by their total cost, starting and ending dates and expenditures planned for the fiscal year;

29.3.3 present recurrent maintenance of short term assets to be completed within each year, capital asset renovation, equipment and other capital projects by programs and general budget governors;

29.3.4 present the full cost of each project regardless of its financing sources; and

29.3.5 The particular fiscal year's allotment of the total budgeted cost for new buildings and construction, investment projects and measures shall not be less than the amount evenly divided for periods of implementation.

29.4 Those investment projects for which feasibility studies have been undertaken and design and budget are approved shall be presented in the investment budget.

29.5 Requirements identified in 28.3 of this Law shall also be applicable to investment projects and measures with total budgeted cost of less than 30 billion togrogs.

29.6 The State central administrative body responsible for the particular matters shall undertake feasibility studies for investment projects and measures with total budgeted cost less than 30 billion togrogs and the State Central Administrative Body Responsible for Finance and Budget Matters shall reflect them in the budget if the investment projects are proven to be beneficial as specified in 28.6 of this Law.

29.7 If the price index of material used in a project increases by twice the tariff used when estimating the budget for the approved project, it can be considered in the particular year's supplementary budget.

29.8 The condition specified in 29.7 of this Law emerged due to faulty actions of contractors shall not be a justification for changing the budgeted costs.

Article 30. Public-Private Partnership

30.1 The following types of public-private partnership can be formed.

30.1.1 public services may be executed by the private sector; and

30.1.2 through concession contracts;

30.2 In the following circumstances public-private partnerships shall be used:

30.2.1 Introduce technology, equipment and efficient management tools of the private sector to public sector;

30.2.2 Implement projects or activities that require mandatory government support but which cannot be implemented solely by private sector; and

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30.2.3 Implement projects and activities with proven benefits as shown in feasibility studies.

30.3 Public-private partnerships are prohibited for the purpose of avoiding contribution to the budget deficit or for postponing budgetary payment.

30.4 (deleted)

30.5 Concessional contracts that have conditions of repayment by the national and regional budget shall be regulated by respective laws.

30.6 Project implemented through concessional contracts and their measures, information related to debts and risk estimation shall be reported through government consolidated financial report as supplementary budget

30.7 Concessional contracts shall be regulated by respective laws

Article 31. General budget governor's annual budget proposal

31.1 General budget governors annual budget proposals shall meet the following requirements:

31.1.1 Funding should be determined by the scope of programs and activities pertaining to core functions;

31.1.2 Objectives, targets and outcomes of program should be estimated;

31.1.3 Annual budget ceiling shall be complied with;

31.1.4 Within each area of responsibility, investment projects and activities and resources required to implement them shall be reflected in the respective program;

31.1.5 Within each area of responsibility, pensions, allowances and other types of financial supports to be financed from the budget shall be reflected in the respective program; and

31.1.6 Procurement plan proposals shall be attached.

31.2 If general budget governors submit proposals that exceed the ceiling stated in Article 31.1.3 of this law, the proposals shall be made with respective justification and explanation separately from the budget proposal.

31.3 The State Central Administrative Body Responsible for Finance and Budget Matters shall return the budget proposal of a the general budget governor if it does not meet the requirements identified in 31.1 of this Law.

31.4 The following estimates shall be attached to the budget proposal of the General budget governor:

- 31.4.1. Estimates of revenue to be collected to finance expenditures;
 - 31.4.2. Estimates of revenue from a budgetary entity's own operations;
 - 31.4.3. Estimates of new programs and activities;
 - 31.4.4. Proposal and estimates on halting or reducing financing for programs and activities that have become socially and economically unbeneficial, together with financial implications of this proposal.
 - 31.4.5. Budget execution review report and preliminary estimation of the expected actual budget execution of the current fiscal year;
 - 31.4.6. Expenditure allocation estimates presenting inputs, budget, financing sources, and expected outcomes by programs and by economic classification; and
 - 31.4.7. justification and estimates of projects and measures implemented through concession contracts and information specified in Article 10.3 of the Law on Concession.
- 31.5 The Government and Governor's Council shall discuss budget proposals by each general budget governor.

Article 32. Submission of Budget proposals to the State Great Khural

32.1. The Government shall submit proposals for the Unified Budget, Social Insurance Fund budget, Health Insurance Fund budget and Future Pension reserve Fund Budget¹² with the presentation specified by Article 32.2 of this law to the State Great Khural in accordance with the timeframe specified in Article 8.4 of this Law.

32.2 The presentation of the budget proposal shall include the following information:

- 32.2.1 Assessment of macroeconomic current condition and projections and trends;
- 32.2.2 The Government's policies and priorities for the budget year directed at ensuring macroeconomic and fiscal stability and their implementation issues;
- 32.2.3 Estimates of targeted indicators for budget balances;
- 32.2.4 Assessment of key fiscal risks that may affect budget execution;
- 32.2.5 Estimation of tax expenditures by each type of tax, the previous two year's execution and projections for the following two fiscal years;
- 32.2.6 List of investment projects and activities by types and funding sources;

¹² Health insurance fund budget and future pension reserve fund budget are entered into force on 1st of July 2018.

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32.2.7 List of projects and activities for which funding sources are to be frozen or reduced and their impacts on the budget, and its explanation;

32.2.8 List of projects and activities to be funded by foreign loans and assistance, each identified by type, physical structure, and total cost;

32.2.9 Estimation of Special Fund revenues and expenditures;

32.2.10 Dividends from fully and partly state and locally owned legal bodies for the share owned by central government;

32.2.11 Programs implemented by each general budget governor, measures, conditions required, expected results, measurement of outputs and their explanations

32.2.12 explanation on compliance with the requirements of the budget and the medium-term fiscal framework statement;

32.2.13 In case of not following to the budgetary requirements in temporary, its grounds and proposals;

32.2.14 consolidated budget's revenues and expenditures summary

32.2.15 Estimation of balanced budget revenue

32.2.16 Proposal regarding debt financing if a deficit is planned for the budget

32.2.17 Government debt, total project loan domestic source, government guarantee and its total

32.2.18 Contingent debt and payments equal to one percent of the amount exceeding budget revenue and its potential risk calculations

32.2.20 Legislative draft for resolution regarding budget proposals

Article 33 The State Great Khural Approval of the Budget

33.1 The State Great Khural shall enact proposals on the State budget, Social Insurance Fund budget, Health Insurance Fund budget, Future Pension reserve Fund budget¹³ and Human Development Fund budget in compliance with the requirements of the Fiscal Stability Law in accordance with the calendar specified by Article 8.4 of this law.

¹³ Health insurance fund budget and future pension reserve fund budget are entered into force on 1st of July 2018.

33.2 The following items shall be included and approved in the budget:

33.2.1 Revenues to be collected by each general budget governor into its annual budget and own revenues of its subordinate budget entities for the particular fiscal year;

33.2.2 Maximum level of aggregate budget expenditures and maximum level of recurrent and capital expenditures for each general budget governor for the fiscal year, within which should be shown the amount of special purpose transfers for the particular fiscal year;

33.2.3 Sources for financing budget deficits, maximum levels for new debt to be incurred by the Government and limitations on cash flows;

33.2.4 Revenue transfers and financial support to be allocated to budgets at other levels;

33.2.5 Programs to be implemented by each general budget governor and qualitative and quantitative indicators of expected outcomes of the programs as presented in the annex;

33.2.6 List of investment projects as set in the annex (name, location, capacity, timeframe for implementation, budgeted cost, financing sources and total amount of financing for the particular fiscal year).

33.2.7 List of projects and activities to be implemented through concession contracts and requirements and terms and conditions set for them as presented in the annex.

33.2.8 Ceiling of loan to be paid in the budget year for projects with repayment conditions

Article 34 Supplementary budget

34.1 For the following circumstances the Government shall formulate and submit a supplementary budget for the particular fiscal year to the State Great Khural:

34.1.1 In the case of occurrence of events that causes suspension of the special fiscal requirements as defined in the Fiscal Stability Law;

34.1.2 Due to unforeseen circumstances, budget revenue has decreased, expenditure has increased and the Unified Budget deficit has increased by 3% or more of GDP.

34.1.3 If a justification as specified in Article 29.7 of this law becomes apparent, budgeted costs of programs, projects and activities shall be amended.

34.1.4. Adjustment of budgets between general budget governors;

34.1.5 Lack of government debt insurance fund resources for payment for government guarantees based on the law and contracts

34.2 For the following circumstances the Governor shall formulate and submit a supplementary

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budget for the particular fiscal year to the respective level of Citizens' Representative Khural:

34.2.1. Due to amendments to the upper level budget;

34.2.2. In the circumstances of the event where budget revenue has decreased, expenditure has increased and the local budget is in deficit due to unforeseen conditions;

34.2.3. Justification as defined in Article 29.7 of this Law becomes apparent, making it necessary to amend the budgeted costs of approved programs, projects and activities.

34.3. Until the period of completion of amendments to the budget of the particular fiscal year, financing or implementation of the following programs, projects and activities can be stopped temporarily:

34.3.1. for those programs, project and activities for which financing in the supplementary budget proposal is expected to be reduced or eliminated; or

34.3.2. contracts of programs, projects and activities that have not been established.

CHAPTER SIX

Budget implementation and execution

Article 35. The Treasury Single Account

35.1 Financial assets are managed through the Treasury Single Account, established in the Bank of Mongolia;

35.2 Budget revenues and own revenues collected by any budgetary entity are deposited into the Single Treasury Account without delay;

35.3 All disbursements are processed through the Single Treasury Account unless a separate bank account has been authorized by the State Central Administrative Body Responsible for Finance and Budget Matters;

35.4 No bank is permitted to establish a bank account for any budgetary entity without the prior written approval from the State Central Administrative Body Responsible for Finance and Budget Matters.

35.5. Respective level's treasury office and state audit body shall inspect and close accounts opened outside the Single Treasury Account without the authorization specified in Article 35.3 of this Law and mobilize the assets into the Single Treasury Account.

35.6. The State Central Administrative Body Responsible for Finance and Budget Matters and the Bank of Mongolia jointly shall approve a procedure on opening and closing of accounts at banks

outside the Single Treasury Account.

Article 36. Treasury System

36.1 The Treasury System is comprised of the Central State Treasury, the treasury of Aimags and the Capital City, the treasury of Soums, and Districts and the treasury unit under General Budget Governors and budget accountants (hereinafter called as the “Treasury”);

36.2 The Central State Treasury shall be in the structure of the State Central Administrative Body Responsible for Finance and Budget Matters and the treasury of Aimags, Capital City, Soums, and Districts shall be in the structure of the particular level’s Governor’s office.

36.3 A single unit can be established to provide accounting services to multiple budgetary entities, at the Soum and district level, that are similar in function and budgetary amounts.

36.4. The respective governor shall make a decision on the establishment of an accounting service unit defined in 36.3 of this Law as authorized by the State Central Administrative Body Responsible for Finance and Budget Matters.

36.5. If a unit defined in 36.3 of this Law is established, it is prohibited for a budgetary entity to create a position responsible for undertaking functions that overlap with the treasury unit.

36.6. The Central Treasury shall undertake internal control functions for activities of the Treasury of Aimag and the capital city and state central administrative bodies and the Treasury of Aimags and the capital city shall undertake internal control functions for activities of Soum and district’s treasury office respectively.

