



# Social protection assessment based national dialogue: Definition and cost of a social protection floor in Mongolia



HEALTH EDUCATION WATER SOCIAL TRANSFERS

SANITATION

CHILDREN

FAMILY

PARTICIPATE

OLD-AGE

**FOOD**

CO-OPERATING  
ACTIVE-AGE

PROTECTION

SECURITY

INFORMING

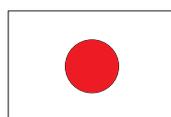
COUNTRY OWNERSHIP

HOUSING





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based national dialogue:  
Definition and cost of  
a social protection floor in Mongolia**



ILO/Japan  
Multi-bilateral  
Programme



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# **Social protection assessment based national dialogue: Definition and cost of a social protection floor in Mongolia**

*Description of existing social security and social protection schemes for each of the four social protection floor guarantees, identification of policy gaps and implementation issues, recommendations, rapid costing exercise to estimate the cost of completing the social protection floor*

Celine Peyron Bista (ILO), Lkhagvademberel Amgalan (ILO), Baigalmaa Sanjjav, and Batsukh Tumurtulga produced the report on behalf of the United Nations and Government of Mongolia joint Social Protection Working Group.

In addition to the four authors, Cheng Ong Boon provided support to the estimation of the cost of the social protection floor in Mongolia.

## Foreword

Driven mainly by the mining sector, the Mongolian economy has grown rapidly in recent years, at an average of more than 9 per cent per year for the last decade. The benefits of economic growth have been uneven, and while poverty has declined somewhat, almost 30 per cent of the population still lives below the national poverty line. Enhancing social protection is therefore vital to ensure that rapid economic growth is inclusive and improves the lives of all people, especially the poor and the vulnerable.

The Government of Mongolia, particularly the Ministry of Population Development and Social Protection, and the Ministry of Labour, has recognized the importance of implementing a national social protection floor as a way of reducing poverty and ensuring inclusive growth in the country.

In September 2013 the Ministry of Population Development and Social Protection launched the assessment based national dialogue (ABND) on social protection and employment support in Mongolia.

The ABND was completed in September 2014, with the support of the United Nations (UN) Country Team. It aims to set common priorities that can define and help estimate the cost of a social protection floor in Mongolia. It also creates a basis for the holistic development of social protection, and will provide a way of measuring progress towards extending social protection to all. The ABND offers an analytical and monitoring framework to measure progress made towards implementing a social protection strategy and reducing poverty.

The UN recognizes that improving social protection is an effective way for a country to reduce national poverty and promote social and economic development and put economic growth prospects on a more sustainable footing. Recently, and particularly since the 2008–09 global financial crisis, social protection has attracted renewed global attention as a way of mitigating the negative impact of economic shocks and providing a catalyst for economic and social development.

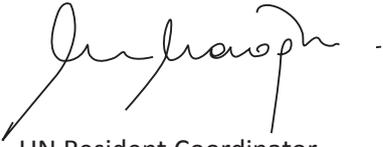
In April 2009 the UN Chief Executive Board adopted the Social Protection Floor Initiative as one of its responses to the global financial crisis. This decision reflected a global commitment to extending a minimum level of social protection and access to social services to all. Since then this idea has received global endorsement, notably at G20 meetings in France in 2011 and in Mexico in 2012, and by the International Labour Conference which adopted the Social Protection Floors Recommendation, 2012 (No. 202). Establishing a social protection floor will also be one target of the Sustainable Development Goals, relating to the post 2015 development agenda.

A social protection floor aims to provide a universal minimum level of social benefits and services, guaranteeing – at least – access to essential health-care services; education, care and nutrition for children; and income security for those of working age, older people and people with disabilities. The social protection floor framework also provides an opportunity for all UN agencies, development partners and international financial institutions to work together to extend social protection and improve the delivery of social benefits and services.

Many countries in the Asia Pacific region, including Afghanistan, Cambodia, India, Indonesia, Myanmar, Nepal, Pakistan, Philippines, Solomon Islands, Thailand, Vanuatu and Viet Nam, have adopted the social protection floor concept when designing their national social protection policies and strategies, and used the ABND tool to set priorities for their implementation.

We hope that the results of the ABND exercise, in particular the policy recommendations presented in this report, will provide useful guidance towards the development of a plan to complete the social protection floor in Mongolia, and that some of these recommendations will be translated into action. We are confident that the participatory approach adopted throughout the exercise has contributed to raising awareness among line ministries, representatives of workers and employers, civil society organizations, and UN agencies about the social protection floor concept, its relevance for Mongolia, and the importance of a coordinated approach to social protection development.

Sezin Sinanoglu



UN Resident Coordinator  
UNDP Resident Representative for Mongolia

Tim De Meyer



Director of the ILO Country Office for  
China and Mongolia

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The Project on social protection and employment promotion in Mongolia is an extension of technical assistance the International Labour Organization (ILO) provided to ASEAN Member States with financial support from the Government of Japan.

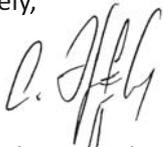
Through the assessment based national dialogue, organized with the support of the United Nations and in particular the ILO project on social protection and employment promotion in Mongolia, the current social security systems of Mongolia were assessed to determine whether they ensured the four basic guarantees of a social protection floor in accordance with the ILO Social Protection Floors Recommendation, 2012 (No. 202).

At a critical moment in Mongolia's history as the population of the country reached 3 million, it is a great achievement to successfully conduct the assessment of a nationally defined social protection floor and reach a consensus among all parties in order to ensure that 1) all residents have access to a nationally defined set of affordable essential health care services; 2) all children enjoy income security through transfers in kind or in cash ensuring access to nutrition, education and care; 3) all those in active age groups who cannot earn a sufficient income enjoy a minimum income security through social transfers in cash or in kind or employment guaranteed schemes ; and 4) all residents in old age have income security at least at the level of the nationally defined poverty line through pensions for old age or transfers in kind.

The results of this project include projections of the cost of ensuring medium and long term social protection to the population and reducing poverty and unemployment. It is expected that the projections will make a significant contribution to the development of evidence-based social protection policies in the future.

I would like to thank the members of the United Nations and Government joint Social Protection Working Group, and particularly the ILO project steering committee which consisted of representatives of the Ministry of Population Development and Social Protection, the Ministry of Labour, the Mongolian Employers' Federation, the Confederation of Mongolian Trade Unions and other stakeholders for their cooperation in this effort to summarize the current situation of social security and define the social protection floor in Mongolia.

Sincerely,



H.E. Sodnomzundui Erdene

Member of Parliament, Minister for Population Development and Social Protection

## Acknowledgement by the Ministry of Labour

Since September 2013 the Government of Mongolia has been organizing the assessment based national dialogue on social protection and employment promotion with the assistance of the United Nations. I would like to thank the United Nations and Government joint Social Protection Working Group for their cooperation in the national consultations and for providing valuable recommendations to expand social protection and social protection floor in Mongolia.

The Government, notably the Ministry of Labour, is working to involve the working age population and vulnerable citizens in the employment promotion programmes and provide employment services for them. The Ministry of Labour is also working to provide the elderly and the disabled with social pensions and benefits, thus increasing the level of income, ensuring social protection floor and improving the level of guaranteed income.

Over the past ten years successive policy reforms to increase decent employment and promote employment opportunities for target populations have been implemented in the labour sector and clear positive outcomes are emerging. Some notable examples include programmes and measures to support the self-employed to start cooperatives; promote employment opportunities for herders, people with disabilities and young people; and provide income support for senior consultants.

Furthermore, a greater degree of attention is needed for measures to implement the social protection floor recommendations, which were defined through the assessment based national dialogue in Mongolia. Of particular importance are employment promotion measures for young herders, the provision of vocational education for young people and workplaces that offer permanent income sources, and measures to increase social insurance coverage.

I do believe that enthusiastic cooperation will bring better results as we establish effective and systematic linkages between social protection measures and active labour market policies and programmes.

Respectfully,



H.E. Sodnom Chinzorig

Minister for Labour

## Acknowledgement by the authors

The authors used the ILO Assessment Based National Dialogue (ABND) Good Practices Guide (2013) as a reference for the ABND exercise in Mongolia.

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The authors would like to thank the MPDSP and particularly its Department of Social Protection Policy Implementation and Coordination and Employment Policy Implementation and Coordination Department of the MOL for their leadership in conducting the ABND and providing valuable comments on this report.

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# Executive summary

## Has Mongolia achieved a social protection floor?

Extending social security and establishing a minimum social protection floor has become a priority in Mongolia.

The social protection floor is a basic set of rights and transfers that enables and empowers all members of a society to access a minimum of goods and services at all times. It promotes income security through a basic set of guarantees: (i) all residents have access to a nationally defined set of affordable essential health-care services; (ii) all children enjoy income security through transfers in kind or in cash ensuring access to nutrition, education and care; (iii) all those in active age groups who cannot (or should not, in case of pregnancy) earn a sufficient income enjoy a minimum income security through social transfers in cash or in kind, or employment guaranteed schemes ; and (iv) all residents in old age have income security at least at a nationally defined minimum level through old-age pensions or transfers in kind.

The initiative to establish a social protection floor invites all United Nations (UN) agencies together with the International Financial Institutions and non-government organizations (NGOs) to jointly support government, social partners and other stakeholders in their efforts to extend social protection in a coordinated manner. The assessment based national dialogue (ABND) on social protection and employment promotion offers a framework to engage all stakeholders on social protection, identify policy gaps and implementation issues, and reach a consensus on recommendations for extending social protection provisions in order to guarantee the social protection floor as a minimum to all residents.

The cost of the proposed provisions to complete a social protection floor was estimated and projected over a five-year period using the ILO Rapid Assessment Protocol (RAP). This costing exercise can serve as a basis for discussions on fiscal space and government budget reallocations, and in turn help prioritize different social protection policy options.

From July 2013 to December 2014, the Government, notably the Ministry of Population Development and Social Protection (MPDSP) and UN Country Team for Mongolia facilitated the ABND on social protection and employment promotion.

The national dialogue participants concluded that Mongolia is not yet equipped with a complete social protection floor, i.e. a set of policies and measures that guarantee income security and access to essential social services by everyone in the country. In order to achieve a nationally defined social protection floor, participants in the national dialogue emphasized the importance of maintaining the principle of universality already applied to certain guarantees (access to health, maternity benefits and children protection among others) and pursue efforts to extend universal coverage of other benefits (old-age pension for instance), arguing against some considerations for limiting benefits to only certain groups as an approach to contain social protection expenditures. The participants concluded that introducing means-tested eligibility criteria on certain social protection benefits would be detrimental to the level of protection offered to people and would jeopardize recent progress in reducing poverty.

The ABND participants reached a consensus on the following key recommendations to shape the social protection floor of Mongolia.

**Guarantee 1 on health:** Social health insurance coverage is mandatory and nearly universal; however effective access to quality health care remains a challenge for many in rural areas. For instance, a recent drop by 6 per cent in social health insurance coverage (compared to 2011 when the Government

subsidized all contributions) may indicate customer dissatisfaction with services lowering the incentive to contribute. High out-of-pocket (OOP) expenses and inefficient services provided by public hospitals discourage voluntary participation in social health insurance and prevent participants from accessing adequate health care. The main recommendation is to improve quality, accessibility and availability of health services.

**Guarantee 2 for children:** General education (up to upper secondary or 12 years of education) and health care are provided free of charge to all children. Effective access to education is guaranteed by sufficient and free-of-charge boarding schools. The Child Money Programme (CMP), universal since 2012, ensures that all children from age 0–18 years receive a minimum income guarantee. The main recommendations of the child guarantee are to maintain subsidies on social health insurance contributions for all children and universality of the child allowance, rather than introducing means-tested eligibility criteria that would not bring significant saving to justify excluding the large majority of children, including those poor due to exclusion errors a cost comparison is available in the second part of the report). Further recommendations include safeguarding the universality of the CMP in legislation and indexing the allowances to the cost of living; increasing the quality of nutrition in preschools; and improving access to quality social services by promoting social workers services especially among children with special needs.

**Guarantee 3 for people of working age:** Participation in the voluntary social insurance system remains low and integration between income support programmes (e.g. social welfare programmes and unemployment benefits) and employment promotion measures is weak. To complete the social protection floor for the working age population, the main recommendations are: introducing incentive mechanisms (e.g. subsidies on contributions) to increase social insurance coverage among herders and self-employed workers; increasing the replacement rate of maternity benefits for women covered under the voluntary social insurance scheme; and establishing effective and systematic linkages between social insurance and active labour market programmes (e.g. skills training).

**Guarantee 4 for older persons:** While the participation of private and public employees to the old-age social insurance pension is high, only 23.4 per cent of herders, self-employed and informal economy workers contribute to the voluntary social insurance scheme, despite repeated efforts to increase coverage. Therefore, the ABND recommends introducing a subsidy on the contribution (50 per cent was proposed) of herders, self-employed and informal economy workers to contribute and converting the scheme into a mandatory one that would require improved enforcement mechanisms. The development of a more holistic approach to long-term care should also be considered.

### **Definition of a social protection floor for Mongolia**

The UN/G Social Protection Working Group estimated the cost of different scenarios for the social protection floor in Mongolia. The exercise only considered the cost of the cash benefits and certain social services such as the cost of subsidies on social insurance, tax-funded social protection programmes (social welfare benefits and services, and CMP for instance), indexation of existing benefits, among others. Those benefits constitute the social protection expenditures of the State budget of Mongolia. In addition, the cost estimate included the cost of new active labour market policies for target groups, namely young herders, beneficiaries of unemployment insurance and those receiving a disability pension for the employment injury insurance.

The different scenarios nourished discussions on what would be a recommendable and affordable definition of the social protection floor for Mongolia, during a national dialogue in September 2014.

**Table 1. Definition of a social protection floor for Mongolia**

Guarantee	Component of the social protection floor	Already in place, to be improved	New programme
Health	Universal health insurance coverage, with a full subsidy of the contribution for vulnerable group and herders	✓	
	Quality, available and affordable health care for all throughout the country, with efforts to improve supply and services in rural areas	✓	
Children	Universal and free general education, including free boarding schools	✓	
	Universal CMP, safeguarded by a law and automatically indexed to the cost of living	✓	
	Improved early-child nutrition through a higher meal allowance indexed to the cost of living for all children attending kindergarten (2–5 years old)	✓	
	Improved environment to ensure the development and fundamental rights of children of herder families		✓
Working age	Universal social insurance coverage for sickness, maternity and working injury, with subsidized contribution for herders, self-employed and informal economy workers (50 per cent subsidized by the State budget)		✓
	Replacement rate of maternity benefits at 100 per cent for all workers, including herders, self-employed and informal economy workers.	✓	
	Reinforced Employment Promotion Programmes (EPPs) and introduction of a specific programme for young herders	✓	
	Return to work and retraining programmes for victims of working accident and occupational disease, and unemployment insurance.		✓
Guarantee	Component of the social protection floor	Already in place, to be improved	New programme
Older persons	Three pillar pension system composed of:		
	- Universal basic pension indexed to the cost of living		✓
	-Mandatory social insurance old-age pension coverage, with subsidized contribution for herders, self-employed and informal economy workers (50 per cent subsidized by the State budget) -Supplementary pension plans.		
	Create an integrated benefits and services package, including a long term care system for older persons, based on existing social welfare programmes to provide cash or in-kind assistance to poor older persons		✓

Source: UN/G Social Protection Working Group, 2014.

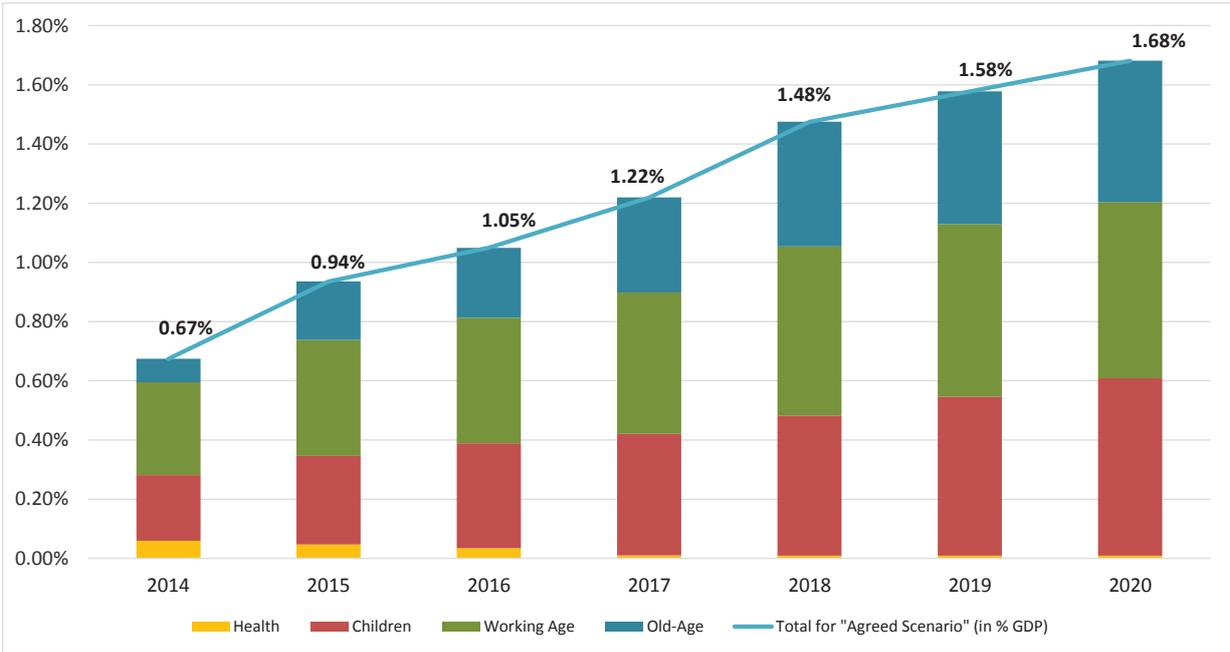
**Cost of a social protection floor in Mongolia**

It would cost an additional **0.94 per cent of GDP to achieve the agreed social protection floor in Mongolia in 2015 rising annually to 1.68 per cent by 2020**, on top of the already allocated social protection expenditures (figure 1). Because universal social health insurance has almost been achieved already, additional investment would mainly reinforce social protection and nutrition of children, enhance income security and employability of the working age group and ensure old-age protection. By 2020, the additional cost to complete a social protection floor will be spread as follows: 0.60 per cent for achieving the children guarantee, 0.60 per cent for the working age guarantee, and 0.48 per cent for the older persons guarantee.

The continued increase in the cost of a social protection floor in Mongolia is mainly due to the assumption that in the next five years the coverage under social insurance would become universal, 100 per cent of all labour force, with a large share of the population receiving subsidies on their contributions. The cost tends to remain constant once the full coverage has been reached. Increase in the social protection floor cost is mainly due to assumptions on inflation that have been including in salary projections.

The cost of a social protection floor in Mongolia would be around **4.7 per cent of GDP in 2020**, which still falls below the global average public social protection expenditure rate of 6.0 per cent (figure 2).<sup>1</sup>

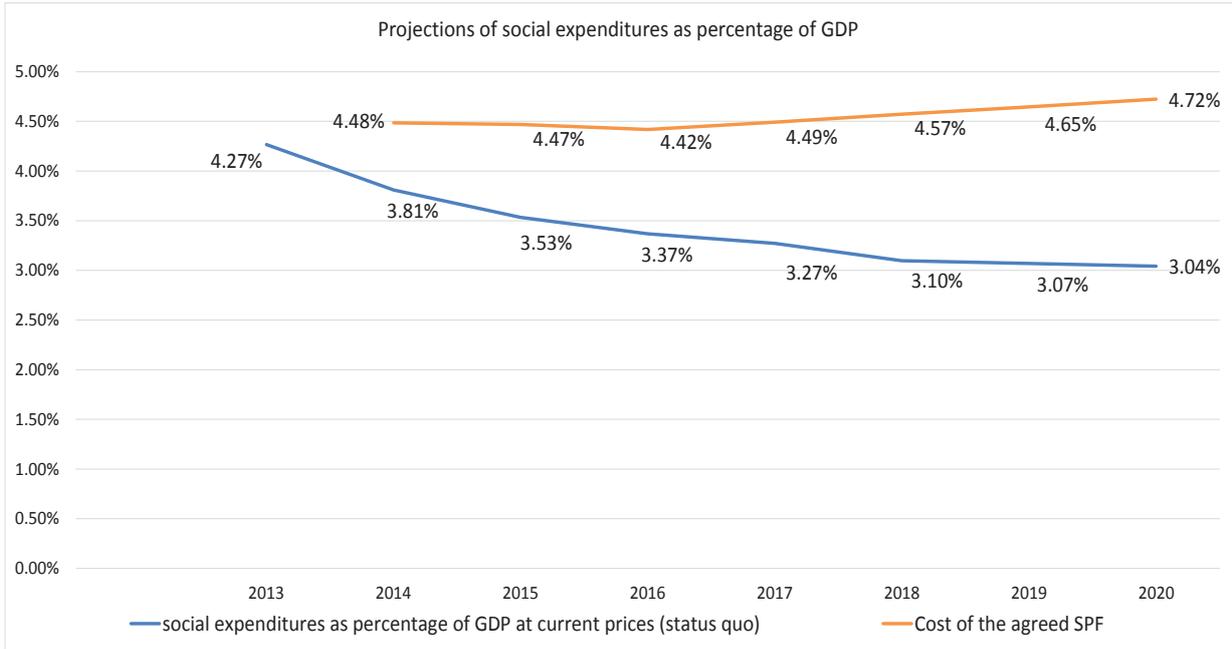
**Figure 1. Results of the additional cost estimate for completing a social protection floor in Mongolia, per guarantee**



Source: ILO RAP calculations, 2015.

1 ILO: *World Social Security Report 2014-2015* (Geneva, 2014) Table B.13.

**Figure 2. Projected cost of a social protection floor compared to the projected cost of social expenditures as percentage of GDP (2014-20)**



Source: ILO RAP calculations, 2015.

In comparison, between 2007 and 2011, social protection expenditures in Mongolia oscillated between 6.6 and 9.5 per cent of GDP, when the government introduced a number of cash transfers to all citizens of Mongolia. The additional cost to complete the social protection floor by 2020 would represent 1.7 per cent of GDP above the status quo of social expenditures. In other words, a social protection floor would cost 44,650 tugrik (MNT) per month per capita in 2020, or US\$22.50,<sup>2</sup> which would represent an additional expenditure of \$8 per month per capita to achieve a social protection floor in Mongolia by 2020.

This cost includes all social protection expenditures already committed, the indexation of social welfare benefits to the cost of living, subsidies on social insurance contributions and some additional programmes that would complete the social protection floor in Mongolia.

The additional social protection spending could be financed either by using revenues of the Human Development Fund or by increasing the fiscal space. In parallel, the increase in social insurance contributions (covering all herders, self-employed and informal economy workers) should reduce the recurrent deficit of the social insurance fund, now financed by the State’s budget.

**Conclusions of the ABND in Mongolia**

The additional cost in terms of social expenditures to ensure that everyone in Mongolia has access to income security and basic social services would be only 1.68 per cent of GDP by 2020, bringing social expenditures to 4.72 per cent of GDP. The social protection floor would guarantee universal health insurance with subsidies for all vulnerable groups and herders to ensure effective access to health care; improve nutrition at preschool; maintain and index the current universal child allowance, in

<sup>2</sup> Exchange rate of 16 Mar. 2015: US\$1 = MNT1985.6

addition to already existing free general education (until upper secondary school); introduce universal social insurance coverage, including old-age pension, with subsidized contribution for all herders, self-employed and informal economy workers; and finally establish targeted and effective employment promotion programmes, particularly for young herders. Nevertheless, an effective social protection floor for all will also require strong commitment by the government to improve coordination, quality and delivery of social protection benefits and social services. Those recommendations are part of the definition of a social protection floor for Mongolia although estimating the cost of improving social services infrastructures would require more in-depth feasibility and actuarial studies.

### Methodological note

The main function of the assessment based national dialogue is to discuss social protection with all key stakeholders in the country – the Mongolian Government, social partners, civil society organizations, academia, the United Nations (UN) Country Team and other development partners. The primary objective is to identify priority areas for government intervention in the field of social protection and to support informed decision-making towards the development of the national social protection floor.

The assessment, which is the first step of the exercise, includes an inventory of existing schemes and identifies some design gaps and implementation issues for each scheme. The analysis, however, is cursory and cannot replace a comprehensive study of the management and the governance of these schemes.

The assessment generates quantitative and qualitative recommendations for filling in the gaps. For the first type (“Additional provisions to complete the social protection floor in Mongolia and guarantee income security across the life cycle”) the joint United Nations and Government Social Protection Working Group was able to calculate and project the cost of the proposed additional provisions. For the second and the third types (“Structural reforms of the social security system” and “Improved operations of existing schemes and quality of services”), additional in-depth feasibility studies are needed to provide solid recommendations to the Government. These studies will be part of subsequent policy and technical support activities by the ILO and other UN agencies.

The costing part, which is the second step of the exercise, uses the ILO Rapid Assessment Protocol (RAP) which follows a logical analytical sequence and allows for: 1) flexibility in the design of benefits; 2) adaptable projections depending on the data available; and 3) estimates of future costs of cash transfer elements.

However, the RAP only considers the cost of the cash benefits and certain social services such as the cost of subsidies on social insurance, tax-funded social protection programmes (social welfare benefits and services, and CMP for instance), indexation of existing benefits, among others. Those benefits constitute the social protection expenditures of the State’s budget. In addition, the RAP used to estimate the social protection floor in Mongolia includes cost of new active labour market policies for target groups, namely young herders, beneficiaries of unemployment insurance and those receiving a disability pension for the employment injury insurance.

Nevertheless, some of the cash entitlements of the social protection floor in Mongolia can be implemented only if there are adequate social services infrastructure and staff. For example, guaranteeing effective access to essential health care would require both universal social health insurance coverage, as well as sufficient and quality health care facilities and personnel throughout the country. Such infrastructure is, however, by international standards, not part of current social protection expenditures on cash

benefits and certain social services, and has not been included in the cost calculations related to the social protection floor in Mongolia.

The results of the RAP costing exercise do not replace in-depth feasibility and actuarial studies that will be required to project more accurately and over a longer period of time the cost of cash benefits and social services, as well as the infrastructure and staff needed to implement a social protection floor in Mongolia.

## Abbreviations

ABND	assessment based national dialogue
ALMP	Active Labour Market Policies
CMP	Child Money Programme
CMTU	Confederation of Mongolian Trade Unions
CPI	Consumer Price Index
DB	defined benefit
EPP	employment promotion programmes
GDP	gross domestic product
HDF	Human Development Fund
HIO	Health Insurance Organization
ILO	International Labour Organization
IMF	International Monetary Fund
MED	Ministry of Economic Development
MNT	Mongolian tugrik
MOECS	Ministry of Education, Culture and Science
MOF	Ministry of Finance
MOL	Ministry of Labour
MONEF	Mongolian Employers' Federation
MPDSP	Ministry of Population Development and Social Protection
MSL	minimum subsistence level
MTFF	Medium Term Fiscal Framework
NAC	National Authority for Children
NDC	notionally defined contributions
NGO	non-governmental organization
NSO	National Statistical Office
OOP	out-of-pocket (payments for health care)
RAP	Rapid Assessment Protocol
PAYG	pay-as-you-go
PWD	people with disabilities
SHI	Social Health Insurance
SIGO	Social Insurance General Office
SPF	Social Protection Floor
SWGO	Social Welfare General Office
WHO	World Health Organization
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
WHO	World Health Organization





## 1. Introduction

Mongolia is a land locked country in Central Asia bordering China in the south, and Russia in the north. In 2013, it has a population of nearly 2.9 million and is divided into 21 *aimags* (provinces) and the capital city, Ulaanbaatar. Over 60 per cent of the population resides in urban areas. The capital city houses over one million residents, leaving the rest of the country with a population density of fewer than two inhabitants per squared kilometre.

*Aimag* populations range between 14,500 and 118,000. Each *aimag* is subdivided into *soums*, including the *aimag* centre, and *soums* are subdivided into *baghs*. There are 330 *soums* in Mongolia and 1,592 *baghs*. *Bagh* residents mainly lead a nomadic lifestyle migrating seasonally with their herds in extremely severe weather. Ulaanbaatar is divided into nine districts which are further subdivided into 152 *khoroos*.<sup>3</sup>

The country continues to experience cycles of socio-economic and political transition. The system of government changed from socialism to multiparty democratic rule following a revolution in 1990 and Mongolia began a transition from State ownership to a free market economy. While herding and agriculture remain the backbone of the rural economy with about 30 per cent of the population herding livestock, the mining industry now constitutes over one fifth of the gross domestic product (GDP). The sale of cashmere and wool provides a link between rural economies and manufacturing and export industries.

In recent years Mongolia has witnessed significant economic progress. GDP growth averaged nearly 9.0 per cent annually in 2004–08 largely backed by high copper price and new gold production. Recovering quickly from the global financial crisis in 2008–09, the economy recorded double digit growth in the last

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<sup>3</sup> Report of the Capital city Statistics Department, 2013.

three years.<sup>4</sup> This remarkable growth record has contributed to poverty alleviation, reducing the poor (living below the poverty line) from 38.7 per cent of the population in 2010 to 27.4 per cent in 2012.<sup>5</sup>

The economy is still concentrated in only few sectors. Mineral commodities account for about 80 per cent of national exports and mining provides around 40 per cent of total government revenue. High dependence on mining revenues exposes the country to fluctuations in the external environment and the benefits of economic growth have not been equitably distributed across the population; the urban centre of Ulaanbaatar benefitting the most from the recent double digit GDP growth.