Article 37. Common Functions of the Treasury

37.1. The Treasury shall undertake the following common functions:

37.1.1 Organize and oversee budget implementation;

37.1.2 Process daily transactions of budget revenues and expenditures;

37.1.3 Undertake budget control by grouping expenditures;

37.1.4 Establish order for budget expenditure payment;

37.1.5 Process and control budget transactions through an electronic system;

37.1.6 Record commitments by comparing the budget with contract records on procurement of goods, works and services and payment orders;

37.1.7. Record budget revenues, expenditures, assets and liabilities in the respective accounts in accordance with the Accounting Law; and

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37.1.8. Based on monthly and quarterly budget allotment schedule, issue authorization to finance and spend to budget entities' accounts.

37.2. The Government shall approve the procedure on treasury functions.

Article 38. Central Treasury Functions

38.1. The State Central Administrative Body Responsible for Finance and Budget Matters shall operate the following functions of the Central State Treasury:

38.1.1 Management of the Treasury Single Account;

38.1.2 Development and implementation of a procedure and instruction to regulate payment and receipt transactions;

38.1.3 Development and implementation of training programs for Treasury System staff;

38.1.4 Development and implementation of a procedure on treasury activities;

38.1.5 Integrated cash management;

38.1.6. Borrow in financial markets to regularly finance expenditures of the state budget;

38.1.7. If either the state budget does not have sufficient funds to pay its obligations on a timely basis, funds available in the Treasury Single Account not associated with the respective fund can be used to pay obligations so long as the funds are repaid before the end of the fiscal year.

38.1.8. Make decisions on investing idle cash balances through the Mongol Bank in short term instruments;

38.1.9. Provision of financial services to budget governors;

38.1.10. Management of financial assets and liabilities;

38.1.11. Preparation of a consolidated report of the Unified Budget execution; and

38.1.12. Provision of disbursement services to budget governors.

Article 39. Agreement for implementation of some of Government's functions by local government

39.1. General Budget Governors defined in 14.1.6 and 14.1.8 of this Law shall establish an agreement with Aimag and capital city governors, for implementation of delegated functions specified in 58.1 of

this Law within 14 working days of the passage of the state budget;

39.2. Aimag and capital city governors shall establish with Soum and district governors an agreement specified in 39.1 of this Law at the Soum and district levels within 14 working days of the passage of the Aimag and capital city budget;

39.3. The following conditions must be included in 39.1 and 39.2 of this Law:

39.3.1. purpose of expenditures;

39.3.2. quantitative and qualitative indicators used to determine required financing for meeting service standards; and

39.3.3. reporting requirements for financial and performance information.

39.4. The following requirements are established for Aimag, capital city, Soum and district governors to implement delegated functions specified in 61.1 of this Law:

39.4.1. not transferring special purpose subsidies for base expenditure of local budget and financing of other sectors.

39.4.2. not occurring debts and receivables;

39.4.3 not reducing standards, quantity and quality targets and accessibility of services;

39.5. Respective general budget governor shall assess the fulfillment of agreements specified in 39.1 and 39.2 of this Law on a semi-annual and annual basis and carry out internal audits of agreements.

Article 40. Performance agreement

40.1. Direct budget governors and central budget governors shall conclude performance agreements with respective upper level budget governors prior to the start of the fiscal year.

40.2. Performance agreements specified in Article 40.1 of this Law shall reflect each budgetary entity's programs and activities for the particular fiscal year, their budget, expected outcomes and assessment criteria.

40.3. Performance agreements shall be assessed by the upper level budget governor on a semi-annual and annual basis.

40.4. Based on fulfillment and implementation progress of the performance agreement, the evaluator of the performance agreement shall take the following actions:

40.4.1. Prepare a directive to improve budget outcomes and intensify budget implementation, and oversee its fulfillment; and

40.4.2. Within his/her area of authority as specified by law, sanction or reward the party implementing the performance agreement.

40.5 The general budget governor shall take consideration of the glass account when evaluating the performance agreements stipulated in 40.1 of this law.

Article 41. Management of Budget Execution

41.1. Control over the detailed calendar for implementation of the approved budget, detailed budget allotment schedule, and budget spending and revenue collection shall be undertaken in accordance with the approved monthly and quarterly budget allotment schedule.

41.2. All level budget governors shall be responsible for carrying out the following actions when implementing the budget:

41.2.1. Collect fully revenues in accordance with state and local budgets and budgetary entity' revenues from their own operations according to law;

41.2.2. Budget expenditure shall be released only as authorized in the approved budget;

41.2.3. Undertake and report budget execution as stipulated in law;

41.2.4. Observe monthly and quarterly budget allotment schedules;

41.2.5. Finance budgetary entity' expenses within the authority stated in Article 37.1.8 of this Law;

41.2.6. Finance goods, works and services to be procured with state and local funds based on procurement agreements and payment schedule; and

41.2.7. Oversee program implementation and ensure fulfillment of their outcomes;

41.3. An authorized body defined in Article 11 and Articles 65.1. and 66.1 of this Law shall approve and ensure the enforcement of monthly and quarterly budget allotment schedule based on proposals of general budget governors.

41.4. In the event of failure to approve the budget at the start of the fiscal year, until the approval of the budget, a temporary procedure shall be established by an authorized body defined in Article 41.6 of this Law and budget expenditures shall be financed in the following ways:

41.4.1. Salary of employees of budgetary entity at the minimum wage level;

41.4.2. Pensions and allowances of social welfare and social insurance at their minimum level;

41.4.3. Government reserve fund and Governor's reserves at the level of the previous year;

41.4.4. Recurrent expenditures of core functions of defense, health, education, border protection, organizations for national security, emergency, court, and prosecution, police, taxation, customs, professional inspection and other state administrative organizations at the level of the previous year;

41.4.5. Recurrent expenditures of core functions of organizations other than specified in Article 41.4.4 of this Law at 50 percent of these organizations' recurrent budgets of the previous year; and

41.4.6. Follow terms and amounts of payments stated in the loan agreements for payment of principal and interest of Government debt.

41.5. Short term loans can be allocated from upper level budgets for financing the shortage of financing for lower level budgets as specified in Article 41.4 of this Law.

41.6. The State Central Administrative Body Responsible for Finance and Budget Matters or Aimag and capital city governors shall approve and ensure enforcement of the temporary procedure and monthly and quarterly budget allotment schedule for implementing the procedure.

41.7. The Government shall approve a procedure that sets requirements and conditions for ensuring transparency of approved budgets of budgetary entities, own revenues, expenditure savings and their spending and ensuring openness for public and staff of the budgetary entity.

Article 42 Adjustment to the Budget of Budget Governor

42.1 Budget adjustments between general budget governors can be done only through the supplementary budget of the particular year.

42.2 Budget governors can make adjustment in the budget in the following ways:

42.2.1. General budget governors:

42.2.1.a. between programs of his/her portfolio;

42.2.1. b. between budgets of central budget governors under his supervision and responsibility;

42.2.1.c. between budgets of central budget governors and direct budget governors;

42.2.1.d. between budgets of direct budget governors under his supervision and responsibility;

42.2.2. central budget governors, between budgets of direct budget governors under his supervision and responsibility;

42.2.3. direct budget governors, only between his/her recurrent expenditures.

42.3. Adjustment in the budget of direct budget governors shall be resolved as described below:

42.3.1. Budget governor shall present his/her proposal on adjustment for the budget to the respective

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central budget governor, if he/she does not report to central budget governor then to general budget governor;

42.3.2. Central budget governor shall present the proposal to the respective general budget governor;

42.3.3. if an adjustment proposal pertains to the state budget, the Social Insurance Fund budget, the Health Insurance Fund budget and the Future Pension Reserve Fund budget¹⁴, the general budget governor shall present the proposal to the State Administrative Body Responsible for Budget and Finance Matters and if it pertains to the local budget, present the proposal to Aimag, capital city, Soum or district governors.

42.3.4. An organization or an official specified in Article 42.3.3 of this Law shall resolve adjustments by making changes in monthly and quarterly allotment schedules upon the review and approval of the general budget governor's proposal specified in Article 42.2 of this Law.

42.4. Permission shall be obtained from the upper level budget governor for making budget adjustments specified in 42.2 of this Law.

42.5. Central budget governors specified in Article 15.2 of this Law can resolve adjustments to budgets for his/her subordinate direct budget governors by making changes in his/her approved budget's monthly and quarterly allotment schedule.

42.6. The Cabinet Member in Charge of Finance and Budget Matters shall approve limits, terms and conditions and procedures for making adjustments to budgets.

42.7. Budget adjustments shall not be made between capital and recurrent expenditures and it is prohibited to finance new programs and activities that are not already included in the budget.

Article 43 Budget adjustments for activities to be implemented through more than one fiscal year

43.1. The following unused budget sources of the particular fiscal year can be carried over for the following fiscal year:

43.1.1. Government bonds, principal and interest payment of loans;

43.1.2 (deleted)

43.1.3. Budgets for projects and activities to be funded with concessional loans through Government bilateral and international agreements ratified by the State Great Khural;

43.1.4 (deleted)

43.1.5. Donation, assistance and support obtained from non state and locally owned bodies.

¹⁴ Health insurance fund budget and future pension reserve fund budget are entered into force on 1st of July 2018.

43.2. The total amount of the budgets other than articulated in Article 43.1.3 of this Law which authorization to spend is carried over to the next fiscal year shall not exceed 3 percent of the general budget governor's budget of the particular year and the amount that exceeds it shall be mobilized into the general account of the respective level's budget.

43.3. At the end of a fiscal year, the mobilization of the revolving fund's balance specified in the Law on Government Special Funds into the budget shall be resolved as stipulated in Article 18.6 of this Law and the balance shall be spent in accordance with the approved budget of the following year.

43.4 (deleted)

43.5. Budget governors shall not carry over budgets other than that specified in Articles 43.1.3 and 43.1.5 of this law through two fiscal years.

43.6. Carry over for authorization to spend for the following year, shall not be a justification for reducing outcome targets of programs, projects, and activities to be implemented with the approved budget.

Article 44 Non-core activities

44.1. Budgetary entity may engage in non-core activities under the following circumstances to earn revenue:

44.1.1. General budget governor gives prior written approval;

44.1.2. Non-budgetary resources to compensate the possible loss associated with such activities are clearly specified;

44.1.3. Such activities are properly reflected in financial statements and performance agreements;

44.1.4. Such activities do not divert public assets from their main use, and do not divert personnel of the budgetary entity from their core activities.

44.1.5. Such activities do not conflict with core-functions of budgetary entity.

44.2 Cost for non-core activities includes all forms of direct and indirect costs, payables and financial obligations.

44.3. The use of core activities' expenditures for non-core activities in direct or indirect ways is prohibited.

44.4. If a permission to engage in non-core activities was given in the middle of the fiscal year, it shall be implemented as additions to the budget and in other cases it shall be reflected in the budget of the particular year.

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44.5. Profits earned from non-core activities shall be spent for the following purposes:

44.5.1. to reduce budget financing for a particular budgetary entity's core functions;

44.5.2 to make investment for supporting operations of that particular budgetary entity or branch;

44.5.3 to use for resolving social issues of employees of that particular budgetary entity; and

44.6 (deleted)

44.7. Relations with regard to implementation of issues specified in 44.5.2, and 44.5.3 of this Law with profits earned from non-core activities shall be regulated by Article 46 of this law.