Adequate social protection is important for improving productivity and fostering the transition to a market economy. Before the transition, social services such as medical care, pensions and disability insurance and maternity benefits were fully State-funded and provided to everyone. During the transition period the vulnerable groups of the society such as the elderly, people with disabilities, orphans and individuals with low education and skills were the most affected by the adverse effects of transitional reforms. In the process of privatization many workers, including herders, found employment opportunities only in the informal economy.

Since 1995, a new social security system was initiated in Mongolia. The current social protection system consists of three key elements: social welfare services and assistance, employment promotion programmes and social insurance. Social protection expenditures<sup>6</sup> in Mongolia accounted for 9.5 per cent of GDP in 2009, but accounted for 4.3 per cent of GDP in 2013.

The social protection floor concept promoted by the United Nations (UN) provides a relevant framework for describing social security, social protection and poverty alleviation programmes in Mongolia, coordinating interventions and identifying the necessary measures to establish a more holistic, rights-based and systemic social protection. The assessment based national dialogue (ABND) on social protection and employment promotion measures is a relevant tool for mapping the situation, drawing recommendations for the further development of social protection provisions to establish a minimum social protection floor for all the population. The ABND is also completed by a rapid costing exercise to estimate the cost of introducing additional social protection provisions. Stakeholders involved in the ABND exercise include line ministries, social partners, civil society, academia, UN agencies, other development partners and relevant bilateral donors engaged in social protection.

Recognizing the importance of ensuring at least a social protection floor, the Government of Mongolia sought support from the UN Country Team to embark on the ABND. In July 2013, a joint United Nations and Government Social Protection Working Group, chaired by the ILO, was formed to support the process which was officially launched by the Ministry of Population Development and Social Protection (MPDSP) and the UN Country Team in September 2013.

The present report offers the results of the ABND. The first part recalls the concept and methodology adopted in Mongolia. The second part shares the results of the mapping of the social protection situation in Mongolia and agreed recommendations to realize the social protection floor. Finally, the third part informs on the cost estimate of a social protection floor for Mongolia, using the ILO Rapid Assessment Protocol (RAP), before concluding with steps for the effective implementation of the recommendations and the achievement of a social protection floor in Mongolia.

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4 National Statistical Office of Mongolia: *Statistical Yearbook, 2008–2013 editions (Ulaanbaatar, 2013)*.

5 National Statistical Office of Mongolia: *Mongolia Yearbook 2013 (Ulaanbaatar, 2013)*.

6 Social expenditures include social welfare expenditures, subsidies to the social insurance, and social transfers from the Human Development Fund.

## 2. Context and process

In April 2009, the High Level Committee on Programmes of the United Nations (UN) Chief Executives Board adopted the social protection floor as one of its joint initiatives to face the financial and economic crisis and accelerate recovery. This initiative supports countries in planning and implementing sustainable social protection strategies that include social benefits and essential social services. As this objective transcends the mandate of any single body or agency, the initiative built a global coalition of UN agencies (the Food and Agriculture Organization of the United Nations, Office of the High Commissioner for Human Rights, United Nations Programme against HIV/AIDS, United Nations Department of Economic and Social Affairs, United Nations Development Programme (UNDP), United Nations Education, Science and Cultural Organization, United Nations Education, Science and Cultural Organization, United Nations Human Settlements Programme, Office of the United Nations High Commissioner for Refugees, United Nations Children’s Fund (UNICEF), United Nations Office on Drugs and Crime, UN Regional Commissions, United Nations Relief and Work Agency for Palestine Refugees in the Near East, World Food Programme and World Meteorological Organization), the International Monetary Fund (IMF) and the World Bank, as well as development partners and leading non-governmental organizations (NGO). Establishing a social protection floor is part of Target 1.3 of the forthcoming Sustainable Development Goals.<sup>7</sup>

At its 101st session, the International Labour Conference adopted the Social Protection Floors Recommendation, 2012 (No. 202) which reaffirms the role of social security as a human right and a social and economic necessity, and provides guidance on building social protection floors within progressively comprehensive social security systems. Recommendation No. 202 was adopted almost unanimously (453 votes in favour and one abstention) reaffirming the commitment by all ILO member States to extend social protection. Recognizing the crucial role of social protection in social and economic development and notably in combating poverty, vulnerability and social exclusion, and realizing decent work for all, the Conference also adopted the “Resolution concerning efforts to make social protection floors a national reality worldwide,”<sup>8</sup> which invites governments, employers, and workers to jointly give full effect to Recommendation No. 202 as soon as national circumstances permit.

Social protection floors are nationally defined sets of rights and transfers that enable and empower all members of a society to access a minimum of goods and services at all times. They can be composed of:

- essential services, which refer to geographical and financial access to services such as water and sanitation, adequate nutrition, health, education, and housing; and
- essential transfers, which refer to cash and in-kind transfers to the poor and the vulnerable to provide a minimum income and health security.

The social protection floor takes a holistic approach, calling for access to a minimum set of goods and services for all age groups, but with particular attention to marginalized and vulnerable groups (such as ethnic minorities and people with disabilities). Once a social protection floor has been established, countries may then choose to progressively extend to their populations higher levels of social protection (e.g. by expanding free primary education to include free secondary and pre-primary education or by increasing levels of benefits through a mix of non-contributory and contributory schemes.)

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<sup>7</sup> <http://www.socialprotectionfloor-gateway.org/216.htm>

<sup>8</sup> ILO: “Resolution concerning efforts to make social protection floors a national reality worldwide”, in *Provisional Record No. 14*, International Labour Conference, 101st Session (Geneva, 2012).

The social protection floor promotes income security through a basic set of guarantees that aim to create a situation in which:

- a nationally defined set of goods and services, constituting essential health care, including maternity care, meet the criteria of availability, accessibility, acceptability and quality;
- all children enjoy basic income security at least at the level of the nationally defined poverty line, ensuring access to nutrition, education, care and any other necessary goods and services;
- all those in active age groups who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability, enjoy basic income security at least at the level of the nationally defined poverty line; and
- all residents in old age enjoy basic income security at least at the level of the nationally defined poverty line.

Defining the components as guarantees gives flexibility to define the social protection floors based on national contexts and existing social protection systems. The four guarantees set minimum performance or outcome standards with respect to the access, scope and level of income security and health care in national social protection systems rather than prescribing a specific architecture of national social protection systems. While not all countries will be able to immediately put in place all components for the whole population, the social protection floor provides a framework to plan a progressive implementation that ensures a holistic vision of the social protection system and that exploits synergies and complementarities between different components.

The social protection floor also serves as a tool for gender empowerment. Globally, women are disproportionately represented among the poor and the vulnerable. They face many legal and social constraints that limit their access to formal employment, productive assets and better-remunerated work or to equal remuneration with male counterparts. Women tend to be confined to more casual, insecure, and hazardous forms of work and self-employment, particularly in the informal economy, with no or only limited access to social protection. The social protection floor, which aims at extending basic social protection to those who are currently excluded, has great potential to redress existing gender imbalances. In societies where women are expected to take on caring roles, social transfers are also found to be particularly important supports.

While Asia and the Pacific have made considerable economic progress in the last two decades and have lifted millions out of poverty, not all populations have benefitted from these gains. Millions of people are still poor, left in vulnerable employment, deprived of basic rights and exposed to increased risks due to changing domestic economic patterns, global economic crises and climate change. This threatens to reverse hard-won human development gains of the past decade. Given this context, it is not surprising that social protection, which refers to a range of policy instruments for ensuring that the rights of all people to income security and access to a minimum level of social services are realized, is high on the policy agenda in the region. Recently, at the sixty-seventh session of the UN Economic and Social Commission for Asia and the Pacific in May 2011, Member States passed a resolution on “Strengthening social protection systems in Asia and the Pacific”.

## 3. Assessment based national dialogue: Objectives, methodology and process

### 3.1. Objectives

To support the implementation of social protection floors in Asia, the ILO has elaborated methodological guidelines to undertake a participatory process to design national social protection floors. The methodology of the assessment based national dialogue (ABND) methodology consist on:

- assessing the social protection floor's elements already in place and the coverage gaps in a country;
- identifying the policy options to fill the gaps to complete a social protection floor, and estimating the cost of its implementation; and
- endorsing the identified policy options at the national level.

The ABND methodology, process and tools were tested in Cambodia, Indonesia, Thailand and Viet Nam from 2011 to 2013. Based on the Asian experience, the Assessment based national on social protection: A good practices guide has been developed.<sup>9</sup> Together with Mongolia, Lao PDR, Myanmar and the Philippines are currently conducting a similar exercise, as well as Kyrgyzstan and Mozambique.

The main objectives of the ABND on social protection are:

1. to contribute to the national dialogue on social protection with all key stakeholders in the country, including the Government of Mongolia, social partners, civil society organizations, academia, and the UN Country Team, while raising awareness on the social protection floor concept and increasing capacities in policy formulation and planning;
2. to identify priority areas for government intervention in the field of social protection and the necessary measures for the establishment of a more comprehensive, rights-based and systemic social protection floor in Mongolia;
3. to support informed decision-making towards the future development of the national social protection floor while ensuring that the proposed new schemes and benefits do not threaten the financial sustainability of the social security system as a whole;
4. to define the partnership and action plan on social protection between the Government of Mongolia and the UN system; and
5. to serve as a baseline information against which the future and progressive realization of the social protection floor in Mongolia can be monitored in the framework of the National Economic and Social Development Plan.

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<sup>9</sup> V. Schmitt and L. De: *Assessment based national dialogue: Good practices guide* (ILO, 2013).

### 3.2. Generic methodology and process

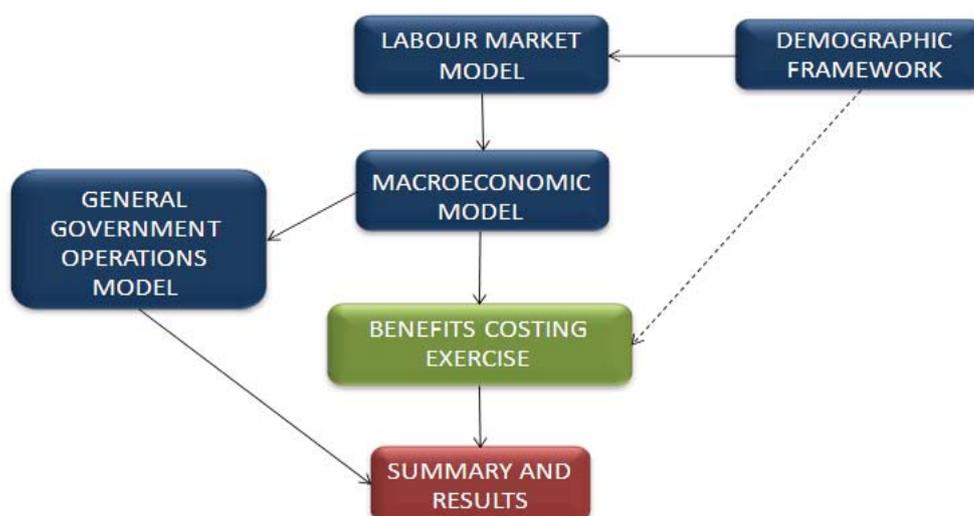
The assessment describes existing social security schemes and social protection programmes, and identifies policy gaps and implementation issues for each of the four basic guarantees mentioned above. This assessment helps to draw recommendations for the further design and implementation of social protection provisions to reach a minimum social protection floor for all the population. The subsequent rapid costing exercise estimates the cost of introducing these additional social protection provisions. The assessment based national dialogue (ABND) on social protection and employment promotion consist of three steps outlined below.

**STEP 1 – Development of the assessment matrix** – An assessment matrix containing an inventory of existing social security, social protection, active labour market and poverty alleviation programmes for each of the four guarantees is developed and validated by all stakeholders engaged in social protection, e.g. line-ministries, social partners, civil society and development partners. The matrix helps to identify policy gaps, implementation issues and recommendations for the design and implementation of further social protection provisions with the aim of guaranteeing the social protection floor to the whole population.

**STEP 2 – Cost estimate** – The cost of the proposed social protection provisions are estimated and projected over a ten-year period (depending on national statistics available) using the ILO RAP, depicted in figure 3. This costing exercise can serve as a basis for discussions on available fiscal space, government budget reallocations and the prioritization of different social protection policy options.

**STEP 3 – Finalization and endorsement** – The final recommendations, supported by their cost estimate, for extending social protection and establishing at least a social protection floor in the country are shared at higher levels of the government for national endorsement. The report approved by the government will serve to prepare for the next steps, which may include feasibility studies for the design of new schemes, expansion of existing schemes and establishment of coordination mechanisms.

Figure 3. RAP model structure



Source: Schmitt and De, 2013.

Table 2 provides an overview of the information provided by the ABND process, and the steps that can be taken based as a result.

**Table 2. Scope of the ABND**

Questions answered by ABND	
What is the situation?	Descriptions of existing schemes, laws, and regulations for each of the four guarantees.
How far are we from the full realization of the social protection floor?	A comparison of existing schemes with the social protection floor framework – Does the entire population have access to health care and income security? Are the benefits adequate?
What should we do to complete the social protection floor?	Recommendations for new or extension of existing social protection provisions.
How much will it cost to implement a social protection floor?	Cost calculations of the additional social protection provisions using the RAP protocol, cost estimates relative to GDP and government revenues and expenditures, and the incorporation of estimated costs into government budget projections, providing preliminary indications of the affordability of proposed social protection provisions.
Implementation guidance provided by ABND	
How to finance the new social protection provisions?	Recommendations on how to finance the new provisions through reallocation of government expenditures, increases in the fiscal space, or other means.
What will the return on investment be?	Analysis of the impact of social protection provisions to reduce poverty and inequality, increase employability, productivity and economic growth; and eventually an assessment of the rate of return on investments in the social protection floor.
How to advocate for the recommendations?	Development of social marketing and communication strategies to advocate for the implementation of the recommendations among the general public, civil society organizations, workers and employers, the parliament and the Government.

Source: Schmitt and De, 2013

### The ABND process in Mongolia

From July 2013 to December 2014, the UN/Government (UN/G) Social Protection Working Group engaged line ministries, government agencies, UN agencies, social partners, civil society organizations, academia, and other relevant stakeholders in the assessment of the social protection situation in Mongolia, to identify policy gaps and implementation issues, and draw appropriate policy recommendations for the achievement of a comprehensive social protection floor in Mongolia.

The ABND process in Mongolia was based on:

- literature review of studies, reports, laws, regulations and statistical reports;
- bilateral consultations, technical workshops and a wide range of national consultations to share the results at each step, gather inputs and seek feedback, as well as enhance a national dialogue among the Government, social partners, civil society organizations and academia;
- policy consultations and training workshops to develop capacities;
- establishment of the UN/G Social Protection Working Group; and
- reinforcement of policy dialogue and coordination between the UN system, line ministries, academia and civil society organizations.

This section summarizes the activities conducted under each of the three steps of the assessment process.

## STEP 1 – Development of the assessment matrix

**Desk review:** From July 2013 to September 2013, the ILO compiled a comprehensive inventory of existing social security, social protection programmes for each of the four guarantees, mainly through desk review. The UN/G Social Protection Working Group reviewed and endorsed the preliminary assessment matrix to be presented during the first national dialogue of the ABND process.