Article 45 Budget savings

45.1 The following unused budget balance of budget governors shall be considered as budget expenditure savings:

45.1.1 The balance occurred due to decrease in unit cost or price during the procurement process for goods and services financed from the recurrent budget;

45.1.2 The balance occurred as a result of reducing unit cost without decreasing quality but by improving operational cost efficiency of budgetary entity; and

45.1.3. The balance occurred as a result of reducing unit cost without reducing quality of projects, measures and activities where the approved budget was estimated using norms and normatives of units.

45.1.4 buildings and remains in a reduction of operating costs of technical equipment, such as technological change;

45.1.5 4.2.12 and 16.5.9 in the framework of a revised organizational structure of the establishment due to the decline of wages and other expenditures per outstanding him in accordance with the Articles of this law;

45.1.6 planned programs and measures to balance quality results to be achieved by arranging a more efficient and practical solutions decreasing.

45.2 The following unused balance of budget governor's budgets shall not be considered as savings and such balances shall be mobilized into the general budget account of the respective level's budget.

45.2.1 Number of units actually delivered is less than the initial estimation used in the approved budget where the budget was estimated using unit cost norms and normative.

45.2.2 The balance occurred due to a decrease in the number of units delivered or budgeted projects and activities were not implemented.

45.2.3 The balance occurred due to decrease in unit cost, price and quantity during the investment procurement process.

45.2.4 The balance occurred due to operation of the state administrative body with a fewer number of staff than the approved staffing level.

Article 46. Budget incentives

46.1 Budget governors can retain profits from non-core activities, budget expenditure savings or performance agreement incentives as budget incentives.

46.2 Based on the expected actual of the fiscal year, funds required for providing performance incentives stated in Article 46.1 of this Law shall be reflected and approved in the next year's budget of the general budget governor in charge of budget matters of the respective level and shall be provided subsequent to his/her decisions.

46.3. Decisions on how to spend incentives specified in 46.1 of this law shall be made based on discussion of this issue by the staff meeting of the budgetary entity. Copies of the minutes of the meeting and the decision shall be delivered to the treasury of the respective level and based on that the incentives shall be issued.

46.4. Incentives shall be used for measures defined in Article 44.5 of this Law and common measures such as remunerating staff taken into account staff performance and resolving social issues of staff.

46.5 A procedure on the size of, and criteria for, incentives to be allocated from the savings of budgetary entity, and their spending, reporting, accounting and monitoring shall be approved by the Cabinet Member in Charge of Finance and Budget Matters.

46.5 additional income from savings and operating expenditure not allowed to use the following method:

46.5.1 The following cases could impair the normal functioning of institutions:

46.5.1.a reached the salaries of employees available for the period provided by law;

46.5.1.b reduced quality and accessibility of public services.

46.5.2 create a liability for the fiscal year, or two consecutive quarterly budget performance reports;

46.5.3 representative to receive guests and to finance foreign travel expenses;

46.5.4 increase current costs by permanent staff, and a new structure.

46.6 Budget incentives shall be defined and issued within one month after submission of the budget execution report to the State Great Khural or Citizens' Representative Khural.

Article 47 Additions to Budget

47.1 Budget governors can spend the following types of additions to the budget for relevant projects and activities:

47.1.1 Donations and aid given by a non-state and locally owned body.

47.1.2 Bilateral government agreements ratified by the State Great Khural or concessional loans obtained from international organizations during a fiscal year;

47.1.3 Resources allocated to a particular budget governor based on relevant legal parties' decisions from the Government reserve fund, Governor's reserves or similar unclassified reserve fund;

47.1.4 Resources allocated from the budget of an upper level budget governor to a lower level budget governor;

47.1.5. Additional revenue collected within the framework of core functions of budgetary entity; and

47.1.6 (deleted)

47.2 Additions to the budget and their related activities shall be part of financial statements and budget execution reports as the budget.

47.3. Revenues stated in Article 47.1.2 and 47.1.6 of this Law shall be spent only within the approved budget.

CHAPTER SEVEN

Property and Government Debt management

Article 48 Property

48.1 Relations that rise in connection with management, coordination, spending, records and reporting of state and local property and assets shall be regulated in separate laws.

Article 49 (deleted)

Article 50 (deleted)

Article 51 (deleted)

Article 52. Contingent Liability

52.1 Information on the Government's contingent liabilities shall be disclosed to the State Great Khural and the public.

52.2 Records of contingent liabilities shall be reflected in the annual and supplementary budget proposals, and semi-annual and annual budget execution reports.

52.3 The State Central Audit Office shall monitor and issue an opinion on contingent liabilities, debt guarantees and related records.

52.4 Disclosure of estimations on contingent liabilities, loan guarantees, and possible risks shall not mean they are accepted or that the liabilities have been incurred.

52.5 The State Central Administrative Body Responsible for Finance and Budget Matters shall exercise record the volume of contingent liabilities, control, regulation, research and probability, and analyze potential costs from a budget and make a conclusions and reporting.

52.6 The following information about the contingent liability shall submit the relevant parties immediately to the State Central Administrative Body Responsible for Finance and Budget Matters:

52.6.1. Debt of Government special fund

52.6.2. Debt of legal entities fully or dominantly owned by state or local government.

52.6.3. Guarantees in accordance with the Articles of the Concession Law;

52.6.4. Projects and measures that have been financed government debt guarantees by borrowing;

52.6.5. Information related to the contingent liability and other relevant information required by the State Central Administrative Body Responsible for Finance and Budget Matters.

52.7. if there is any risk of performing a payment from the state budget within the contingent liabilities relevant cabinet member shall present and make resolution to the Government and State Great Khural, in consultation with the Cabinet member in charge of finance and budget matters.

Article 53 Government debt management

53.1 (deleted)

53.2. Asset and liability management, Government's borrowing, issuing loans, on-lending, and issuing debt guarantees, and requirements, terms and conditions and limitations set for them and contingent liability management process shall be regulated by law.

CHAPTER EIGHT

Budget Reporting

Article 54. Financial statements and budget execution reports

54.1. Government's consolidated financial statement shall include financial statements of the state and local budgets, consolidated financial statements of general budget governors and financial statements of fully and partly state-owned enterprises.

54.2. General budget governors shall cover in his/her consolidated financial statement financial statements of budgetary entity and agencies of his/her portfolio, financial statements of projects and programs implemented by concessional loans and grants obtained through government, and financial statements of fully and partly state owned and locally owned enterprises.

54.3. The general budget governor shall prepare his/her budget execution report and consolidated financial statement in accordance with International Accounting Standards.

54.4. The consolidated financial statement shall have the following components:

54.4.1. An income statement;

54.4.2. A balance sheet;

54.4.3. A statement of cash flows;

54.4.4. A statement of changes in net assets; and

54.4.5. Explanatory notes.

54.5. The budget execution report shall include the following:

54.5.1. Actual revenues and expenditures of the fiscal year (by total amount, programs, budget governors, and by each investment project);

54.5.2. Tax expenditures by each sector and legal body along with a legal justification;

54.5.3. Actual amount spent for goods, work and services procured in the fiscal year;

54.5.4. Expenditures for programs and activities, attained results and their introduction (fulfillment of program performance, fulfillment of policy objectives, assessment of impacts, implementation of investment projects and explanation if implementation was disrupted); and

54.5.5. Additions to the budget and related explanation.

54.5.6. Information of Government debt and Government debt guarantees

54.6. If adjustment to the budget was made as stated in Article 42 of this law, program performance shall be reported with comparison with the initially projected targets.

Article 55. Pre-election economic and fiscal outlook report

55.1. The State Central Administrative Body Responsible for Finance and Budget Matters shall submit to the State Great Khural a pre-election economic and fiscal outlook report not less than one month before the announcement of the date for an election of the President of Mongolia and the State Great Khural.

55.2. The Cabinet Member in Charge of Finance and Budget Matters shall present information specified in Article 55.1 of this Law to the general session of the State Great Khural.

55.3. The State Central Administrative Body Responsible for Finance and Budget Matters shall prepare a pre-election economic and fiscal outlook report and publicly release this report after the information stated in Article 55.1 of this Law is reviewed by the State Great Khural.

55.4. A pre-election economic and fiscal outlook report shall contain the following information:

55.4.1. An assessment of whether or not the Government's economic, financial and fiscal policies implemented by the Government during the terms of the President of Mongolia and the State Great Khural meet the special fiscal requirements established in Article 6 of the Fiscal Stability Law;

55.4.2. The macroeconomic and fiscal assumptions for the next four years;

55.4.3. A statement of the amount, purpose and terms and conditions of Government debt and contingent liabilities, and a tabulation of debt in arrears with principal and interest amount;

55.4.4. An assessment of the amounts and its adequacy for ensuring fiscal stability, and projected changes over the next two years of resources accumulated in the Stability Fund of the Government;

55.4.5. Contingent liabilities;

55.4.6. Government commitments reflected in the Government action program and estimated costs to be borne from the budget and other sources;

55.4.7. Government debt and guarantees reflected in Government agreements.

55.4.8. Effect of all decisions and actions of the Government made during the election year on the financial and fiscal outlook of the forthcoming years;

55.4.9. An explanation on whether medium-term economic, financial and fiscal assumptions are

consistent with the Medium-Term Fiscal Framework Statement approved by the state Great Khural or the Budget, and the special fiscal requirements established by the Fiscal Stability Law.

55.5. The information outlined in Articles 55.4.5-55.4.8 of this law that may have effects on the fiscal outlook shall be expressed in numbers.

CHAPTER NINE

Local budget relations

Article 56. Fiscal relations between budget levels

56.1. Transfers from upper level budgets to lower level budgets shall be made in the following forms:

56.1.1. financial support rendered from upper level budgets to lower level budgets for financing the basic budget deficit of the lower level budget;

56.1.2. revenue transfers from upper level budgets to lower level budgets for implementation of its investments, programs, projects and activities; and

56.1.3. Special purpose transfers allocated from the state budget to implement some Government functions delegated to local government.

56.2. Portion of the basic budget surplus of lower level budgets shall be mobilized to upper level budget.

56.2.1. Portion of the basic budget surplus of lower level budgets less or equal to base expenditures shall be retained 70 percent and the residual shall be mobilized to upper level budget.

56.2.2. Portion of the basic budget surplus of lower level budgets less more than base expenditures shall be retained portion of 70 percent of base expenditures and the residual shall be mobilized to upper level budget.

56.3. The State Central Administrative Body Responsible for Finance and Budget Matters has authority to withhold temporarily financial support, revenue transfers, and special purpose transfers to the Aimag and the capital city budgets, and Aimags and the capital city governors have the same authority with respect to the Soum and districts' budgets, until the period of rectification of the following breaches are revealed:

56.3.1. The budget legislation is breached;

56.3.2. The Citizens' Representative Khural approved the particular year's budget by increasing it without justification;

56.3.3. Purpose, conditions and requirements set for special purpose transfers are breached;

56.3.4. The total budget is executed with a deficit due to lack of compliance with standards for services financed from the local budget;

56.3.5. The stability of the local budget is disrupted; and

56.3.6. The local budget is not approved within the timeframe as specified in this Law.

56.4. The Government shall define a methodology for estimating base expenditures of each local budget, standards of services to be financed from local budgets and normative for inputs and budgets of these services.

56.5. The purpose of the special purpose transfers and conditions and requirements for their spending as defined in Article 56.1.3 of this Law shall be established by agreement specified in Articles 39.1 and 39.2 of this Law and the Government shall oversee its implementation.

56.6. The Government and Aimag and the capital city governors shall implement a stabilization program in the local government for the purpose of eliminating breaches stated in Article 56.3 of this Law, ensuring enforcement of legislation and stability of the local budget, and strengthening capacity of bodies involved in the budget process.

Article 57. Local budget

57.1. Functions to be undertaken with local budgets and types of revenue to be allocated to local budgets shall be defined by this law.

57.2. Local budgets shall be planned, approved and implemented without deficit.

57.3. Expenditures to be financed from the previous year's local budget balance shall be implemented by reflecting and approving them in the budget, and expenditure shall not exceed the financing sources.

57.4. Short term loans can be allocated from Aimag and capital city budgets to finance the shortage of seasonal revenue of Soum and district budget revenue.

57.5. It is prohibited for the local budget to incur debts, or to issue guarantees apart from the cases specified in Debt Management Law and Articles 41.5, 57.4 and 62.2 of this Law.

Article 58. Functions to be implemented by local budgets

58.1. The capital city shall implement with its budget the following functions:

58.1.1. Capital city management;

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58.1.2. Urban planning, construction and establishing new infrastructure;

58.1.3. Capital maintenance of construction and buildings owned by the capital city, establishing new property and making investments;

58.1.4. Social care and welfare services;

58.1.5. Implementing programs and measures to support employment and alleviate poverty;

58.1.6. Development of small and medium-sized enterprises;

58.1.7. Pasture management;

58.1.8. Establishing water supply, sewerage and drainage systems, water services; build water supply and waste water treatment facilities and water for farming concessions and services;

58.1.9. Housing and public utility services;

58.1.10. Flood protection;

58.1.11. Public transport services;

58.1.12. Fight of infectious livestock and animal diseases, pest eradication and control, providing veterinary services;

58.1.13. Disaster prevention;

58.1.14. Environmental protection and rehabilitation;

58.1.15. Establishing large scale roads, bridges and their lighting, traffic lights and other respective construction;

58.1.16. Utility services for public areas, landscaping, public hygiene, street lighting, cleaning, and waste removal;

58.1.17. Within the territory of the capital city operation and maintenance services of high voltage and electricity lines and substations and other activities to ensure normal functioning; and

58.1.18. Other functions specified in law.

58.2. Aimags shall implement with their budgets the following functions:

58.2.1. Aimag management;

58.2.2. Urban planning, construction and establishing new infrastructure;

58.2.3.Capital maintenance of locally owned construction and buildings, establishing new property and making investments;

58.2.4.Social care and welfare services;

58.2.5.Implementing programs and measures to support employment and alleviate poverty;

58.2.6.Development of small and medium-sized enterprises;

58.2.7 (deleted)

58.2.8.Pasture management within the territory of the Aimag;

58.2.9.Establishing livestock fodder reserve;

58.2.10. Water supply, sewerage and drainage systems, housing and public utility services, and flood protection;

58.2.11. Public transport services;

58.2.12. Fighting infectious livestock and animal diseases, pest eradication and control, and disaster prevention and elimination, providing veterinary services;

58.2.13. Environmental protection and rehabilitation;

58.2.14. Establishing within the territory of the Aimag and inter-Soum road, bridge and their lighting, traffic lights and other respective construction;

58.2.15. Utility services for public area, landscaping, public hygiene, street lighting, cleaning, and waste removal;

58.2.16. Within the territory of the Aimag operation and maintenance services of high voltage and electricity lines and substations and other activities to ensure normal functioning; and

58.2.17. Other functions as defined in law.

58.3. Districts shall independently implement the following functions with its budget:

58.3.1. District management;

58.3.2.Social care and welfare services provided subsequent to the decision of district governors;

58.3.3.Within the territory of districts, utility services for public areas, public hygiene, street lighting, cleaning and waste removal;

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58.3.4.Promotion of intensified raising of livestock, ,fighting infectious livestock and animal diseases, pest eradication and control, and disaster prevention and elimination, providing veterinary services;;

58.3.5.Protection of nature and the environment within the district territory;

58.3.6.Recurrent maintenance of lighting of public areas within the district territory;

58.3.7.District landscaping, and development and maintenance of sidewalks, recreational areas and children’s playgrounds;

58.3.8.Other functions as defined in law.

58.4. Souds shall independently implement the following functions with its budget:

58.4.1. Soud management;

58.4.2. Social care and welfare services provided subsequent to the decision of Soud governors;

58.4.3. Within the territory of Souds, utility services for public areas, public hygiene, street lighting, cleaning and waste removal;

58.4.4. Fighting infectious livestock and animal diseases, pest eradication and control, and disaster prevention and elimination, providing veterinary services;

58.4.5. Pasture management within the territory of the Soud;

58.4.6. Protection of nature and the environment within the Soud territory;

58.4.7. Recurrent maintenance of lighting of public areas within the Soud territory;

58.4.8. Soud landscaping, and development and maintenance of sidewalks, recreational areas and children’s playgrounds;

58.4.9 build water supply and waste water treatment facilities and water to economic concessions and services;

58.4.10 countries to invest a lot of maintenance, and a new property of the state and local government buildings and property;

58.4.11.Other functions as defined in law.

58.5. Functions specified in 58.1-58.4 of this Law shall be financed from the following sources:

58.5.1. Tax and non-tax revenues of Aimags, capital city, Souds and districts;

58.5.2. Revenue transfers allocated from the state budget;

58.5.3. Financial support allocated from the state budget;

Article 59. General Local Development Fund

59.1 The General Local Development Fund consists of the following sources:

59.1.1. 5 percent of VAT revenue of goods and services except imported goods and services;

59.1.2. 5 percent of the revenues from mineral resource royalty payment under Article 47³ of Mineral Law;

59.1.3. Grants and donations rendered by domestic non-governmental organizations and official foreign aid to support local development; and

59.1.4 (deleted)

59.1.5 30 percent of the revenues from the oil royalty payment

59.2. Aimags and the capital city shall reallocate transfers allocated from the General Local Development Fund and state budget to Soum and district Development Funds as follows;

59.2.1 Allocate service costs specified in Article 60.11 of this law to the Local Development Fund of Soum districts

59.2.2 Allocate at least 30 percent except of those in specified in Article 59.2.1 in this law, taking population, distance and size of area into consideration

59.2.3. Allocate transfer of revenue specified in Article 60.2.6, 60.2.7 in this law the by rate specified in Article 60.6, 60.7 of this law, from State budget to Local Development Fund of Aimag and Soum.

59.3. The following indicators shall be considered in defining transfers from the General Local Development Fund to the local budget in the fiscal year:

59.3.1. Development index of local government;

59.3.2. Population;

59.3.3. Population density, remoteness and size of territory; and

59.3.4. Tax initiatives of local government.

59.4. When allocating the mineral resource exploitation tax from the General Local Development Fund, per person amounts in the particular local area where mining is carried out shall be increased by up to 10 percent compared to the amount allocated on a per person basis to other local areas.

59.5. The Government shall determine a methodology for estimating transfers to be allocated from the General Local Development Fund and Local Development Fund.

Article 60. Local development fund

60.1. A particular level's general budget governor shall have a Local Development Fund aimed at supporting local development.

60.2. Local development fund shall be generated from the following sources:

60.2.1 Transfers to be allocated from the General Local Development Fund;

60.2.2. Funds stated in Article 59.2 of this Law; and

60.2.3 (deleted)

60.2.4. Additional sources generated through increasing tax rates and saving expenditures; and

60.2.5. Domestic and foreign grants and donations to support local development.

60.2.6 10% of the subtracted amount of mineral resources royalty gained through payment by companies conducting national-level large projects, from the revenue from total amount of mineral resources royalty gained under Article 47³ of Mineral Law,

60.2.7 50% of the mineral exploitation and mining license fees

60.3. It is prohibited to spend Local Development Fund sources for the following purposes:

60.3.1. Programs and activities other than those authorized by law to be financed from the local budget;

60.3.2 Expenditures of political parties and NGOs;

60.3.3. Holidays, festivals, anniversary celebration, and religious events other than national festivals;

60.3.4. Activities that are not in the common interest of the public;

60.3.5. Issue loans, issue guarantees with financial consequences, and commit to cover loss or damages; and

60.3.6. Expenditures and measures that do not reflect local community opinions and are not reflected and approved in the local budget.

60.4. Functions associated with Aimag, the capital city, Soum and district management shall not be part of the legal functions set by Article 60.3.1 of this Law.

60.5 As for Local Development Funds for Aimags and the Capital, more than 33% of the revenues as stipulated in 60.2.6 of this law will be provided to the Local Development Fund of Soums and districts where mining was conducted.

60.6 As for Local Development Funds for Aimags and the Capital, more than 50% of the revenues as stipulated in 60.2.6 of this law will be provided to the Local Development Fund of Soums and districts where mineral exploitation was conducted and license issued.

60.7 Mining revenues stipulated in 60.2.6 and mineral exploitation and licensing revenues stipulated in 60.2.7 will be sent from the national budget to Local Development Funds of the respective Aimags and district.

60.8 The Government will approve the list of companies that will implement large national-level projects as stipulated in 60.2.6 of this law.

60.9 If the designated area stipulated in 60.6 and 60.7 cover more than two administrative regions, the Local Development Funds will be divided in share of contribution.

60.10 The State Central Administrative Body Responsible for Finance and Budget Matters approves the procedural manuals on how to send revenues earned from 60.5 to 60.9 of this law.

60.11 The indication of 60.3.6 of this law does not include service fees for implementation of what is stipulated in 58.1.8, 58.1.12, 58.2.11, 58.2.12, 58.2.15, 58.3.4, 58.4.3, 58.4.4, 58.4.9 and 58.4.10.

Article 61. Some government functions delegated to local government

61.1. Aimag and the capital city Governors shall implement the following functions on behalf of the Government :

61.1.1. pre-school education services;

61.1.2 general education services;

61.1.3. cultural services;

61.1.4. primary health care services;

61.1.5 land relations and cadastre services

61.1.6. child development and protection services; and

61.1.7. public fitness activities.

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61.2. Delegated functions specified in 61.1 of this Law shall be financed by special purpose transfers allocated from the state budget on the basis of agreement specified in Article 39 of this Law.

61.3. Aimag or capital city governors shall prepare and submit a proposal on distribution of the budget for each expenditure responsibility defined in Article 61.1 of this Law along with the local budget proposal to the Citizens' Representative Khural of the respective level within the timeframe specified in law.

61.4. Aimag, capital city, Soum and district Citizens' Representative Khural shall approve the distribution of the budget for each expenditure responsibility based on the agreement specified in Article 39 of this Law and the proposal submitted by each governor without decreasing the total amount transferred by the agreement specified in Article 39 of this Law.

61.5. Special purpose transfers shall be transferred to Aimag and capital city treasury in accordance with monthly and quarterly allotment schedule defined in this Law.

Article 62. Incurrence of debt for local government needs

62.1. Governor of aimag and capital city may incur debt from the state budget for the purpose specified in 41.5 of this Law with the condition that it will be repaid within that year from the State budget.

62.2 (deleted)

62.3 (deleted)

62.4 (deleted)

62.5. Special purpose transfers allocated from the state budget shall be considered a revenue.

62.6 (deleted)

62.7 (deleted)

Article 63. Ensuring community participation in the local budget process

63.1. Governors of baghs and khoros shall conduct an open survey and questionnaire on investments, programs, projects and activities to be implemented by the Local Development Fund in their bagh and knoroo, and the sequence and means for implementing them .