**National dialogue No. 1:** The preliminary assessment matrix was presented and reviewed at the *Launch Workshop of the ABND* on 5 September 2013,<sup>10</sup> which was attended by more than 50 representatives from the ministries, social partners, civil society organizations, academia, and the UN Country Team. Some of the key points of policy gaps and implementation issues were raised from this workshop to further design and implement social protection provisions with a view to close gaps in the social protection floor.

**Bilateral consultations:** From September to November 2013, the UN/G Social Protection Working Group, led by the ILO, conducted bilateral consultations for stock-taking of existing social protection schemes and related laws and regulations for each of the four guarantees and validation of the matrix by the Ministry of Population Development and Social Protection (MPDSP), the Ministry of Labour (MOL), Ministry of Health (MOH) (at the time of the consultations), Ministry of Finance (MOF), the Social Insurance General Office (SIGO), Social Welfare Services General Office, state and local organizations at the *aimag* and *soum* levels (in Uvurkhangaï and Bayankhongor), Mongolian National University, Academy of Public Management, the Mongolian Employers Federation, and the Confederation of Mongolian Trade Unions.

**National dialogue No. 2:** The revised assessment matrix including a number of key findings of policy gaps and implementations issues, as well as recommendations was presented and validated at the *Assessment Matrix Validation Workshop* on 5 December 2013.<sup>11</sup> More than 60 representatives from the ministries, social partners, civil society organizations, academia and the UN Country Team attended the second dialogue. Concrete policy recommendations emerged from this meeting to further design and implement social protection provisions with a view to close gaps in the social protection floor.

**Finalization of the matrix:** Based on the inputs from the two national dialogues, the assessment matrix and the legal framework were finalized.

## STEP 2 – Costing using the ILO RAP

**Scenarios:** The priority recommendations were discussed and translated into “costable” scenarios, namely specific social protection provisions that need to be introduced or further expanded to fill the gaps during the UN/G Social Protection Working Group meeting on 13 March 2014. Participants included 13 experts from MPDSP, MOL and UN (ILO, UNICEF, UNDP, WHO).

**Costing:** On behalf of the UN/G Social Protection Working Group, the ILO consultant gathered all information and data such as population data, labour participation rates, economic indicators, and government budgets necessary to conduct the cost calculation of the proposed scenarios. The MAPS project undertook the cost calculations and projections over the 2015–20 period for the proposed provisions using the ILO RAP.

**National dialogue No. 3:** The scenarios were presented and reviewed at the third national dialogue *Assessing the cost of SPF: Methodology and Preliminary Results* on 2 May 2014.<sup>12</sup> In addition an introduction to the RAP methodology and the preliminary results were shared with the stakeholders.

10 Meeting content is available at <http://www.social-protection.org/gimi/gess/ShowProjectPage.do?pid=2287.2013>).

11 Meeting content is available at <http://www.social-protection.org/gimi/gess/ShowProjectWiki.action?wiki.wikid=2202.2013>).

12 Meeting content is available at <http://www.social-protection.org/gimi/gess/ShowProjectWiki.action?wiki.wikid=2419>.

The feedback and comments of the workshop were used for final calculations of the social protection floor using the ILO RAP.

**Training on the RAP:** In addition, the ILO organized a hands-on training course on 30 April 2014 called *How to Cost and Finance Social Protection Schemes*. About 25 participants from the Government, representatives of workers and employers, civil society and academia were familiarized with the ILO RAP developed for Mongolia.

### **STEP 3 – Finalization and endorsement**

**Endorsement of RAP results:** The final results of RAP costing were consolidated by the UN/G Social Protection Working Group on 9 September 2014, which was attended by representatives of ILO, UNICEF, WHO and UNDP.

**National dialogue No. 4:** On 11 September 2014, the UN/G Social Protection Working Group organized the fourth dialogue *Assessment Based National Dialogue Workshop: Final Results and Recommendations to the Government*,<sup>13</sup> gathering representatives from the Government, social partners, civil society organizations, academia, and the UN Country Team shared the results of the costing exercise and discussed the next steps, e.g. identification of possible measures to increase the fiscal space for financing social protection, improved integration of policies on the social protection floor and its delivery, and further steps for obtaining endorsement of the final report by the UN Country Team, Government and social partners. Among other follow-up actions, the fourth dialogue decided on preparing a campaign video “Why social protection is important to me?” and a possible monitoring framework for measuring the effective implementation of the ABND recommendations and realization of the social protection floor.

**Drafting of the report:** The ILO, in its position of chair of the UN/G Social Protection Working Group drafted the full report during the period from September to December 2014. Early December 2014, the report was circulated among the UN/G Social Protection Working Group for review and comments. Publication of the report is expected by March 2015.

**Advocacy:** After the launch of the report (tentatively April 2015), the advocacy work should be continued to seek for the inclusion of some recommendations in national development plans and social protection policies and effective implementation.

Figure 4 provides a pictorial representation of the ABND process in Mongolia.

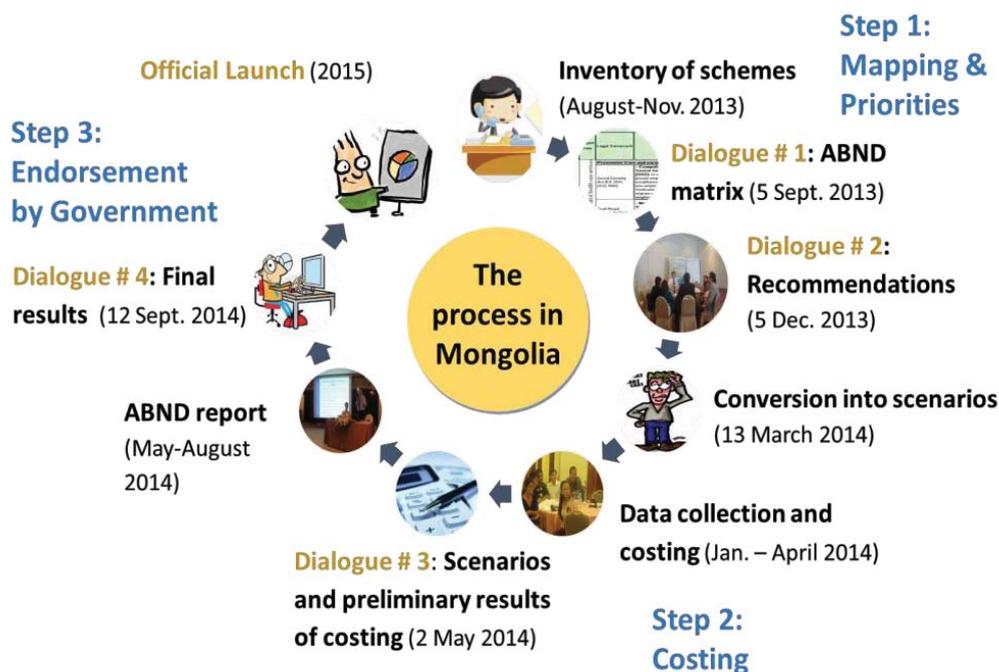
The recommendations agreed through the national dialogue were discussed against the principles and parameters of the international labour standards related to social security, and in particular:

- Social Protection Floors Recommendation, 2012 (No. 202);
- Social Security (minimum standards) Convention, 1952 (No. 102);
- Employment Injury Benefits Convention, 1964 (No. 121);
- Invalidity, Old-age and Survivors Benefits Convention, 1967 (No. 128);
- Maternity Protection Convention, 2000 (No. 183); and
- Equality of Treatment (Social Security) Convention, 1962 (No. 118).

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<sup>13</sup> Meeting content is available at <http://www.social-protection.org/gimi/gess/ShowProjectWiki.action?wiki.wikid=1569>.

Figure 4. The ABND process in Mongolia



Source: UN/G Social Protection Working Group, 2015.

### 3.3. Overview of the national social protection context

#### Fast economic growth

Mongolia has experienced remarkable economic growth over the last decade. After the 2008–09 global financial crisis, national GDP grew by double-digit percentages and economic growth was perceived as the main poverty reduction instrument. The impressive overall economic performance contributed to a sharp decline in poverty levels, and the national statistics office reported that the total poverty rate fell from 38.7 per cent of the total population in 2010 to 27.4 per cent in 2012.

The main economic and political challenges in Mongolia are linked to ensuring steady growth through the boom and bust cycles likely to impact this resource-dependent economy. Double-digit economic growth over the past few years — 2011 witnessed 17.3 per cent GDP growth — was based on investment in and production and export of minerals. Mongolia is a major producer of several minerals including copper, gold, zinc, fluor spar and coal. With extensive reserves, it has the potential to increase production considerably.

However, Mongolia has suffered ongoing setbacks to its economic advancement. Indeed, growth steadily slowed from 17.3 per cent in 2011 to 11.7 per cent in 2013. Both the International Monetary Fund (IMF) and World Bank (WB) estimate GDP will decline to 9.5 per cent in 2014; and, depending on Mongolian policy decisions, forecasts for 2015 range from a high of 12 per cent to as low as 2 per cent. The IMF cites loose fiscal and monetary policies as likely causes for negative economic adjustment.

The poverty rate is unacceptably high for a country undergoing rapid economic growth. Insufficient access to health and other basic services, natural disasters, lack of employment opportunities, inequalities in regional development and a mismatch between education and the demand of the labour market have been identified as some of the underlying causes of poverty.

**Social protection, a recognized priority in Mongolia**

Mongolia already has in place a well-ramified social security system, with a compulsory social insurance scheme extended to herders, self-employed and informal workers on a voluntary basis. The country is also equipped with mandatory social health insurance, universal child allowance and a number of social welfare programmes, as well as recent laws to expand employment promotion and local development programmes. However, current development in Mongolia and over-dependence on the mining sector may pose a threat to sustained economic growth and continuity of social policies. In addition, the administration and delivery of social security benefits and employment services across a very sparsely populated country remains challenging, leaving more than 75 per cent of herders, self-employed and informal economy workers with insufficient income security.

In this context, the government of Mongolia has measured the critical importance of strengthening social policies and establishing a minimum social protection floor to close urban and rural development disparities.

**Overview of the social protection system in Mongolia**

The current social protection system of Mongolia consists of three key elements: social welfare scheme (both targeted and universal); social insurance; and employment promotion services, as shown in figure 5.

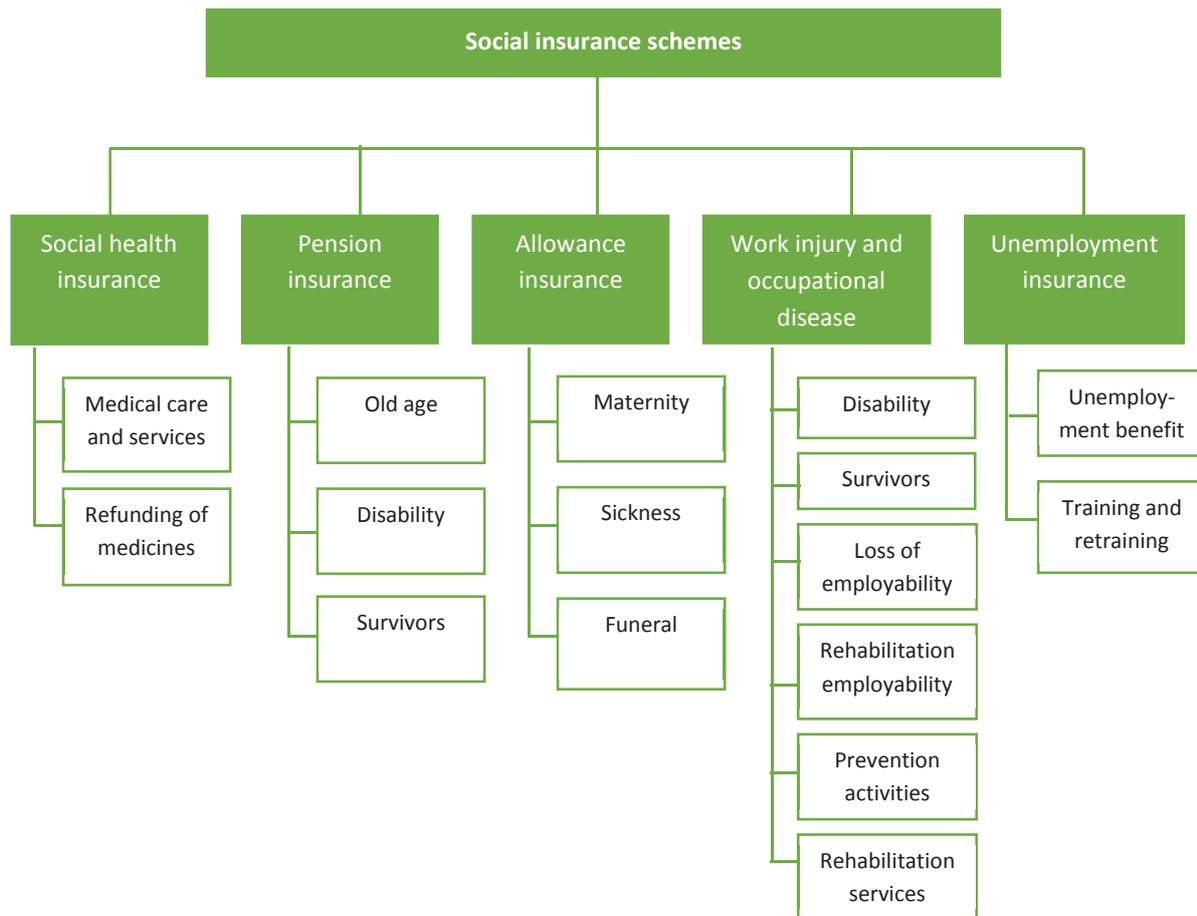
**Figure 5. Overall structure of the social protection system in Mongolia**



Source: Ministry of Social Welfare and Labour, Social security sector strategy paper, 2003.

The Mongolian social insurance system is based on contributory payments by insured workers and their employers and provides for a number of benefits. The social insurance consists of five schemes and is depicted in figure 6.

**Figure 6. The social insurance schemes of Mongolia**



Source: SIGO, The package law on social insurance, 1994.

Government officials, Mongolian and foreign citizens and stateless people employed on the basis of labour contract are required to contribute to the social insurance on a mandatory basis while herders, informal economy and self-employed shall be insured voluntarily. Recent data on the size of the economically active population and participation in mandatory and voluntary insurance schemes are provided in table 3.

**Table 3. Number of insured under the social insurance scheme (in thousands)**

	2010		2011		2012		2013	
	Male	Female	Male	Female	Male	Female	Male	Female
Economically active population	628 870	531 085	635 034	567 732	654 144	597 080	668 590	608 115
<i>Social insurance categories</i>								
Insured under mandatory scheme	270 183	278 279	315 963	310 241	357 526	348 959	387 235	379 580
Insured under voluntary scheme	22 777	39 906	29 096	52 240	34 800	66 172	52 115	94 987
Herders	2 787	3 954	4 652	6 548	5 298	7 201	10 527	13 196
Self-Employed	6 853	12 539	7 463	13 935	9 630	19 286	15 818	30 656
Others (informal economy workers)	13 139	23 415	16 995	31 775	19 945	39 759	26 398	51 447

Source: SIGO, adjusted economically active population with RAP assumptions, 2015.