63.2. The result of the questionnaire stated in Article 63.1 of this Law and ideas initiated at the khoroo and bagh Citizens' Khurals shall be discussed by the khoroo and bagh Citizens' Khurals and projects and activities shall be prioritized and selected.

63.3. As stated in Article 63.2 of this Law, the Soum and district Governor's office shall prioritize proposals presented by the khoroo and bagh's Citizens' Khurals in conformity with the local

development policy and priorities and reflect them in the budget proposal and submit it to the Soum and district Citizens' Representatives' Khural.

63.4. Soum and district Citizens' Representatives' Khural shall discuss and approve the proposal stated in Article 63.3 of this Law.

Article 64. Authorities and Responsibilities of Citizens' Representatives' Khurals

64.1. Khurals of Aimags, capital city, Soums and districts shall have the following authorities and responsibilities in relation to local budget management and financing:

64.1.1. Debate, approve and oversee the implementation of the Governor's action program;

64.1.2. Debate and approve the budget and its supplementary budget for the fiscal year, oversee their implementation and inform the public;

64.1.3. Discuss and approve the budget execution; and

64.1.4. Conduct hearings on the Governor's presentation on the budget execution report and financial statements.

Article 65. Authorities and Responsibilities of Aimag and Capital City Governors

65.1. Aimag and capital city Governors shall have the following authorities and responsibilities in relation to local budget management and financing:

65.1.1. Formulate a budget proposal and supplementary budget proposal for discussion and approval, and administer the budget and report on the execution of the budget to the Citizens' Representative Khural of the respective level;

65.1.2. Consolidate, prepare and submit to the respective general budget governor a budget proposal, budget execution report, monthly and quarterly statements, financial statements of budgetary entity in the local area, and programs and activities to be financed from the special purpose transfers.

65.1.3. Establish agreements on implementation of some Government functions delegated to local government with respective general budget governors;

65.1.4. In conformity with respective law, establish an agreement on the purchase of goods, work and services to be implemented by the local budget resources;

65.1.5. Submit the local budget approved by the Citizens' Representatives' Khural to the State Central Administrative Body Responsible for Finance and Budget Matters within the timeframe specified in Article 8.5.5 of this Law.

65.1.6. Fully finance budgeted expenditures of state budgetary entity for their planned purposes without disruption and in a timely manner according to the agreement stated in Article 39.1 of this

Appendix: BUDGET LAW

Law.

65.1.7. Approve and enforce annual budget's monthly and quarterly schedule of Aimag and the capital city; and

65.1.8. Approve the number of staff members of budgetary entity of the respective level by each budget governor.

Article 66. Authorities and Responsibilities of Soum and District Governors

66.1. Soum and district Governors shall have the following authorities and responsibilities in relation to local government budget and finance:

66.1.1. Formulate a budget proposal and its supplementary budget proposal for discussion and approval, and administer and report on the execution of the budget to the Citizens' Representative Khural of the respective level;;

66.1.2. Consolidate, prepare and submit to the respective Aimag and capital city governor a budget proposal, budget execution report, monthly and quarterly statements, financial statements of budgetary entity in the local area, and programs and activities to be financed from the special purpose transfers.

66.1.3. Establish an agreement with amimag and capital city governors on implementation of some Government functions delegated to local government.

66.1.4. Submit the local budget approved by the Citizens' Representatives' Khural to the Aimag and capital city governor within seven working days.

66.1.5. Fully finance budgeted expenditures of state budgetary entity for their planned purposes, without disruption and in a timely manner according to Article 39.2 of this Law.

66.1.6. Approve and enforce the annual budget's monthly and quarterly allotment schedule for each Soum and district; and

66.1.7. Approve the number of staff members of budgetary entity of the respective level by each budget governor.

Article 67. Formulation and submission of the local budget

67.1. Aimag, capital city, Soum and district governors shall develop and submit to the respective Citizens' Representative Khural the local budget proposal along with the presentation specified in Article 67.2 of this Law.

67.2. The following shall be attached to the presentation of the local budget proposal in addition to those articulated in Articles 32.2.1-32.2.12 and 32.2.19 and 32.2.20 of this Law;

- 67.2.1. Medium-term plan presenting policy objectives of the local budget;
- 67.2.2. Budget estimates and presentation of the budget proposal prepared in accordance with the budget classification specified in Article 22 of this Law;
- 67.2.3. A proposal on planned financial support and revenue transfers to be allocated from Aimags and the capital city budgets to Soum and district budgets; and
- 67.2.4. The amount of money to be collected and transferred to the upper level budget approved in the upper level budget.
- 67.3. In the course of preparing Aimag, capital city, Soum and district budget proposals, draft budget proposals shall be presented to the public and comments and requests of citizens of the Aimag, capital city, Soum and district shall be presented to the respective Citizens' Representatives' Khurals.

Article 68. Approval of the local budgets

- 68.1. The local budgets shall be approved by reflecting the items defined in Articles 33.2.1-33.2.7 of this Law.
- 68.2. During discussion of the budget by Citizens' Representative Khurals, additional requests on investment projects and activities shall be reflected in the budget upon receipt of an assessment by the body who submitted the budget proposal whether the additional requests meet requirements defined in Article 29 of this law.
- 68.3. Budgets approved by the Citizens' Representative Khurals shall be presented to the public in accessible and transparent ways.

CHAPTER TEN

Audit and Inspection

Article 69. Internal audit

- 69.1. Each general budget governor shall establish an internal audit unit and employ an internal auditor aimed at controlling enforcement of legislation, conducting financial inspection of budgetary assets and liabilities, revenues and expenditures, programs and activities and investment, and making assessments, evaluations and recommendations and proposing risk management measures.
- 69.2. The State Central Administrative Body Responsible for Finance and Budget Matters shall provide general budget governors' internal audit units with standards of activities and methodological guidance.
- 69.3. Financial activities of budgetary entities, state and locally-owned legal bodies and legal bodies majority owned by state and local government under the responsibility of general budget governors

shall be subject to internal audit.

69.4. The Internal Auditor shall hold a state financial inspector's license.

69.5. The Government shall approve the charter of the internal audit unit.

CHAPTER ELEVEN

Sanctions regime

Article 70. Sanctions for violations of the legislation

70.1. If Articles 6.2-6.4, 6.6, 25.10, 42.7, 57.5, 60.3, 62.3 and 62.4 of this law are violated, it shall serve as the basis for dismissal of the governor of the respective level as provided in Article 32 of the Law on Administrative and Territorial Units and Their Governance.

70.2. Unless otherwise stated in law if general budget governors specified in Articles 14.1.1, 14.1.3-14.1.8, 14.1.14 of this law violate Articles stated in 6.2-6.4, 6.6, 25.10, 42.1 42.7 and 46.5 of this law, it shall serve as the basis for an authorized official to dismiss the concerned official from his/her position.

70.3. If the Articles outlined in Article 6 and 24.4 of this Law are violated, a disciplinary sanction of dismissal from the position and not rejoining the public service for a 10 year period shall be imposed on the guilty official by the concerned authorized official.

70.4. A lawyer or state financial inspector shall impose the following sanctions on a person for violation of provisions of the budget legislation, if it does not call for criminal sanctions:

70.4.1. A fine equal to 5-10 times the minimum wage shall be imposed if estimates, proposals, budgets proposals and reports specified in 8.3-8.10 of this Law are not submitted within the specified timeframe;

70.4.2. A fine equal to 5-10 times the minimum wage shall be imposed if an official did not exercise the powers outlined in Articles 14.2.7, 14.2.8 and 16.5.7 of this Law in lawful manner.

70.4.3. A fine equal to 2-3 times the minimum wage shall be imposed on an official who violated Article 20.3 of this Law.

70.4.4. A fine equal to 5-10 times the minimum wage shall be imposed on an official who violated Article 22.5 of this Law.

70.4.5. A fine equal to 5-10 times the minimum wage shall be imposed on an official who violated Articles 25.2-25.8, 25.12, 28.6 and 29.6 of this Law.

70.4.6. A fine equal to 10-15 times the minimum wage shall be imposed on an official who violated Articles 30.3, 39.4, 41.2 and 42.2, Article 43, and Articles ~~49.3~~, 50.1, 50.2, 51.2, 65.1.6 and 66.1.5 of

this Law.

70.4.7. A fine equal to 5-8 times the minimum wage shall be imposed on an authorized official of a budgetary entity who opened a bank account for a budgetary entity by violating the Article outlined in 35.3 of this law and a guilty person who opened a bank account for a budgetary entity by violating the Article outlined in 35.4 of this Law.

70.4.8. If a position is created to implement functions that overlap with the functions of the unit by violating the Article specified in 36.5 of this Law, a guilty official shall be punished with a fine equal to 2-3 times the minimum wage.

70.4.9. A fine equal to 3-5 times the minimum wage shall be imposed on an official if provisions on expending incentives of budgetary entity outlined in 46.3 and 46.4 of this Law are violated.

70.4.10. A fine equal to 3-5 times the minimum wage shall be imposed on a guilty body if the pre-election economic and fiscal outlook report defined in Article 55 of this Law is not prepared and presented within the specified timeframe.

70.4.11. A fine equal to 4-6 times the minimum wage shall be imposed if obligations on public release of information specified in law are not fulfilled.

70.5. Irrespective of the type of violation or applicable sanction, any person or institution that violates this Law shall be liable for reimbursing the damages caused to the State.

70.6. Sanctions specified in Articles 70.4.2, 70.4.4 and 70.4.10 of this Law shall be imposed by lawyers and sanction specified in Articles 70.4.1, 70.4.3, 70.4.5-70.4.9 and 70.4.11 of this Law shall be imposed by state financial inspectors.

Article 70. Penalties for Violation

70.1 officials violating this law acts that do not seem to criminal penalties under the civil service¹⁵.

Article 71. Entry into force

71.1. Articles other than 71.2 and 71.3 of this Law shall enter into force on the 1st of January, 2013.

71.2. Articles and provisions of this Law related with preparation, submission, approval of, and informing the public on, the budget, the State General Guidelines for Socio Economic Development and the Medium-term Fiscal Framework Statement, enforcement of the budget calendar and preparation of a pre-election economic and fiscal outlook report and presenting it to the State Great Khural and informing the public shall enter into force on the 1st of February, 2012.

71.3. Article 71.2 of this Law shall not be applicable to the preparation, submission and approval of supplementary budget proposals of 2012.

¹⁵ Enter into force on 1st of July 2017

Appendix: BUDGET LAW

71.4 (deleted)

71.5 " budget, Health insurance fund budget and future pension reserve fund" referred to Article 8.4, 8.6, 8.6.3, 12.1.2, 19.6.1, 21.1, 32.1, 42.3.3 and referred to Article 8.8, 8.9, 9.1.2, "Health insurance fund budget future pension reserve fund" and referred to Article 33.1 "budget, Health insurance fund budget, future pension reserve fund," entered into force on 1st of July, 2018.

SPEAKER OF THE

STATE GREAT KHURAL

D.DEMBEREL

[1] The Constitution of Mongolia – published in Issue 1 of “The State News” of 1992.

[2] The Fiscal Stability Law – published in Issue 30 of “The State News” of 2010.

[3] The Law on Social Insurance – published in Issue 8 of “The State News” of 1994.

[4] The Law on Human Development Fund – published in Issue 45 of “The State News” of 2009.

[5] The Law on State Registration of Legal Bodies – published in Issue 22 of “The State News” of 2003.

ТЭРГҮҮН ЭЭЛЖИНД БОЛОВСРУУЛЖ, БАТЛУУЛАХ ШААРДЛАГАТАЙ ХУУЛЬ, УЛСЫН ИХ ХУРЛЫН БУСАД ШИЙДВЭРИЙН ТӨСЛИЙН ЖАГСААЛТ

Д/д	Хууль, Улсын Их Хурлын бусад шийдвэрийн төслийн нэр	Хууль, Улсын Их Хурлын бусад шийдвэрийн төслийн үзэл баримтлал	Хариуцах байгууллага	Хугацаа
1	Монгол Улсын 2017 оны төсвийн тухай хуулийн төсөл	Монгол Улсын 2017 оны төсвийн алдагдлыг өмнөх оныхоос бууруулж дунд хугацаанд төсвийн үндсэн тэнцлийг эерэг түвшинд хүргэх	Засгийн газар	Улсын Их Хурлын 2016 оны намрын чуулган
2	Монгол Улсын нэгдсэн төсвийн 2017 оны төсвийн хүрээний мэдэгдэл, 2018-2019 оны төсвийн төсөөллийн тухай хуулийн төсөл	Төсвийн сахилга батыг сайжруулах, бизнесийн үйл ажиллагааг идэвхжүүлж, төсвийн орлогын бааз суурийг өргөжүүлэх, төсвийн алдагдлыг үе шаттайгаар бууруулж, дунд хугацаанд төсвийн үндсэн тэнцлийг эерэг болгох замаар өрийн дарамтыг бууруулах	Засгийн газар	Улсын Их Хурлын 2016 оны намрын чуулган
3	Аж ахуйн нэгжийн орлогын албан татварын тухай хуульд нэмэлт, өөрчлөлт оруулах тухай хуулийн төсөл	Жилийн 1.5 тэрбум төгрөгөөс бага орлоготой газар тариалан, мал аж ахуйн үйлдвэрлэл болон түүнд холбогдох туслах үйл ажиллагаа, хүнсний бүтээгдэхүүний үйлдвэрлэл, нэхмэлийн болон хувцас үйлдвэрлэл, барилгын материалын үйлдвэрлэл эрхэлж байгаа аж ахуйн нэгжийн орлогын албан татварыг 1 хувь болгон бууруулж, жижиг, дунд бизнесийн үйл ажиллагааг дэмжиж, төсвийн орлогын бааз суурийг өргөжүүлэх	Засгийн газар	Улсын Их Хурлын 2016 оны намрын чуулган
4	Активын удирдлагын институцийн тухай хуулийн төсөл	Арилжааны банкуудын оролцоотойгоор активын удирдлагын институц байгуулж, банкны системийн чанаргүй зээлийн хэмжээг бууруулах замаар санхүүгийн тогтвортой байдлыг хангах	Монголбанк Засгийн газар	Улсын Их Хурлын 2017 оны хаврын чуулган
5	Хөрөнгө оруулалтын тухай хууль болон холбогдох хуульд нэмэлт, өөрчлөлт оруулах тухай хуулийн төсөл	Гадаадын хөрөнгө оруулагч нарын эрхийг хамгаалах зөвлөлийн эрх зүйн үндсийг тодорхойлж, гадаадын хөрөнгө оруулагчтай холбоотой хэргүүдийг шийдвэрлэх, цаашид хөрөнгө оруулагчдын тогтвортой ажиллах нөхцөлийг бүрдүүлэх	Засгийн газар	Улсын Их Хурлын 2017 оны хаврын чуулган
6	Казиногийн тухай хуулийн төсөл	Казиногийн үйл ажиллагаа явуулах эрх зүйн орчин, дүрэм, журмыг бий болгож, хөрөнгө оруулагчтай хэлэлцээр хийх	Засгийн газар	Улсын Их Хурлын 2017 оны хаврын чуулган
7	Хурдан морины бооцоот уралдааны тухай хуулийн төсөл	Хурдан морины бооцоот уралдаан зохион байгуулах, үйл ажиллагаа явуулах эрх зүйн орчин, дүрэм, журмыг бий болгож, хөрөнгө оруулагчтай хэлэлцээр хийж, үйл ажиллагааг эхлүүлэх	Засгийн газар	Улсын Их Хурлын 2017 оны хаврын чуулган
8	Засгийн газрын өргөн мэдүүлсэн Улсын төсвийн төсөл дэх үндсэн хязгааруудыг	Улсын төсвийн төсөл дэх үндсэн хязгаарууд болох төсвийн алдагдал, орлого, зарлага болон өрийн дээд хэмжээ зэрэг үзүүлэлтийг УИХ-ын	Засгийн газар	Улсын Их Хурлын 2017 оны намрын

Appendix 2-1: Implementation Plan for Economic Recovery Program

	УИХ-ын чуулганы хуралдааны хэлэлцүүлгийн явцад өөрчлөхгүй байхаар холбогдох хуульд нэмэлт, өөрчлөлт оруулах тухай хуулийн төсөл	чуулганы хуралдааны хэлэлцүүлгийн явцад дордуулахгүй байх, төсвийн боловсруулах, батлах үйл ажиллагааны сахилга бат, хариуцлагыг дээшлүүлэх	газар	чуулган
9	Төв банкны тухай хуульд нэмэлт, өөрчлөлт оруулах тухай хуулийн төсөл	Төв банкны засаглалын бүтцийг олон улсын жишигт нийцүүлэх, Монголбанкны удирдлагын хараат бус байдлыг бэхжүүлэх, мөнгөний бодлогын хэрэгжилтийг сайжруулах, Монголбанкны үйл ажиллагааг илүү тодорхой болгох	Монголбанк, Засгийн газар	Улсын Их Хурлын 2017 оны хаврын чуулган
10	Үндэсний төлбөр тооцооны системийн тухай хуулийн төсөл	Төлбөр тооцооны дэд бүтцийг сайжруулах, төлбөрийн системийн үр ашигтай, найдвартай, тасралтгүй ажиллагааг хангах	Монголбанк Засгийн газар	Улсын Их Хурлын 2017 оны хаврын чуулган
11	Валютын зохицуулалтын тухай хуулийн шинэчилсэн найруулгын төсөл	Валютын урсгалыг зохицуулах харилцааг сайжруулах, валютын зохиомол эрэлтийг бууруулах	Монголбанк Засгийн газар	Улсын Их Хурлын 2017 оны хаврын чуулган
12	Санхүүгийн зохицуулах хорооны эрх зүйн байдлын тухай хуульд нэмэлт, өөрчлөлт оруулах тухай хуулийн төсөл	Санхүүгийн зах зээлийн бүтцийг олон тулгуурт болгох, болзошгүй эрсдэлийг үнэлэх, хамгаалах, бодлогын уялдааг хангах институт болгох	Санхүүгийн зохицуулах хороо, Засгийн газар	Улсын Их Хурлын 2017 оны хаврын чуулган
13	Монгол Улсын Хөгжлийн банкны тухай хуулийн шинэчилсэн найруулгын төсөл	Төсвөөс эргэн төлөх нөхцөлтэй актив хөрөнгийн зарим хэсгийг Засгийн газарт шилжүүлэх Хөгжлийн банкны улсын төсөвтэй харилцах харилцааг боловсронгуй болгох, болзошгүй эрсдэлийг бууруулж, засаглал, ил тод байдал, тайлагналыг сайжруулж, үйл ажиллагааны цар хүрээг өргөжүүлэх, бие даасан байдлыг нэмэгдүүлэх	Засгийн газар	Улсын Их Хурлын 2017 оны хаврын чуулган

*Annex 1 of the 71st Degree of the Parliament of Mongolia of 2016***ECONOMIC RECOVERY PLAN**

Objectives and measures	Approach	Result	Timeframe	Responsibility
STRATEGY 1. MACROECONOMIC STABILISATION POLICY IMPLEMENTATION				
<p>1.1. Implement policy aimed at decreasing the budget deficit and maintaining its financial stability.</p> <p>1.1.1. Enhance fiscal discipline, extend fiscal revenue base, carry out result based financing, follow fiscal norms and normative and move into saving mode.</p> <p>1.1.2. Develop and implement ‘National Savings’ program</p> <p>1.1.3. Assess efficiency of local development fund spending and make the information accessible for the public</p> <p>1.1.4. Settle the outstanding payments for services and goods delivered by private person and companies to the state</p> <p>1.1.5. Stabilize trading of government securities, to trade through stock exchange and to increase involvement of brokerage firms</p>	<p>Law on Budget 2017, Consilated Budget Framework of 2017 and Law on Budget Assumptions of 2018-2019, Government resolution and Order of the Minister of Finance</p>	<p>To reduce the share of the consolidated budget deficit in the GDP and keep it lower than 9,9% in 2017</p>	<p>First half of 2017-2018</p>	<p>Government and FRC</p>

Appendix 2-2 Economic Recovery Plan

<p>1.1.6. Protect the domestic market through tariffs or non-tariff measures, to support domestic procurement and services through policies and establish legal framework</p> <p>1.1.7. Make the stock market more accessible and improve the legal framework enabling public participation</p> <p>1.1.8. Provide support to entities that providing permanent or temporary job places through tax or loan policies</p> <p>1.1.9. Access the concluded and ongoing projects and programs implemented as concessions, adopt a list of projects and measures to be carried out and make information about the implementation mechanisms available for the investors</p>				
<p>1.2. Implement monetary policy to decrease balance of payments pressures and maintain the stability of inflation rates:</p> <p>1.2.1. Create a legal environment for specialized asset management institutions</p> <p>1.2.2. Implement a flexible interest rate policies for economic growth and macro-economic sustainability and keep indicators for banking</p>	<p>Government resolution, order of Finance Minister, Order of President of Mongol Bank</p>	<p>Increased foreign currency reserves</p>	<p>2017</p>	<p>Government, Mongol Bank and FRC</p>

<p>system at appropriate level</p> <p>1.2.3. Not to increase MNT supply at times of temporary increase of foreign currency inflow and to follow the principle of maintaining short and mid term foreign currency reserve</p> <p>1.2.4. Evaluate the use of loans provided by the Development Bank, and the Fund for SME Development as well in the frame of “Price Stabilization” program and report the results</p> <p>1.2.5. Carry on with the 8% mortgage loan program and develop the mortgage loan insurance to a long term insurance product</p> <p>1.2.6. Establish an Investment Fund for long term financing of large projects supporting economic growth</p> <p>1.2.7. Provide support to national exporters through implementing a National Export Program and creating an export insurance product</p>				
<p>1.3. Increase the inflows of foreign currencies and determine financial sources for repayment of foreign debts due in the short term</p> <p>1.3.1. Renew and implement “Gold” program</p>	<p>Government resolution, order of Finance Minister, Order of President of Mongol Bank</p>	<p>Increased foreign direct investment and an environment enabling</p>	<p>First half of 2017 and 2018</p>	<p>Government and Mongol Bank</p>