As of the end of 2013, some 766,815 people were insured under the mandatory social insurance scheme while only 147,100 people joined the scheme on a voluntary basis. A total of 71.6 per cent of the economically active population is insured under the social insurance system (table 4). However, those contributing to the voluntary scheme represent only 23.3 per cent of those who are eligible to participate, i.e. herders, self-employed, informal economy workers and unemployed.

**Table 4. Insured under the social insurance scheme as a percentage of the economically active population**

<b>Social insurance categories</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Insured under mandatory scheme	47.3	52.1	56.5	60.1
Insured under voluntary scheme, of which	5.4	6.8	8.1	11.5
Herders	0.6	0.9	1.0	1.9
Self-Employed	1.7	1.8	2.3	3.6
Others (informal economy workers)	3.2	4.1	4.8	6.1
<b>Total</b>	<b>52.7</b>	<b>58.9</b>	<b>64.6</b>	<b>71.6</b>

Source: SIGO, adjusted economically active population with RAP assumptions, 2015.

Coverage under the mandatory social health insurance scheme is nearly universal, extending to more than 90.0 per cent of the population in formal employment.

The tax-funded social welfare system plays an important role in providing public support to members of vulnerable groups such as older people and people with disabilities, orphans, infants, women during maternity or single mothers with many children who are unable to live independently. There are 29 programmes stated by law targeting specific groups of the population accounting for 1.0 per cent of GDP.<sup>14</sup> Social welfare expenditure more than doubled, increasing from MNT99.3 billion to MNT237.1 billion between 2010 and 2014, resulting in one out of four people being in receipt of some social welfare benefit, impacting positively on poverty levels. During the period 2010 to 2012, the national poverty headcount index decreased from 38.7 per cent to 27.4 per cent, and in rural areas from 49.0 per cent to 35.5 per cent.<sup>15</sup>

One important financing source of non-contributory social protection schemes is a Human Development Fund (HDF), established in accordance with the Law on Human Development Fund approved by the Parliament in November 2009. The HDF builds on revenues from the mineral and mining sectors and has an objective of redistributing wealth equally among all citizens of Mongolia. The redistribution shall be made in forms of payment for pension and health insurance contributions, payment for housing, cash transfers, payment of tuition fees and health services and child support benefits. The Child Money Programme is one of the flagship programmes funded by the HDF.

Main form of employment is herding, self-employment and informal employment (55.7 per cent of the economically active population in 2013). The unemployment rate was 7.8 per cent in 2013 (NSO). However, there is a persistent high underemployment and hidden unemployment in the informal economy and livestock husbandry sector characterized by low productivity and income, and poor working conditions. Due to underdeveloped infrastructure and small population, the labour market outside livestock husbandry remains limited in rural areas, resulting in a growing labour mobility from rural to urban areas.

On the institutional side, in 2012, the Ministry of Social Welfare and Labour was divided into two ministries, Ministry of Labour (MOL) and Ministry of Population Development and Social Protection (MPDSP). Such restructuration intended to increase employment, alleviate poverty and promote human development by expanding social protection and updating active labour market policies (ALMPs). MOL is committed to reinforce the application of the Law on Employment Promotion, first adopted in 2001 and revised in 2011, notably with the reinforcement of the Employment Promotion Programmes launched in 2011.

<sup>14</sup> Programmes implemented by the Social Welfare Agency of the MPDSP and included under the Law on Social Welfare, 2012; the Law on Social Security for People with Disabilities, 2005; Law on Social Security of Senior Citizens, 2005; and Law on Supplementary Allowance for Honored Senior Citizens, 2008.

<sup>15</sup> NSO, 2014.





## 4. Step 1. Development of the assessment matrix and the results of the ABND on social protection and employment promotion in Mongolia

The assessment matrix is a tool to analyse to what extent existing and planned social protection provisions fulfil the four guarantees of the social protection floor framework. National Stakeholders can use the social protection floor matrix to identify policy priorities towards achieving complete social protection. For each of the four guarantees, the matrix lists existing social protection provisions, their legal and effective coverage, design gaps and implementation issues, and identifies opportunities for improvement.

### Structure of the assessment matrix

Figure 7. Structure of the assessment matrix

	SPF Objectives	Existing SPF Provision	Existing Coverage	What is foreseen in the strategy	Design Gaps	Implementation Issues	Recommendation	Costing Scenarios
Health	Social Protection Floor Template: Guarantees and Objectives	Describe present and planned social protection situation, taking into account SP strategy objectives			Identify design gaps and implementation issues		Priority policy options, decided through national dialogue based on assessment results	Preliminary costing based on gaps and recommendation
Children								
Working Age								
Elderly & Disabled								

Source: Schmitt and De, 2013.

Figure 7 illustrates the structure of the assessment matrix. The final assessment matrix is annexed to this report.

The sections below provide a detailed description of the information contained in the matrix for each of the four guarantees.



#### 4.1. Health care

“A nationally defined set of goods and services, constituting essential health care, including maternity care that meets the criteria of availability, accessibility, acceptability and quality.”

##### Existing provisions

The Constitution of Mongolia entitles each resident to health protection and medical care. Before 1990, the provision of health-care services to the whole population in Mongolia was the responsibility of the government, which ensured equitable services through full government budget financing. During the transition to a market economy and an economic downturn that reduced State resources, the Government drastically cut budget allocations for health. Social health insurance (SHI) aimed to maintain the already achieved level of health care, ensure the population was protected from health-related financial risks and deliver services equitably and with sufficient quality. One of five types of social insurance based on the social solidarity principle, the universal SHI aims to cover all Mongolian citizens on a mandatory basis and offers voluntary enrolment for foreign residents or stateless person living in Mongolia as well. It is based on the Law on Citizens Health insurance, 1994.

The introduction of the SHI scheme created a stable financing source for the health sector. Currently, health sector financing relies on several sources, including the national budget, SHI Fund, fees for health-care services and foreign loans and aid. The goal of the health sector in Mongolia has been to reach universal health coverage through a sustainable financing mechanism. The SHI scheme provides financial support for in-patient and out-patient services in hospitals at all levels. It also covers expenses related to family group practices and ambulatory care, and subsidizes drugs according to the list of fixed charges. Primary health-care services, pregnancy and delivery care, tuberculosis and palliative cancer treatment are directly financed through the government budget and are not charged to the SHI Fund.

The MPDSP supervises the management of SHI Fund operations through its implementing agency, the Social Insurance General Office (SIGO). The Ministry of Health and Sports (MOHS) determines the main policy orientations that define service and benefits packages, tariffs and drug discounts.

### Box 1

#### Towards universal health coverage

In 2013, the MPDSP, together with the MOH, the German Society for International Cooperation (GIZ), WHO and Providing for Health (P4H), launched the *Long Term Strategy for the Development of the Health Insurance of Mongolia (2013–22)*.<sup>16</sup> This document describes the following key challenges for achieving universal health coverage:

1. The low understanding and knowledge of the significance of health insurance among potential participants means they are less willing to make contribution payments and the monthly contributions amount is not set at an optimal level.
2. Health insurance enrolment is declining particularly among self-employed workers, herders, and unemployed workers and students. The health insurance system is not effective in collecting contributions from these groups. According to SIGO estimates, health insurance coverage was 90.4 percent in 2012.
3. Although the health needs of the population are not fully met, the SHI Fund presents a significant positive balance (equal to 95.3 per cent of the annual SHI Fund revenue in 2012). The health insurance benefit package does not completely cover services, so the insured must pay if he or she receives services that are omitted from the benefit package. No consideration is given to out-of-pocket (OOP) payments when defining the benefit package, and OOP expenses have increased year-on-year. The National Health Sector Financing Strategy specified the goal of keeping OOP payments within 25 per cent of total health expenditures, but they have increased by 26.6 per cent since 2008 and reached 41.0 per cent in 2013, according to WHO statistics.
4. There is no legal environment for the Health Insurance Organization (HIO)<sup>17</sup> to carry out responsibilities of an active purchaser such as assessing the needs of the insured, defining the health-care services, selecting health-care providers and negotiating prices and tariffs of health-care services; the purchasing activity is carried out by HIO through contracting health organizations. However, the absence of tools or guidelines to monitor the implementation of the contract leads to some negligence from certain providers resulting in poor quality of care.
5. The functions and responsibilities of SHI stakeholders are stated by the Citizens' Health Insurance Law with considerable fragmentation and overlapping. Participation of non-government stakeholders, namely employers and workers in the decision making process is not satisfying while their capacity to engage in an effective social dialogue in this area is weak.

1 The Long-term strategy for the Development of the Health Insurance was approved by the Government resolution No. 143 (13 Apr. 2013).

2 Under the current law on Citizens' Health Insurance, HIO is part of SIGO.  
Source: UN/G Social Protection Working Group, 2015.

The *Long Term Strategy for the Development of the Health Insurance of Mongolia (2013–22)* aims at achieving universal health care in Mongolia. The document has identified the following key intervention areas: health insurance coverage and revenue, benefit package, health-care quality and purchasing, health insurance system governance, health insurance organizational capacity and private health insurance (PHI). The objective and strategies associated with each key area are outlined in table 5.

**Table 5. Objectives and strategies for developing health insurance in Mongolia (2013–22)**

Key areas	Objectives	Strategies
Health insurance coverage and revenue	Increase the health insurance coverage and ensure stability of the SHI Fund so to establish it as a sustainable financial mechanism to ensure universal health care.	Fully enrol the whole population by extending effective coverage among residents not yet participating in the health insurance; Introduce a contribution based on the minimum wage for those partially subsidized by the government; Improve management and policy planning of SHI Fund to balance revenue and expenditures; and Reduce OOP payments to 25 per cent of total health expenditures.
Health insurance benefit package	Define the benefit package of the health insurance so that the entire population is provided with health-care services in line with all their essential health needs	Expand the benefit package funded by SHI Fund to progressively include health-care services currently funded by the government budget into the package; Assess economic, social protection and health impacts of including primary health care into the SHI Fund benefit package (currently State funded) and make an appropriate decision to ensure accessibility to services in remote areas; Set the co-payment amount according to the level of health care in order to deliver the benefit package in an efficient manner; and Establish an appropriate organizational structure and process to discuss and make decisions on the benefit package to be purchased by the SHI Fund.
Quality of health care and purchasing	Improve quality assurance of health-care services Set up an active strategic purchasing system for health-care services	Use contracting arrangement between HIO and health-care providers as the tool to purchase quality health-care services; and specifically include into the contract the duties of the parties involved and the details for monitoring the fulfilment of these duties; Set up an active health-care service purchasing system with capacities to select and contract health-care providers; set the health-care benefit package and tariffs in line with the needs of the insured; and Introduce quality management instruments such as accreditation, peer review and satisfaction survey of the insured in order to improve the quality management system required for purchasing quality health-care services based on evidence.
Governance	Introduce good governance principles into the health insurance system and increase confidence and trust in SHI	Create a good governance system which considers and unites the interests of the stakeholders by working based on the principles of accountability, transparency, justice and efficiency; Ensure equal participation of SHI Fund stakeholders in the governance structure of the SHI scheme; and Ensure that HIO autonomously plans and distributes resources of the health insurance fund independently from any party.
Private health insurance	Ensure coherency of the health insurance system by enabling private health insurances to provide complementary services covering health-care services not yet included in SHI benefit package	Establish private health insurance as a complementary tool for financial protection of the population and for expansion of the scope of health-care services provided in order to reach universal health care; Clarify the legal environment that allows residents to obtain dual insurance membership on voluntary basis as an additional and complementary insurance scheme in order to get coverage for the health-care services not included into the benefit package; and Establish a regular mechanism of collaboration between private health insurance and health insurance organization.

Source: MPDSP, MOH, 2013.

The new Law on Health Insurance was adopted on 29 January 2015. The law will come into force on 1 July 2015, with certain provisions being enforced only from 1 January 2016. Major changes include:

- contributions of those subsidized by the government except for children (Category III: children 0–18 years old and certain vulnerable groups- see below) and other non-subsidized groups except for students of the vocational training centres (Category II: Herders and unemployed; and Category IV: Self-employed) are increased (formerly, monthly contribution per subsidized person – MNT670 a month, or MNT8,040 a year) to at least 2.0 per cent of monthly minimum wage (MNT3,840 a month or MNT46,080 a year) (rate annually adjustable by Government’s decision);
- contributions of students of the vocational training centres (part of Category II) and children 0–18 years old who are subsidized by the government (part of Category III) are increased (formerly, monthly contribution per subsidized person – MNT670 a month, or MNT8,040 a year) to at least 1.0 per cent of minimum wage or MNT1,920 per month (MNT23,040 annually);
- university students, who are formerly fully subsidized by the government, are now forming a new category: they will contribute to the scheme at the level of 1.0 per cent of minimum wage (MNT23,040 a year) starting from 1 January 2016. For the year 2015, the Government will bear the full cost of student contribution;
- insured individuals (excluding those subsidized by the government) whose payments for health-care services have exceeded their entitled threshold to purchase health-care services can use the unused portion of their family members once a year;
- according to a decision at the national level, drugs prescribed by out-patient doctors of *aimag* and district hospitals are now included in the list of insured drugs, and are therefore subject to discounts (the discount was previously applicable only at the primary health-care level); and
- the benefit package covered by the SHI is extended to some expensive care, prosthetic devices, and cancer and palliative care.

<b>Legal framework</b>	Law on Citizens Health Insurance (25 April 2002); Law on Health (25 May 2011), Articles 15.1, 23 and 24; Law on Health Insurance adopted on 29 January 2015, entering into force on 1 July 2015. <sup>16</sup>
<b>Target group</b>	All Mongolian citizens and foreign residents or stateless person. The scheme is mandatory for all Mongolian citizens (Articles 6.1.1–6.1.11). Foreign residents can be insured on a voluntary basis (Article 6.2).
<b>Benefit</b>	<p><b>Benefit package:</b> Out-patient and in-patient care services (provided by primary and secondary level hospitals), day care service (secondary level), in-patient service of traditional medicine clinics, rehabilitee care provided by sanatoria and palliative and drug discount; free check-up testing and diagnostic service for any case at the request of the insured, not exceeding MNT56,000 in each case.</p> <p><b>Bonus:</b> In case an insured did not receive any benefit from SHI Fund during last 36 months, s/he is eligible for free check-up testing of MNT80,000 each year.</p> <p><b>Benefit ceiling:</b> MNT1,380,000 per insured person per year.</p>
<b>Payment mechanism</b>	The SHI Department of SIGO proceeds payments based on invoices issued by service providers.
<b>Excluded services</b>	Primary health-care service, pregnancy and delivery care, tuberculosis and cancer treatment are directly financed by Government budget.

<sup>16</sup> The information in this section reflects the Law on Citizens Health Insurance, 2002.

**Financing** This scheme is financed on a tripartite basis (employers, employees and the Government).

**Category I:** Employees of the Government and business entities are required to pay 4 per cent of their monthly wage and salary (2 per cent by employer, 2 per cent by the employee);

**Category II:** Herders, unemployed workers and students of the vocational training centres pay MNT670 per month;

**Category III:** Children of age 0–18, people without income except for those receiving old-age, disability and survivor pension either from SIGO and/or social welfare department, students (universities and colleges), parents looking after their babies until 2 years old, personnel of military service (defence, border security, police and emergency), and citizens involved in community based welfare services whose contribution is entirely funded by the State. Other targeted groups, i.e. older persons, people with disabilities, children with chronic condition, people affected by domestic violence, convicts released from correctional service, alcohol and drug addicts, homeless, single mother/father family, people affected by cureless disease, poor family members, citizens migrated locally, and parents of children with disabilities, are also required to pay MNT670, which is currently being fully subsidized and financed by the Human Development Fund (HDF);

**Category IV:** Self-employed who pay 1 per cent of their reference income on the basis of their tax statement to tax authority; and

**Category V:** Foreign nationals and stateless people who are requested to pay 6 per cent of minimum wage (MNT8,424 monthly).

**Health service delivery** **Primary level:** financed by the State budget: a) 1,588 *bagh feldsher* (rural); b) 271 *soum* hospitals and 39 inter-*soum* hospitals (15–30 beds per *soums*); and c) 221 family health centres (urban, private practices);

**Secondary level:** 10 per cent co-payment system: 12 district hospitals (200–300 beds) and 17 *aimag* hospitals (100–500 beds) and three maternity homes;

**Tertiary level:** 15 per cent co-payment system: Four regional diagnostic and treatment centres (at *aimags*), three central hospitals, and 11 specialized hospitals.

**Population covered** In 2013, in total of 2.7617 million people<sup>17</sup> (97.8 per cent of the resident population) were covered; and the share of population with subsidized contributions to the total population was 57.9 per cent (1.6582 million people). Because of a double counting of those insured, SIGO estimates coverage at 90.4 per cent in 2012.

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17 The statistics may include double counting. The system counts every insured registered with the scheme throughout the year and treats data at the end of that year, which means that those who shifted between categories, e.g. from formal employee to self-employed, or from employment to retirement are counted twice during that specific year.

Table 6 presents data on the number of people insured under different SHI schemes in Mongolia.

**Table 6. Number of insured under the SHI scheme (in thousands)**

	2006	2007	2008	2009	2010	2011	2012	2013
Total resident population	2 583.3	2 620.4	2 666.0	2 716.3	2 653.9	2 704.5	2 760.4	2 823.0
<b>Total insured</b>	<b>1 905.7</b>	<b>2 101.7</b>	<b>2 233.7</b>	<b>2 123.0</b>	<b>2 267.6</b>	<b>2 704.5</b>	<b>2 593.6</b>	<b>2 761.7</b>
<i>Compulsory</i>								
Category I: Formal sector	456.7	484.8	539.7	546.0	580.8	659.3	742.0	
Category II: Herders	102.4	98.1	90.8	94.2	101.5	250.1	100.6	
Category II: Vocational Students	44.9	48	51.5	75.2	81.9	81.1	87.0	
Category IV: Self-Employed	149.3	175.3	198.3	172.4	196.7	370.4	194.0	
<i>Voluntary</i>								
Category V: Foreigners	0.1	0.1	0.2	0.2	0.2	0.2	0.3	
<i>Subsidized population</i>								
Category III: Children, older people, other vulnerable groups	1 152.5	1 295.5	1 353.2	1 235.0	1 306.5	1 354.0	1 469.7	1 658.2
<b>Percentage of total resident population</b>	<b>73.7</b>	<b>80.4</b>	<b>83.8</b>	<b>76.9</b>	<b>85.4</b>	<b>100.0</b>	<b>93.9</b>	<b>97.8</b>

Source: SIGO, *Statistical Yearbook 2012*.

## Policy gaps and implementation issues

### Policy gaps

<b>Service Package</b>	Health-care services are divided into two packages: 1) SHI Fund (only 25.1 per cent of the total health expenditures in 2013); <sup>18</sup> and 2) Tax funded (state budget) package. Health insurance package does not completely cover all services needed by insured, leading to a situation where the insured has to pay for the services that are omitted.
<b>Extra payment</b>	The insured still pay a significant part of health expenses OOP (41.0 per cent of total health expenditures in 2013) <sup>19</sup> and drugs represent the major share of OPP expenses (drugs prescribed by secondary and tertiary health-care levels and specialized clinics are not reimbursed).
<b>Targeting</b>	Government subsidies are not targeted enough. The amount of contribution for vulnerable groups, herders, self-employed, unemployed and informal economy workers is not properly settled and not risk-adjusted.
<b>Governance</b>	Functions and responsibilities of health insurance stakeholders are fragmented and overlapping.
<b>Institutional capacity</b>	The legal environment for the SHI office to carry out responsibilities as an active purchaser such as assessing needs of the insured, defining health-care services, selecting health-care providers and negotiating prices and tariffs of health-care services does not exist.

18 SIGO, 2014.

19 WHO, 2014.

<b>Equality of treatment</b>	There was a significant difference of monthly contributions between Mongolian nationals (MNT670) and non-nationals (MNT8,424). This distortion might be addressed by the newly adopted Law on Health Insurance, entering into force on 1 July 2015: non-national will now contribute at the rate of at least 2 per cent of monthly minimum wage.
<b>Implementation issues</b>	
<b>Coverage</b>	The coverage of health insurance dropped from 100 per cent to 94 per cent between 2011 and 2012, and coverage is estimated by SIGO to be even lower due to a double counting. The excellent record in SHI coverage in 2011 was achieved through government subsidies provided by the Human Development Fund on the contributions of herders, vocational students and unemployed workers.
<b>Collection of contributions</b>	The current social insurance institutional set up does not effectively support collection of health insurance contributions from the informal sector and herders where people are obliged to pay their contributions on a voluntary basis.
<b>Institutional capacity</b>	SHI activities are not institutionalized as an autonomously from MPDSP and SIGO.
<b>Benefits</b>	Free diagnostic services and check-up testing benefit (MNT56,000 per case in addition to MNT80,000 bonus once a year) is adequate, but the number of beneficiaries is too low due to insufficient service capacity and poor accessibility of public hospitals. Private hospital diagnose centres are not contracted by the SHI Fund.
<b>Quality</b>	Insufficient investments in public health-care facilities that results in decreasing quality of health-care services and lack of well-equipped infrastructures.
<b>Service quality control</b>	Health-care complaint system does not work properly and grievances are not addressed in a way to satisfy a customer.

### State funded health care

In parallel, there are a number of challenges to be addressed in relation to health-care services which are solely or partially financed by the State budget. The State budget is allocated by budget line item rather than programme, as a result budget allocations tends to fund only capital and operation costs of health facilities rather than services. This situation affects the quantity and quality of services including high impact, low cost interventions for maternal and child health care. There is no planning methodology with realistic cost available for services paid from the State budget. The absence of proper costing and associated financing is a main contributor to low quality of services at public medical and health-care facilities. Moreover, the current state budget allocation formula for public health-care facilities does not consider distance, poverty rate and environmental factors, and baseline tariffs for calculation are quite low with little consideration of inflation rates in real terms. This is a key factor in persistent disparities in under-5 child mortality between rural and urban, poor and rich.

### Service provision, quality, and adequate health spending, needed to achieve universal health care

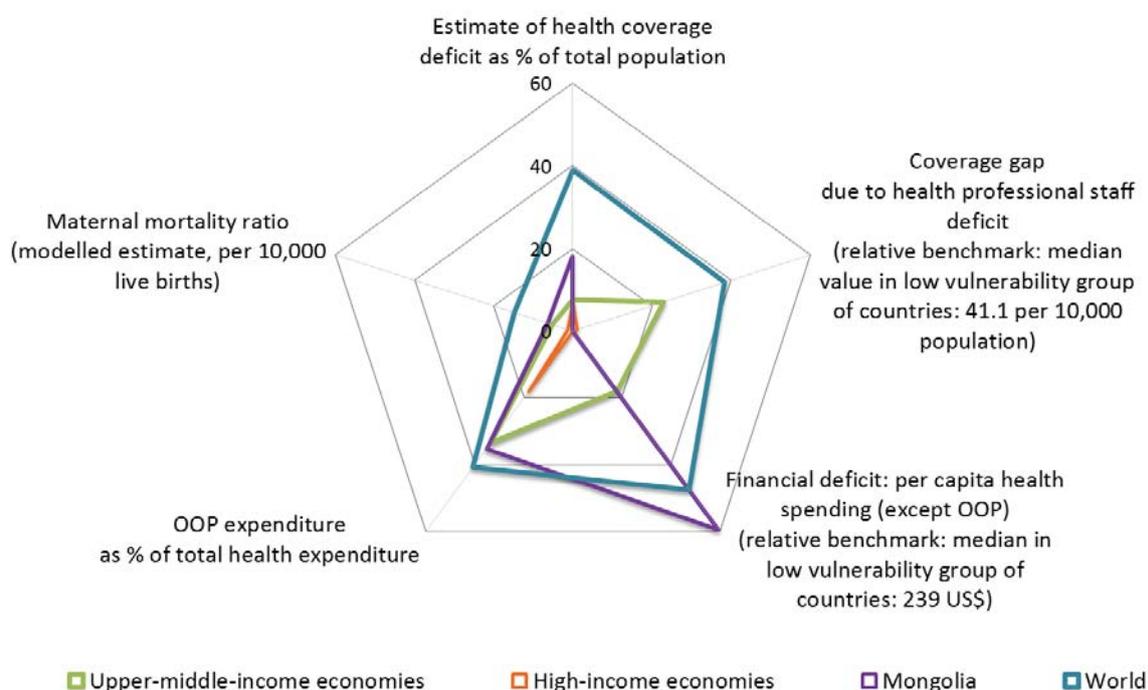
The ILO has defined five indicators that reveal key deficits towards universal health coverage, as being one of guarantees of the social protection floor. Deficit in rights occurs when access to at least essential health care is not guaranteed by law. In Mongolia, the Law on Health Insurance, 2002 and now amended on 1 January 2015, guarantees that everyone should be covered by the social health insurance. Despite universal social health insurance coverage, as it is nearly the case in Mongolia, deficits in package of

benefits, health funding, capacities and infrastructure, and the quality level of health services and drugs can further hold back the right to health.

Such deficit in service availability can be indirectly measured by the number of health professionals (physicians, nurses and midwives) per 10,000 population. At the same time, quality of service can be measured by proxy indicators such as health spending per capita (excluding OOP payments) and the maternal mortality ratio per 10,000 live births. The first indicator assumes a high correlation between health spending and service quality. In the same way, the overall health service quality is assumed to be reflected in the quality of obstetric service, especially in reducing the mortality rate of women due to pregnancy-related causes per 10,000 live births. As benchmarks, the number of health professionals per 10,000 population and the per capita health spending (excluding OOP payments) can be compared to the respective median values of “low vulnerability”, developed economies (for more details on the methodology, see Scheil-Adlung and Bonnet 2011; ILO 2014f, p. 296).

To illustrate, Figure 8 compares the deficits in access to health services across five dimensions in Mongolia and compared to other groups of countries. The graphic shows that despite relative progress in expanding social insurance coverage and quality of health care, as measured by the number of health professional staff and the maternal mortality ratio, the deficit in health spending is critical in Mongolia. Improving health care benefits and services may stimulate investments in improved health care infrastructure and staff.

**Figure 8. Multiple dimensions of health coverage in Mongolia compared to other countries (2011)**



Source: ILO, World Social Security Report 2014-2015, 2015.

### Conclusions and recommendations

Social health insurance coverage is mandatory and nearly universal; however effective access to quality health care remains a challenge for many in rural areas. For instance, a recent drop by 6 per cent in social health insurance coverage (compared to 2011 when the Government subsidized all contributions) may indicate customer dissatisfaction with services that results in low incentive in contributing. High

OOP expenses and inefficient services provided by public hospitals discourage voluntary participation in social health insurance and prevent participants from accessing adequate health care. The main recommendation is to improve quality, accessibility and availability of health services.

Table 7 summarizes the recommendations gathered during the ABND process. An asterisk (\*) indicates a recommendation to provide new social protection provisions or increase the coverage of existing provisions. The cost of these additional provisions or coverage is calculated using the ILO RAP costing tool. A number of recommendations would require more in-depth feasibility and/or actuarial studies to assess their costs. These recommendations are marked with a delta (Δ).

**Table 7. Recommendations for expanding access to health care adopted by the ABND**

Main recommendations	
*	H1. Extend effectively SHI coverage to segments of population not yet covered, by fully subsidizing the SHI contribution for herders, unemployed workers, students of the vocational training centres and self-employed.
	H2. Allow option for herders to pay SHI contributions twice a year adjusting better to the seasonality of their income.
	H3. Include drugs in high demand in the list of essential medicine (those reimbursed at 80 per cent) and increase their reimbursement rate.
	H4. Reinforce monitoring and inspection role of the SHI offices in ensuring quality of health-care services at <i>aimag</i> and <i>soum</i> level, by creating for instance an independent health-care service complaint bureau.
	H5. Ensure equality of treatment between nationals and non-nationals in terms of contribution; they should not be considered under a separate category, as to comply with ILO Convention No. 118.
Δ	H6. Gradually expand the benefit package funded by SHI and reduce OOP expenses.
	H7. Introduce smart card registration system that could be accepted for all levels of hospitals for any type of services accepted by SHI benefit package.
Additional recommendations	
	H8: Introduce good governance and structural changes into SHI administration and management.
Δ	H9: Increase reimbursement rate for drugs; Increase the list of subsidized medicine, those reimbursed at 80.0 per cent based on current list review.
	H10: Promote public-private partnerships for the delivery of health-care services.
Δ	H11: Finance prosthetic facilities for disabled and older people from the Social welfare fund also through the SHI Fund.

Source: UN/G Social Protection Working Group, 2015.