<p>1.3.2. Develop and implement a plan for the repayment and refinancing of bonds of the Government and the Development Bank</p> <p>1.3.3. Assess the contingent liabilities of the government, Mongol Bank and Development Bank and take measures for risk prevention</p> <p>1.3.4. Hold consultative meetings with partner countries, international banks and financial institutions and attract long term, low rate financial resources</p> <p>1.3.5. Improve the legal framework for FDI and establish an environment for long term sustainable operation</p> <p>1.3.6. Create an Council for Protecting the Rights of Investors</p> <p>1.3.7. Make the banking and financial system transparent and accessible and improve the legal conditions for opening up branches of foreign banks</p> <p>1.3.8. Provide support and intensify implementation of projects with completed feasibility studies and certain investors.</p> <p>1.3.9. Improve the legal framework for protecting</p>				
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the legal rights of investors				
STRATEGY 2. RESTRUCTURING THE ECONOMY IN THE MID TERM TO FACILITATE SUSTAINABLE GROWTH AND ALLEVIATE DEBT PRESSURES				
<p>2.1. Increase export income from the non-mining sector and lay out the foundations for economic diversification.</p> <p>2.1.1. Introduce advanced technology in civil aviation service and increase route navigation facility charges through increasing number of transit flights.</p> <p>2.1.2. Expand the trade with the neighboring countries and improve the service through strengthening cooperation between the state organizations in the border zone and capacity of the port.</p> <p>2.1.3. Establish temporary stay and service facilities along the main tourism routes</p> <p>2.1.4. Establish legal framework for conducting casino operations</p> <p>2.1.5. Create a legal framework for horse race betting</p> <p>2.1.6. Support domestic production of constructions materials substituting imports through policy</p> <p>2.1.7. Intensify production of food and agricultural products and increase consumption of import</p>	Government resolution	Production and export of non mining sector is increased.	First half of 2017-2018	Government

Appendix 2-2 Economic Recovery Plan

<p>substituting products</p> <p>2.1.8. Continue on with the “Atriin Ayan III” and serve the domestic demand for grain, potatoes and other main vegetables with domestic production</p> <p>2.1.9. Modify the “Healthy Livestock” program and establish legal framework</p> <p>2.1.10. Modify the “Wool” program and implement</p> <p>2.1.11. Develop software and hardware production for the international market</p> <p>2.1.12. Develop and implement a policy enabling for citizens to work abroad temporarily</p> <p>2.1.13. Establish a greenhouse complex for the purpose to meet the demand for fresh vegetables and to support domestic production</p> <p>2.1.14. Improve the international rating indexes for Mongolia such as credit rating, business environment, competitiveness, FDI etc.</p>				
<p>2.2.Start with implementing large projects supporting real sector growth and intensify infrastructure development</p> <p>2.2.1.Таван толгойн бүлэг ордыг ашиглах, Таван толгойн 450 МБТ-ын</p>	<p>Parliament degree and government resolution</p>	<p>Intensified large projects on infrastructure development</p>	<p>First half of 2017-2018</p>	<p>Government</p>

<p>цахилгаан станц, Гацууртын алтны орд, Дулааны III цахилгаан станцын 250 МВТ-ын өргөтгөл, Чойбалсангийн ДЦС-ын 50 МВТ-ын өргөтгөл зэрэг төслүүдийг хэрэгжүүлэх;</p> <p>Implement projects such as Utilisation of Tavan Tolgoi deposits, Tavantolgoi 450MW power plant, Gatsuurt Gold Deposit and expansion of 3rd Thermal Power Plant and the Choibalsan Power Plant by 250MW and 50MW etc.</p> <p>2.2.2. Provide support in construction of rail roads “Tavantolgoi-Gashuun Sukhait”, “Nariin Sukhait-Shiveekhuren”, “Zuunbayan-Khangj”, “Erdenet-Ovoot”, “Khuut-Bichigt” start construction of “Bogd Khan” rails road</p> <p>2.2.3. Construct new power plants, power transmission lines, sub-stations and expand the existing ones for securing the reliability of operations in the energy sector</p> <p>2.2.4. Improve the livelihood of families through supporting development of SME alongside of major projects, and specialized clusters</p> <p>2.2.5. Modify the urban development plan for the</p>		<p>and economic real growth 5.1% in 2018 and 7.1% in 2019 and reduced unemployment through creation of new job places</p>		
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Appendix 2-2 Economic Recovery Plan

<p>city to be established alongside the new international airport in ‘Khushig Valley’ and start with implementation</p>				
<p>2.3. Strengthen the responsible governance for economic growth and establish sustainable legal environment.</p> <p>2.3.1. Establish a legal framework that prohibiting the increase of limits set in the Draft State Budget Laws /budget deficit, revenue, expenditure and debt ceiling etc./ proposed by the Government in the course of parliamentary sessions</p> <p>2.3.2. Align the central bank’s governance structure to international standards, strengthen the independency of Mongol Banks’ Management, improve execution of monetary policy, amend the Law on Central Bank for the purpose of clarifying its activities</p> <p>2.3.3. Amend and adopt the Law on Foreign Currency Regulation for better regulation of foreign currency flows.</p> <p>2.3.4. Amend the Law on Legal Status of the FRC for redefinition of its status as an institute for policy coordination in diversification of the financial market and</p>	<p>Монгол Улсын хууль, Улсын Их Хурлын тогтоол, Засгийн газрын тогтоол, Сангийн сайдын тушаал, Хөдөлмөр, нийгмийн хамгааллын сайдын тушаал</p> <p>Law of Mongolia, Degree of Parliament, Government resolution, orders of Ministry of Finance and Ministry of Labor and Social Protection</p>	<p>Improved ranking of Mongolia in International Governance</p>	<p>First half of 2017-2018</p>	<p>Government, Mongol Bank and FRC</p>

<p>assessment and prevention of risks</p> <p>2.3.5. Revise and adopt the Law on the Development Bank of Mongolia and carry out reorganization for enhancing the relations between the Development Bank and the State Budget, reducing risks, improving the governance, transparency and reporting, expanding the areas of interventions as well as strengthening its independency</p> <p>2.3.6. Develop and adopt a National Program for Development of Financial Market of Mongolia till 2025</p> <p>2.3.7. Reduce the number of special licenses issued by the state to businesses by third and eliminate duplications in controlling by specialized inspection, social insurance and other law enforcement organisations</p> <p>2.3.8. In the frame of reform of civil service, create a legal environment for specialized, responsible and sustainable compact government structure and composition</p> <p>2.3.9. Open-up opportunities for unemployed citizens to find short term jobs through</p>				
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Appendix 2-2 Economic Recovery Plan

<p>employment services and get paid immediately afterwards</p> <p>2.3.10. Conduct short term vocational trainings based on labour market demand and supply analysis and prepare the workforce</p>				
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Appendix 3
List of project in related area by international donors

Donor Name	GIZ
Project Name	Integrated Mineral Resource Initiative II
Type	
C/P	Ministry of Industry, NDA
Total Cost	€ 5,150,000.00
Duration	2014 - 2020
Implementing Org.	
In-charge person	Dr.Dr.h.c. Stefan Hanselmann (Program Director)
Project Goal	The ability of national and local partner institutions to promote inclusive and sustainable growth based on mineral resource wealth is improved.
Project activity	<p>The initiative comprises three fields of activity:</p> <ol style="list-style-type: none"> 1.Sustainable location development in mining regions 2.Macroeconomic management of a resource-based market economy 3.Supporting the agreement between Germany and Mongolia on cooperation in the field of mineral resources <p>The project pursues a multi-stakeholder and multi-level approach. It strengthens the partner ministries' capacity for macroeconomic management of a resource-based economy. Assistance is provided to media representatives, universities, and the private sector to enable them to promote the economic discourse. The project adopts an integrated approach to location development in the region: dialogue platforms and capacity development measures are implemented and the stakeholders are enabled to improve their participation in economic, social, and political discourse and development.</p>
Source	https://www.giz.de/projektdaten/projects.action?request_locale=en_EN &pn=201421304

Appendix 3
List of project in related area by international donors

Donor Name	Europe Aid
Project Name	Economic Governance for Equitable Growth (EG4EG)
Type	Services
C/P	MOF, MoPDSP
Total Cost	€ 3,394,000.00
Duration	Feb 15-Feb 18
Implementing Org.	GIZ
In-charge person	Mr.Peter Potier
Project Goal	<p>The overall objective of the project is to strengthen the economic governance of revenues from Mongolia's mineral wealth towards sustainable development.</p> <p>The specific objective of the project is to strengthen institutional capacities of selected key Ministries within the Mongolian administration to enhance revenue generation and public service delivery, emphasising the efficient and effective management and utilization of revenues from the mining sector for equitable growth.</p>
Project activity	<p>The main expected results of the current project are:</p> <p>Component 1 – Technical Assistance (TA) to the MoED Result 1: Institutional strategic planning and coordination capacity of the MoED towards an efficient and effective management and utilisation of revenues from the mining sector for equitable growth, strengthened.</p> <p>Component 2 – Technical Assistance (TA) to the MoF Result 2: Institutional capacity of the MoF in terms of strategic planning, revenue forecasting, improved taxation and financial models, aiming at the extractive industries, strengthened.</p> <p>Component 3 - Technical Assistance (TA) to the MOPDSP Result 3: Institutional capacities of the MoPDSP to enhance service delivery, emphasising on the development and implementation of a sustainable, balanced, efficient and effective social protection framework, utilising revenues from the mining sector, strengthened.</p>
Source	http://ec.europa.eu/europeaid/projects/economic-governance-equitable-growth-eg4eg_en

Appendix 3
List of project in related area by international donors

Donor Name	World Bank
Project Name	Third Sustainable Livelihoods Project
Type	
C/P	MOF
Total Cost	\$36,200,000.00
Duration	2014-2018
Implementing Org.	
In-charge person	Helene Monika Carlsson Rex
Project Goal	The objectives of the Third Sustainable Livelihoods Project for Mongolia are to improve governance and community participation for the planning and delivery of priority investments in rural areas of Mongolia.
Project activity	<p>The project comprises 3 components.</p> <p>Component 1: Capacity building for local governance and livelihoods Aims to build the capacity at local and national levels for the implementation and further development of the Government's program and mechanisms for support rural development. At the local level, provide training and technical assistance in the areas of medium-term planning, community participation, budget preparation, procurement, supervision, reporting and monitoring and evaluation. At the national level, provide technical support to central public administrative organizations.</p> <p>Component 2: Good governance performance-based support program, includes budget preparation and adoption, budget execution, accounting, reporting, internal and external control and public scrutiny. Particular importance will be given to citizen participation. This will also carry out annual performance assessments.</p> <p>Component 3: Project management and monitoring and evaluation Supports the implementation structure, financing of staff costs, related expenditures, monitoring and evaluation, procurement, and financial management.</p>
Source	http://projects.worldbank.org/P125232/third-sustainable-livelihoods-project?lang=en&tab=overview

Appendix 3
List of project in related area by international donors

Donor Name	World Bank
Project Name	Multi-Sectoral Technical Assistance Project
Type	TA
C/P	MOF
Total Cost	\$12,000,000.00
Duration	2010-2017
Implementing Org.	
In-charge person	Taehyun Lee
Project Goal	<p>The objectives of this TA loan are to: (i) improve budget preparation, public investment planning, and public financial management; (ii) strengthen social policy planning and implementation for the poor and vulnerable; and (iii) stabilize the financial sector.</p>
Project activity	<p>The Project comprises three major components in line with the focus of the government's development objectives as well as with DPC1 and DPC2. These include: (i) strengthening budget preparation, public investment planning, and public financial management; (ii) social protection reform; and (iii) stabilizing the financial sector.</p> <p>The Project will also include a project management component to effectively carry out the implementation and daily project administrative work.</p>
Source	http://projects.worldbank.org/P119825/mongolia-multi-sectoral-technical-assistance-project?lang=en

Appendix 3
List of project in related area by international donors

Donor Name	KOICA
Project Name	The Project for the Medium Term Fiscal Planning Capacity Building and Improvement of Fiscal Management E-system in Mongolia
Type	
C/P	MOF (Department of Budget Investment & Fiscal Planning)
Total Cost	
Duration	Dec 2015 - Jul 2018
Implementing Org.	
In-charge person	
Project Goal	
Project activity	<p>Topic 1: Legal and Institutional Frameworks of MTEF</p> <p>Topic 2: Procedural Reform of MTEF for Better Fiscal Coordination</p> <p>Topic 3: Capacity Building for Macro-Economic Forecasting and Aggregate Fiscal Management</p> <p>Topic 4: Prioritization of Public Investments and Management of Fiscal Projects</p> <p>Topic 5: Rearrangement of the Organizational Structure for Better Fiscal Management</p> <p>Topic 6: Building Information Systems for Improving MTEF's Credibility</p>
Source	n.a.