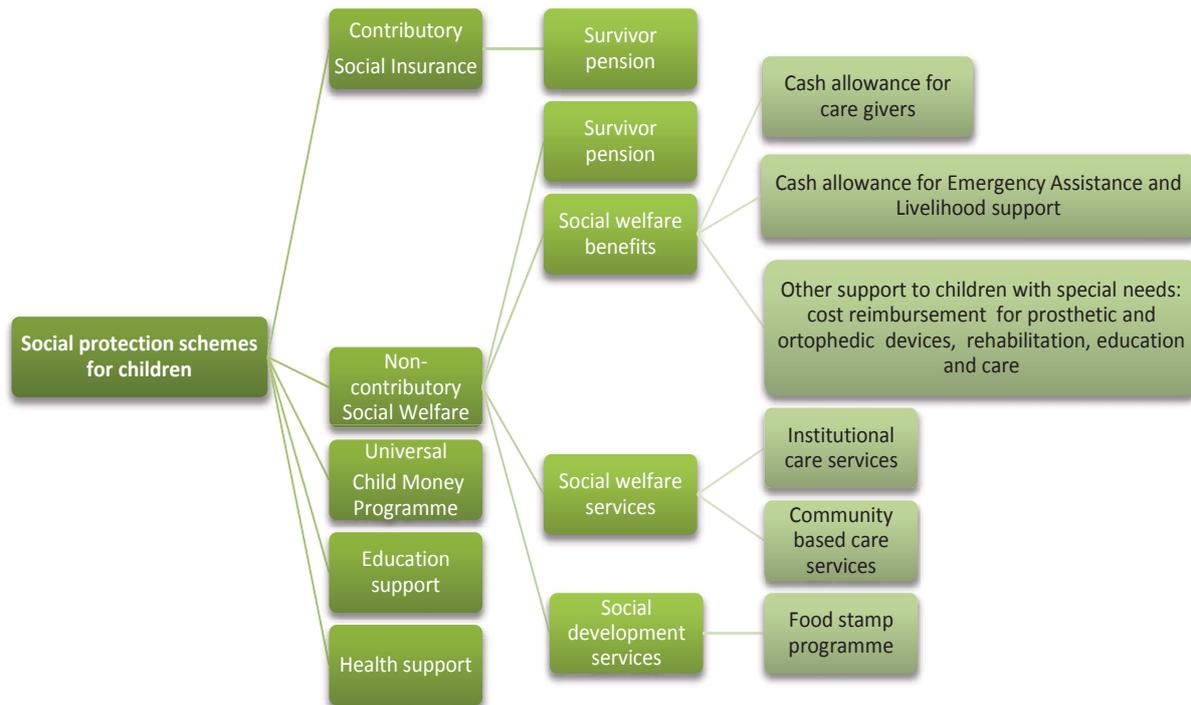


## 4.2. Children

“Basic income security for children, at least at a nationally defined minimum level, providing access to nutrition, education, care and any other necessary goods and services”

Mongolia ratified the UN Convention on the Rights of the Child in 1990 and adopted the National Law on the Protection of Child Rights in 1996. Over the succeeding decades, Mongolia ratified other UN Conventions aimed at improving protection of children. Beside universal and free primary and secondary education and free access to health services for children, the main social protection measure for children is the universal Child Money Programme (CMP) that provides a monthly allowance to all children of age 0–18. In addition, Mongolia also has a number of social welfare benefits targeting vulnerable children. The Law on Social Insurance, 1994, and the Law on Pension and Benefits provided by the Social Insurance Fund, 1994, contain provisions that guarantee income security for survivor children, and the Law on Social Welfare, 2012, prescribes basic guarantees for vulnerable children. Figure 9 illustrates existing social protection programmes in Mongolia.

**Figure 9. Existing social protection programmes for children in Mongolia**



Source: MPDSP, 2014.

## Existing universal provisions

### Universal Child Money Programme (CMP)

The programme, introduced in October 2012, is financed through the HDF, which is accumulated from mineral resource taxes. All children 0–18 years old are eligible for a benefit of MNT20,000 per month including children under correctional service and living abroad.

Two parameters of the programme can explain the success of the CMP: first all children are automatically eligible as soon as they are recorded at civil registration department of State Registration General Office (SRGO) (no additional procedure is required), second the monthly benefit is paid directly through automatic bank transfer to eligible families. As a result, by the end of 2013 a total of 960,300 or nearly 100 per cent of children 0–18 years old received benefits.

While the UN/G Social Protection Working Group was conducting the ABND, the Parliament was divided on whether the universality of the CMP should be maintain, because of its high cost and the importance of the State budget deficit registered in September 2014. Participants in the national dialogue agreed that introducing a means-tested targeting criteria on the CMP would be detrimental to the education, health, nutrition and personal development of many children who would lose their entitlements resulting in a negative impact on recent progress in reducing child poverty.<sup>20</sup> Therefore the ABND participants recommended maintaining the universality of the CMP, as well as other social programmes such as the kindergarten meal allowances, free boarding schools, subsidies on SHI for all children age 0–18 years, among others.

<sup>20</sup> UNICEF: Analysis of the situation of children in Mongolia, [http://www.unicef.org/mongolia/unicef\\_sitan\\_english\\_final.pdf](http://www.unicef.org/mongolia/unicef_sitan_english_final.pdf) [accessed 5 May 2015].

<b>Legal framework</b>	Law on Human Development Fund (13 December 2012), Articles 17.1.5; Government resolution No. 49, 2012; and Government resolution No. 70, 2012
<b>Target group</b>	All children 0–18 years old (even children under correctional service and living abroad are eligible)
<b>Benefits</b>	MNT20,000 per month
<b>Delivery</b>	CMP delivery process goes in a simple way by using bank card and online banking system
<b>Financing</b>	Mineral resources taxes accumulated in the HDF. The cost of the programme was MNT232 billion in 2013
<b>Coverage</b>	960,300 children (2013) (nearly 100.0 per cent of the target population)

## Existing provisions: Contributory social protection benefits for children

### Children survivor pension benefit

<b>Legal framework</b>	Law on Pension and Benefits provided by the Social Insurance (17 June 1994), Articles 12.1.1–12.1.3 and 12.2.3
<b>Target group</b>	Target group: 1) born and adopted child (applicable to a child born after father’s death) under age 16 (19, if a student) regardless of whether there is another person as legal guardian/carer; 2) grandchild and his/her younger sisters and brothers under age 16 who have no other person legally responsible for maintenance; 3) grandchild and his/her younger sister(s) and brother(s), who were born incapacitated or incapacitated prior attaining age 16 (increased to age 19 on 1 July 2015); and 4) a child who doesn’t get any alimony from his/her parents by judicial decision to be treated like his or her own child in the event of death of his or her step father or step mother
<b>Registration</b>	Both mandatory and voluntary registration
<b>Financing</b>	Employers and workers’ contributions to the social insurance Pension Fund: Mandatory scheme: the contribution rate is included in the 14 per cent of the payroll salary equally shared between employer and employee that finances the three benefits of the social insurance Pension Fund. Voluntary scheme: the contribution rate is part of the 10 per cent of the reference income of the individual going to the social insurance Pension fund. Reference income is declared on a voluntary basis: between minimum wage and ten times the minimum wage.
<b>Benefits</b>	The number of dependents is taken into consideration in the determination of the benefit rate: <ul style="list-style-type: none"> <li>• one dependent: 50 per cent of the amount corresponding to a full pension for old age based on the pensionable earnings of the insured;</li> <li>• two dependents: 75 per cent; or</li> <li>• three or more dependents: 100 per cent</li> </ul> <p>However, the minimum level of pension must be equal to 50–100 per cent of minimum wage (set at MNT192,000 in 2013) depending on the number of dependents</p>
<b>Coverage</b>	766,815 insured under the mandatory scheme (2013); 147,100 insured under the voluntary scheme (2013).
<b>Beneficiaries</b>	22,500 survivors in 2013 (data are not disaggregated by age of the survivor)

## Social welfare programmes

According to the Law on Social Welfare, 2012, children are eligible for certain social welfare allowances in the cases described below:

- Children under age 16, who need permanent care are entitled to MNT126,500 per month<sup>21</sup> based on non-contributory social welfare allowance;
- A citizen or a household raising up and taking care of twins (triples and quadruplets) receives the following allowances: for twins, MNT1 million; triples or quadruplets, MNT3 million for each child for one time. The programme covered 4,032 children in 2013;
- A citizen providing foster care, specified in Article 25.5 of the Law on Family, 1999, to a child-victim of physiological and physical violence, who is in need for protection according to Article 74 of the Law on Family. Benefits: MNT58,000 per month per child. Training on caretaking and nursing skills is also available for free;
- A citizen taking care of disabled child under medical control, requiring permanent care. Benefits: MNT58,000 per month. Training on caretaking and nursing skills is also available for free;
- Reimbursement for children with disabilities up to age 18, who are not entitled to receive allowance regarding rehabilitation and prosthetic correction due to industrial accident and occupational diseases from the Social Insurance Fund: 100 per cent cost of purchased or custom made special care instruments like orthopaedic tools, wheelchairs and other equipment made in the country, once in three years.

### Non-contributory children survivor pension benefit

<b>Legal framework</b>	Law on Social Welfare (19 January 2012), Article 12.1.4
<b>Target group</b>	Children below age 18 who lost their breadwinner (one of them or both) who never contribute to the social insurance scheme
<b>Benefits</b>	MNT126,500 per month from 1 February 2015
<b>Financing</b>	Social Welfare Fund financed by the government budget
<b>Beneficiaries</b>	14,072 children <sup>22</sup> (2013)

### Non-contributory benefit for single parent headed families

<b>Legal framework</b>	Law on Social Welfare (19 January 2012), Article 12.1.5; Government resolution No. 81, 2012
<b>Target group</b>	Children in a family headed by a single mother age 45 or more (or father age 50 or more) with at least four children below age 18
<b>Benefits</b>	MNT126,500 per month from 1 February 2015
<b>Financing</b>	Social Welfare Fund financed by the government budget
<b>Beneficiaries</b>	52 parents (2013)

### Social welfare allowance package for vulnerable children

<b>Legal framework</b>	Law on Social Welfare (19 January 2012), Articles 12.1.5, 13, 17.1.1, 17.1.2 and 18.2.3; Law on Social Security of People with Disabilities (8 December 2005), Article 5.1.2 and 5.1.4; Government resolution No. 153, 2012
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21 An amendment to the Law on Social Welfare, 2012 (7 Feb. 2013) specified that this monthly allowance shall be equal to a social welfare pension from 1 Jan. 2014. Therefore, the previous amount of MNT60,000 per month increased to MNT115,000 in 2014 and MNT126,500 in Feb. 2015.

22 MPDSP, Annual Report 2013 (Ulaanbaatar, 2013) p. 42.

<b>Target</b>	A citizen who adopted or took legal guardianship of double orphan child; children with specific needs; children with disabilities; children with chronic conditions; single mother/father with at least three children under age 14; twins
<b>Benefit</b>	Seven types of allowances: monthly allowance of MNT58,000 to MNT126,500, one time livelihood support of MNT1.2 million yearly allowance for single parents with children of MNT120,000; Reimbursement of prosthetic correction and rehabilitation cost (100 per cent) for disabled children
<b>Financing</b>	Social Welfare Fund financed by the government budget
<b>Beneficiaries</b>	18,376 children and their caregivers received monthly allowances and 4,032 children received twin allowance (2013)

#### Cash allowance for livelihood improvement

<b>Legal framework</b>	Presidential decree No. 42 (29 March 2013); Government resolution No. 168 (11 May 2013)
<b>Target</b>	Members of reindeer herding families living in Taiga (ethnic minority community) Monthly allowance at 50 per cent of the minimum subsistence level (MSL) to a child, at 100 per cent to an adult (starting from 1 June 2013)
<b>Benefit</b>	In 2013 the NSO set the MSL between MNT130,500 and MNT149,900 per month depending on the region <sup>23</sup>
<b>Financing</b>	Government budget
<b>Beneficiaries</b>	339 people (both children and adults ) of 94 families in 2013

#### Food stamp programme

<b>Legal framework</b>	Law on Social Welfare (19 January 2012) Article 22, Ministerial Order (MOF and MPDSP) No. A/95/2012
<b>Target</b>	Children age 18 or below living in poor and very poor households (identified through the PMT criteria) <sup>24</sup>
<b>Benefit</b>	MNT5,000 per month in 2014 and MNT6,500 per month from 1 January 2015
<b>Financing</b>	Social Welfare Fund financed by the government budget
<b>Beneficiaries</b>	50,371 children in 2013 <sup>25</sup>

#### Education support programmes

A summary of education support programmes in Mongolia is provided in table 8.

**Table 8. Programmes aimed at supporting education of vulnerable children**

Programme	Free primary and secondary education
Legal framework	Constitution of Mongolia (13 January 1992) Art. 16.7; Law on Education (6 June 2002) Art. 6.2
Target	All children 6–18 years old.
Benefit	Primary education – 5 years; basic education – 9 years; and general education –12 years
Coverage (2013)	481,000 children <sup>1</sup> (plus an additional 28,700 enrolled in private schools)
Programme	Kindergarten with free meal
Legal framework	Law on Education (6 June 2002); Law on Preschool Education (23 May 2008)

23 The minimum subsistence levels for 2015: MNT160,800–MNT185,400 per month. The highest is for Ulaanbaatar.

24 MPDSP estimates that, approximatively, the lowest 10.0 per cent of households in terms of consumption will be covered in 2015.

25 Data provided by MPDSP.

Target	Children 2–5 years old
Benefit	Free meal for state kindergartens
Coverage (2013)	174,600 children (71.9 per cent of children 2–5 years old) <sup>1</sup>
<b>Programme</b>	<b>Equivalency Education Programme (also called Restore Education Programme)</b>
Legal framework	Law on Education (6 June 2002) Art. 3.1.7; Non-formal Education National Programme (Government resolution No. 116, 1997) Ministerial order No. 362 (9 Oct. 2007)
Target	Children over age 10 and adults who never had schooling or dropped out of school
Benefit	Free primary and secondary education, with curriculum adapted to needs of target groups
Coverage (2013)	1,800 children dropped out of school in 2013-14 (drop-out rate 0.4 per cent). <sup>2</sup> In 2014, 10,020 children covered (3,600 for primary, 4,200 basic and 2,300 for complete secondary education) <sup>3</sup>
<b>Programme</b>	<b>E-education: “One Laptop per Child” 2008–15</b>
Legal framework	Government resolution No. 92, 2008
Target	Students of grades 2–5, inclusive, of secondary school
Benefit	Free laptops
Coverage (2013)	15,000 children
<b>Programme</b>	<b>School dormitory</b>
Legal framework	Law on Education (6 June 2002) Art. 43.2.1
Target	Orphans, poor students or students unable to attend school because of the distance issue (public schools) (for primary and secondary)
Benefit	Free dormitory room with meal
Coverage (2013)	34,704 children in 2013-14 school year; Dormitory coverage index: 94.8% of the submitted requests are fulfilled; All children in rural and peri-urban areas.
<b>Programme</b>	<b>School lunch</b>
Legal framework	Government resolution No. 194, 2006
Target	Students grade 1–5 of general secondary schools (both public and private)
Benefit	Free lunch
Coverage (2013)	239,300 children
<b>Programme</b>	<b>School textbooks</b>
Legal framework	Government resolution No. 192 on Master plan to develop Education of Mongolia for 2006–15 (16 August 2006); Ministerial Order (MECS) No. 131 (2009), Cabinet Meeting Minute No. 28 (2009)
Target	Vulnerable children of general secondary schools
Benefit	free textbooks for all children in primary education; and vulnerable children in secondary and upper secondary education
Coverage (2013)	343,700 children
<b>Programme</b>	<b>Vocational education</b>
Legal framework	Law on Education (3 May 2002) Art. 43.2.2 and Art.43.2.10; Law on Vocational Education and Training (13 Feb. 2009)
Target	Children and young people who completed basic education
Benefit	Free vocational education with monthly stipend of MNT70,000 for all students (public and private) and free boarding for those in need.
Coverage (2013)	42,798 students
<b>Programme</b>	<b>Free public transportation</b>
Legal framework	Law on Education (6 June 2002) Art. 43.2.3;
Target	Students of Colleges and Universities

Benefit	Free public transportation with student card during days of school.
Coverage (2013)	103,000 students
Programme	<b>National student grant</b>
Legal framework	Law on Financing Higher education and Students Social guarantee (9 July 2011), Art. 8.1; Government resolution No. 71 (7 Mar. 2014)
Target	Students enrolled in regular courses of all public and private colleges and universities, provided that both applying students and universities have satisfied the specified criteria. <sup>4</sup>
Benefit	Monthly grant of MNT70,000 for ten months
Coverage (2013)	122,000 students

<sup>1</sup> Draft budget statement (2015) for Ministry of Education, Culture and Science. <sup>2</sup> Mongolian Statistical Yearbook 2013, NSO.<sup>3</sup> Annual report 2014 of the National Centre for Life-long education under the Ministry of Education, Culture and Science.<sup>4</sup> Until mid-2014, the scholarship grant was a universal stipend. Following an amendment to the Law on Financing Higher Education and Students Social Guarantee in Nov. 2013, Government resolution No. 71 (7 Mar. 2014) introduced the following eligibility criteria: being a regular course student of an accredited university or college (both public and private); having completed courses of at least 12 credits with at least a grade point average of 2.0 in the preceding semester. The criteria have been further tightened by Government resolution Nos. 214 (4 July 2014) and 26 (26 Jan. 2015), requiring a grade point average of at least 3.0.