Appendix 3
List of project in related area by international donors

Donor Name	ADB
Project Name	Transparency and Efficiency in Public Financial Management
Type	TA
C/P	MOF (Budget Investment)
Total Cost	\$1,100,000.00
Duration	Nov 2014-Nov 2016
Implementing Org.	ADB
In-charge person	Ms.Uchimura, ADB
Project Goal	Completed preparation for (i) a public investment information management and monitoring platform including PMPPI and PIMIS, and (ii) an e-taxation system
Project activity	<p>Component 1: Improve Transparency and Efficiency in Public Investment</p> <ol style="list-style-type: none"> 1. Analysis of integrated system management for the functional and secured platform with policy recommendations and a system management manual 2. Capacity development for relevant officials and ICT personnel; and enhancement of public awareness and understanding of the PMPPI with development of a general users guideline 3. Pilot testing support with an assessment and an action plan for full implementation <p>Component 2: Electronic Taxation System</p> <ol style="list-style-type: none"> 1. Diagnostic assessment of the current ICT system for electronic tax administration with development of an investment and action plan for full implementation of an e-taxation system 2. Analysis of workflow management to control an entire e-taxation system, and manage data and information risks 3. Capacity building for relevant officials and ICT personnel with development training materials
Source	https://www.adb.org/projects/47200-001/main#project-overview

RESOLUTION OF THE GOVERNMENT OF MONGOLIA

2017 January 04

No. 5

Ulaanbaatar

Re: Formulating General Plan for
Mongolia's Population Settlement

In order to ensure the implementation of the Sustainable development concept of Mongolia – 2030, Green development policy, and the Action plan of the Government of Mongolia 2016-2020, the followings are RESOLVED by the Government of Mongolia on the basis of the Provision 1 of Article 30 of Law on Government and the 6.1.3 and 15.1.1 of Urban Development Law:

1. To approve the members of the National committee which is responsible for organizing formulation and approval of the General Plan for Mongolia's Population Settlement by the Appendix;
2. To oblige G.Munkhbayar, Minister of construction and urban development, to organize the works to prepare the draft of the General Plan for Mongolia's Population Settlement and to submit to the National committee for discussion;
3. To oblige B.Choijilsuren, Minister of finance, and G.Munkhbayar, Minister of construction and urban development, to appropriate funds to formulate the plan specified in the 1 of this resolution in the state budget of 2018 and 2019, include in the projects and programs to be implemented by foreign and international organizations, and to fund the formulation of the plan by other resources;
4. With the approval of this resolution, the resolution "Formulating General Plan for Mongolia's Population Settlement" of the Government of Mongolia numbered 141 dated 2014 May 03 shall be invalid.

Prime Minister of Mongolia

J.ERDENEBAT

Minister of Construction and Urban Development

G.MUNKHBAYAR

MEMBERS OF THE NATIONAL COMMITTEE WHICH IS RESPONSIBLE FOR
ORGANIZING FORMULATION AND APPROVAL OF THE GENERAL PLAN FOR
MONGOLIA'S POPULATION SETTLEMENT

- | | |
|-----------------|---|
| Director | - Prime Minister of Mongolia |
| Deputy director | - Minister of Construction and Urban Development |
| | - Governor of the Capital city and Mayor of Ulaanbaatar city |
| Members: | - Deputy director in charge of local affairs of the Cabinet Secretariat of the Government of Mongolia |
| | - State secretary of the Ministry of Environment and Tourism |
| | - State secretary of the Ministry of Foreign Affairs |
| | - State secretary of the Ministry of Finance |
| | - State secretary of the Ministry of Justice and Internal Affairs |
| | - State secretary of the Ministry of Defense |
| | - State secretary of the Ministry of Education, Culture, Science and Sport |
| | - State secretary of the Ministry of Road and Transportation |
| | - State secretary of the Ministry of Mining and Heavy Industry |
| | - State secretary of the Ministry of Labor and Social Protection |
| | - State secretary of the Ministry of Food, Agriculture and Light Industry |
| | - State secretary of the Ministry of Energy |
| | - State secretary of the Ministry of Health |
| | - Head of National Development Agency |
| | - President of the Academy of Science |
| | - Head of the Communications, Information and Technology Agency |
| | - Head of the General Agency of State Registration and Intellectual Property |
| | - Head of the National Agency for Meteorology and Environment Monitoring |
| | - Head of the General Agency for Border Protection |
| | - Head of the Civil Aviation Authority |
| | - Head of the Immigration Agency |
| | - Head of the General Archival Agency |
| | - Head of the Mineral Resources and Petroleum Authority |
| | - Head of Agency of Land Management, Geodesy and Cartography |
| | - Head of National Emergency Management Agency |
| | - Director of Geo Ecological Society |
| Secretary | - State secretary of the Ministry of Construction and Urban Development |



МОНГОЛ УЛСЫН ЗАСГИЙН ГАЗРЫН ТОГТООЛ

2017 оны 1 дүгээр
сарын 4-ний өдөр

Дугаар 5

Улаанбаатар
хот

“Монгол Улсын хүн амын нутагшилт,
суурьшлын хөгжлийн ерөнхий
төсөл” боловсруулах тухай

Монгол Улсын тогтвортой хөгжлийн үзэл баримтлал-2030, Ногоон хөгжлийн бодлого, Засгийн газрын 2016-2020 оны үйл ажиллагааны хөтөлбөрийн зорилтыг хэрэгжүүлэх зорилгоор Засгийн газрын тухай хуулийн 30 дугаар зүйлийн 1 дэх хэсэг, Хот байгуулалтын тухай хуулийн 6.1.3, 15.1.1-д заасныг үндэслэн Монгол Улсын Засгийн газраас ТОГТООХ нь:

1. “Монгол Улсын хүн амын нутагшилт, суурьшлын хөгжлийн ерөнхий төсөл”-ийг боловсруулан батлуулах ажлыг удирдан зохион байгуулах үүрэг бүхий Үндэсний хорооны бүрэлдэхүүнийг хавсралт ёсоор баталсугай.
2. Монгол Улсын хүн амын нутагшилт, суурьшлын хөгжлийн ерөнхий төслийг боловсруулах ажлыг шуурхай зохион байгуулж, Үндэсний хороогоор хэлэлцүүлэхийг Барилга, хот байгуулалтын сайд Г.Мөнхбаярт даалгасугай.
3. Энэ тогтоолын 1 дүгээр зүйлд заасан төслийг боловсруулахад шаардагдах хөрөнгийг 2018, 2019 оны улсын төсөвт тусган гадаад орон, олон улсын байгууллагаас хэрэгжүүлэх төсөл, хөтөлбөрт хамруулж, холбогдох бусад эх үүсвэрээс санхүүжүүлэх арга хэмжээ авахыг Сангийн сайд Б.Чойжилсүрэн, Барилга, хот байгуулалтын сайд Г.Мөнхбаяр нарт даалгасугай.
4. Энэ тогтоол гарсантай холбогдуулан “Монгол Улсын хүн амын нутагшилт, суурьшлын хөгжлийн ерөнхий төсөл боловсруулах тухай” Засгийн газрын 2014 оны 5 дугаар сарын 3-ны өдрийн 141 дүгээр тогтоолыг хүчингүй болсонд тооцсугай.



Монгол Улсын Ерөнхий сайд

Ж.ЭРДЭНЭБАТ

Барилга, хот байгуулалтын сайд

Г.МӨНХБАЯР

"МОНГОЛ УЛСЫН ХҮН АМЫН НУТАГШИЛТ, СУУРЫШЛЫН ХӨГЖЛИЙН
ЕРӨНХИЙ ТӨСӨЛ"-ИЙГ БОЛОВСРУУЛАН БАТЛУУЛАХ АЖЛЫГ
УДИРДАН ЗОХИОН БАЙГУУЛАХ ҮҮРЭГ БҮХИЙ
ҮНДЭСНИЙ ХОРООНЫ БҮРЭЛДЭХҮҮН

Дарга	-Монгол Улсын Ерөнхий сайд
Дэд дарга	-Барилга, хот байгуулалтын сайд; -Нийслэлийн Засаг дарга бөгөөд Улаанбаатар хотын захирагч.
Гишүүд:	-Засгийн газрын Хэрэг эрхлэх газрын орон нутгийн асуудал хариуцсан дэд дарга; -Байгаль орчин, аялал жуулчлалын яамны Төрийн нарийн бичгийн дарга; -Гадаад харилцааны яамны Төрийн нарийн бичгийн дарга; -Сангийн яамны Төрийн нарийн бичгийн дарга; -Хууль зүй, дотоод хэргийн яамны Төрийн нарийн бичгийн дарга; -Батлан хамгаалах яамны Төрийн нарийн бичгийн дарга; -Боловсрол, соёл, шинжлэх ухаан, спортын яамны Төрийн нарийн бичгийн дарга; -Зам, тээврийн хөгжлийн яамны Төрийн нарийн бичгийн дарга; -Уул уурхай, хүнд үйлдвэрийн яамны Төрийн нарийн бичгийн дарга; -Хөдөлмөр, нийгмийн хамгааллын яамны Төрийн нарийн бичгийн дарга; -Хүнс, хөдөө аж ахуй, хөнгөн үйлдвэрийн яамны Төрийн нарийн бичгийн дарга; -Эрчим хүчний яамны Төрийн нарийн бичгийн дарга;

- Эрүүл мэндийн яамны Төрийн нарийн бичгийн дарга;
- Үндэсний хөгжлийн газрын дарга;
- Шинжлэх ухааны академийн ерөнхийлөгч;
- Харилцаа холбоо, мэдээллийн технологийн газрын дарга;
- Улсын бүртгэл, оюуны өмчийн ерөнхий газрын дарга;
- Цаг уур, орчны шинжилгээний газрын дарга;
- Хил хамгаалах ерөнхий газрын дарга;
- Иргэний нисэхийн ерөнхий газрын дарга;
- Иргэний харьяалал, шилжилт хөдөлгөөний ерөнхий газрын дарга;
- Архивын ерөнхий газрын дарга;
- Ашигт малтмал, газрын тосны газрын дарга;
- Газар зохион байгуулалт, геодези, зураг зүйн газрын дарга;
- Онцгой байдлын ерөнхий газрын дарга;
- Геоэкологийн хүрээлэнгийн захирал.
- Барилга, хот байгуулалтын яамны Төрийн нарийн бичгийн дарга.

Нарийн бичгийн
дарга