Source: SIGO, Social Welfare General Office (SWG), MOECS, NAC (National Authority for Children), 2015.

### Child social protection reforms currently being discussed

The following amendments concerning social protection of children are now being discussed but had not yet been proposed at the time of the ABND. For this reason the recommendations for achieving the social protection floor guarantee for children do not reflect these new developments.

1. MPDSP developed a new draft law on providing benefits and assistance to mothers. The draft law, which has been endorsed by the Cabinet, provides: a) monthly cash benefit and monthly food support to pregnant women from the fifth month of pregnancy to childbirth; b) monthly cash benefit to a mother who is looking after her child up to age 2 (in case of twins age 3 and the amount of benefit will be 50 per cent higher for third baby); c) one-time cash allowance to a mother of twins under age 4; d) subsidized pension insurance coverage (at 50 per cent of monthly minimum wage) for voluntary insured mothers/fathers who are looking after their biological or adopted child up to the age 2 (in case of twins age 3); and e) 100 per cent of personal income tax refund for a mother with four or more children 2–18 years old. The level/amount of benefits, assistance and support will be decided by the Government.

2. Parliament is discussing the draft law on child care. The draft law is intended to target children 2–5 years old who are out of kindergartens. Private child care centres enrolling up to 20 children and meeting the standards specified by the law can be eligible for subsidies for every child enrolled, not exceeding the level of public kindergartens. Because operational and quality standards will be set at a relatively low level, it is expected that over 6,000 centres would be established, thus resolving the issue of the lack of kindergartens.

3. According to the new policy on Education for 2014–24, adopted by Parliament Resolution No. 12 dated 29 January 2015 (Provision 6.7), a principle of sharing kindergarten meal costs with parents and guardians will be applied.

4. Child and family development centres will be built in Bayangol and Bayanzurkh districts of Ulaanbaatar city and Arkhangai *aimag*, Khairkhan *soum* in 2015 funded by the HDF.

Social protection programmes for children and along with information on coverage rates for 2013 are provided in table 9.

**Table 9. Summary of social protection programmes for children**

Scheme	Coverage (2013)
Universal CMP	960,300 children, nearly 100 per cent of all children age 0–18
Contributory survivor pension benefit	22,500 children
Non-contributory survivor pension benefit	14,072 children
Single parent headed families with children	52 families
Non-contributory social welfare allowance package	18,376 children and their caregivers received monthly allowances and 4,032 children received twin allowance
Kindergarten with free meal	193,672 children or 79.9 per cent of children age 2–6
Free education, primary and secondary	498,600 children
Restore education programme	10,020 children
E-education “One laptop per child 2008–15”	15,000 children
School dormitory	Dormitory coverage index is 94.8
School lunch	239,300 children
School textbooks	343, 700 children
Free vocational education	42,798 students
Free public transportation	103,000 students of colleges and universities
National student grant	122,000 students of colleges and universities
Food coupon	50,371 children

Source: SIGO, SWG, MOECS, NSO, NAC.

## Policy gaps and implementation issues

### Policy gaps

- CMP** The CMP is embedded in the Human Development Fund Law, 2012. However the continuity of its features, notably its universality which is a fundamental principle of the social protection floor, are not safeguarded by law and often depends on political decisions. The level of benefit is still too low for allowing to cover all expenses related to school attendance, such as uniform and textbooks. There is no automatic indexation to the cost of living of the level of the CMP allowance.
- Survivor benefits** There is no automatic indexation to the cost of living of the level of social insurance survivor pension benefits; the level is rather adjusted on an ad-hoc decision.
- Preschool accessibility** Enrolment to kindergartens has increased; however such increments were not noticeable among children from low-income households, those who presumably would benefit the most from kindergarten education and meal provided free of cost.
- Nutrition quality** Quality of kindergarten meals is low.

**Social service accessibility** Despite a number of social welfare programmes, children are facing barriers, mostly distances, to access basic social services, including for health and education. Quality of these services still need to be improved in rural areas, notably for children with special needs and children with disabilities.

The definition of children with disabilities does not allow for proper inclusion of all children with special needs. Therefore, many of them are still excluded from services and benefits provided by the social protection.

Children enrolled in monasteries' educational system do not follow the formal education curriculum.

Water sanitation and hygiene and adequate sanitary installation for children is also considered an issue.

Employment policies should take more into account needs of workers with family responsibilities.

**Parenthood** Most parents lack information and capacity to properly access social protection services for their children. Some parents still ask their children to help at work, notably in husbandry activities.

There is no proper legislation that will penalize the parents and protect the children in situation of negligence of parental obligations.

### Implementation issues

**CMP** The list of required supporting documents (such as birth certification and parent identification documents) is a major obstacle in accessing social services in rural areas.

**Quality of services** The standards of quality in social services and infrastructures delivery are well determined; however implementation and enforcement of these standards are weak.

Quality of school dormitory services is poor.

The number of social workers and care givers, in particular for psychological care is insufficient.

There is no facilities for children during school holidays.

**Targeting** There are still some errors in identifying households and persons most in need who should be benefiting from social welfare services.

**Information** There is no coherent information system to monitor delivery of social protection services and beneficiaries.

### Conclusions and recommendations

General education (up to upper secondary or 12 years of education) and health care are provided free of charge to all children. Effective access to education is guaranteed by sufficient and free-of-charge boarding schools. The CMP, universal since 2012, ensures that all children age 0–18 years receive a minimum income guarantee. The main recommendations of the child guarantee are to maintain subsidies on social health insurance contributions for all children and the universality of the child allowance, rather than introducing a means-tested eligibility criteria that would not bring significant saving to justify excluding the large majority of children, including those poor due to exclusion errors a cost comparison is available in the second part of the report). Further recommendations include safeguarding the universality of the CMP through legislation; indexing the allowance to the cost of living; increasing the quality of nutrition in preschools; and improving access to quality social services by promoting social work especially among children with special needs.

Table 10 summarizes the recommendations gathered during the national dialogue process. Items marked with an asterisk (\*) indicate a recommendation to provide new social protection provisions or increase

of coverage of existing provisions. The cost of these additional provisions or coverage is calculated using the ILO RAP costing tool. A number of recommendations would require more in-depth feasibility and/or actuarial studies to assess their costs. These recommendations are marked with a delta ( $\Delta$ ) in table 10.

**Table 10. Recommendations for improving the quality of social protection for all children adopted by the ABND**

Main recommendations	
*	C1. Keep the CMP amount as it is, but introduce an automatic indexation to the consumer price index. Safeguard the universality of the CMP with a legislation.
$\Delta$	C2. Improve social inclusion objectives of programmes for children with disabilities, for instance such as renovation of facilities to ensure access to social services in particular kindergarten and school education, and expand alternative preschool programmes for children with special needs.
	C3. Introduce supervisory mechanisms for better safety and quality of meals in kindergarten and schools.
*	C4. Improve the quality of nutrition in preschools/kindergartens for half- and full-board children. A new government policy recommends to limit subsidies on the meal allowance to 50 per cent only.
	C5. Increase the number of kindergartens to ensure that the remaining children (likely among the vulnerable groups) can also access to these education services.
Additional recommendations	
*	C6: Increase the level of CMP benefits for young children (however, the UN/G Social Protection Working Group agreed not to include this recommendation in the list of scenarios to be estimated, for the moment focusing advocacy efforts on preserving the universality of the CMP).
	C7: Ease qualifying conditions for benefits targeting single mothers or fathers with several children.
$\Delta$	C8: Expand services targeting children with chronic illness conditions.
$\Delta$	C9: For youth of working age (above age 16), establish programmes that would facilitate the transition school to work. (See recommendations under Guarantee 3.)
	C10: Provide decent jobs to parents whose children are involved in worst forms of child labour.
	C11: Improve enabling environments for guaranteeing the right to education and personal development of children of herders' families.

Source: UN/G Social Protection Working Group, 2014.

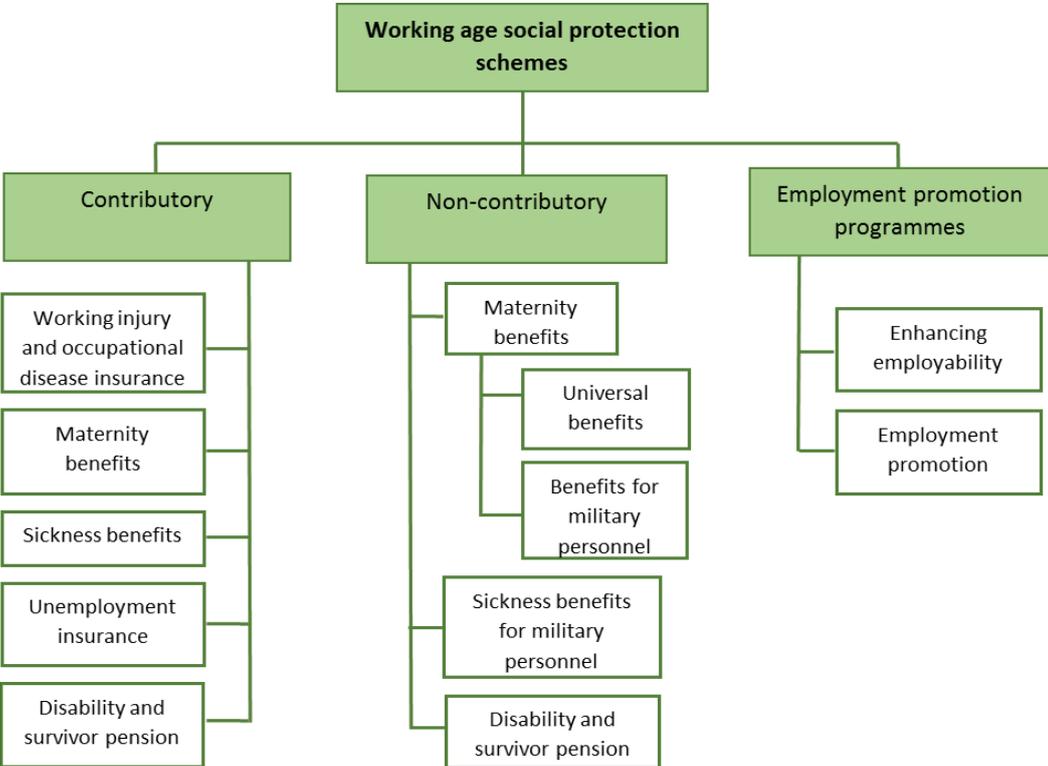


**4.3. Working age population**

“Basic income security, at least at a nationally defined minimum level, for people in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability”

Working age social protection consists of contributory and non-contributory benefit schemes and active labour market employment programmes. Figure 10 depicts the existing social protection and employment promotion programmes for people of working age.

**Figure 10. Existing social protection and employment promotion programmes for people of working age in Mongolia**



Source: MPDPS, MOL.

## Existing provisions: Contributory social protection schemes for the working age

### Working injury and occupational disease insurance

The working injury and occupational disease insurance is one of five branches of the Social insurance system and it is administered by the Social Insurance General Office (SIGO).

<b>Legal framework</b>	Law on Social Insurance (31 May 1994), Law on Pension, Benefits and Payments provided by Social Insurance Fund against Work Injury and Occupational Disease (7 June 1994)
<b>Target group</b>	Workers (Mongolians and foreigners or stateless people) employed in Mongolian business entities, NGOs and other organizations (Art 4.2.1); workers (Mongolians and foreigners or stateless people) employed in foreign business entities, NGOs, project management units and International organizations in Mongolian territory (Article 4.2.2); civil servants and public workers (Article 4.2.3); labour contracted Mongolian workers deployed abroad (Article 4.2.4); individuals other than the ones specified in Article 4.2 who do not work in formal economy and unemployed workers.
<b>Registration</b>	Mandatory and voluntary
<b>Financing</b>	Employers contribution and individual voluntary contributors to Working Injury, Occupational Disease Insurance Fund:  Mandatory scheme: contribution rate is borne solely by employers at the level of 1 per cent, 2 per cent and 3 per cent (depending on occupational hardship) of the payroll salary (between minimum wage and 10 times the minimum wage).  Voluntary scheme: contribution rate is 1 per cent of the reference income, paid by insured only. Reference income is declared on a voluntary basis and ranges from the minimum wage (set at MNT192,000 in 2013) to 10 times of minimum wage.
<b>Benefits</b>	Disability and survivor pension, sickness benefits, compensation for rehabilitations: prosthetic facilities, sanatorium treatment caused by a working accident and occupational disease.
<b>Coverage</b>	Insured under the mandatory scheme: 766,815 insured under the voluntary scheme: 147,100 in 2013  In 2013, 5,800 people received a disability pension, 600 received a survivor pension while 1,000 received sickness benefits for temporary loss of working capacity.

### Maternity, sickness and funeral benefits

Contracted employment and public service workers (on a mandatory basis), self-employed, herders and unemployed workers (on a voluntary basis) contribute to the Social Insurance Fund for maternity and sickness benefits, and funeral grant. These three benefits are grouped under the Allowance Fund. Maternity and sickness benefits, as well as funeral grants are administered and delivered through Social Insurance Offices.

<b>Legal framework</b>	Law on Social Insurance (31 May 1994,) Articles 4.2 and 4.3; Law on Pension and Benefits provided by the Social Insurance Fund (7 June 1994)
<b>Target group</b>	Article 4.2 (contracted employees and civil service workers), Article 4.3 (informal sector and unemployed workers, and herders)
<b>Registration</b>	Mandatory and voluntary
<b>Financing</b>	Employer and workers' contribution to the social insurance Allowance Fund:  Mandatory scheme: contribution rate is of 1.6 per cent of wages equally shared between workers and employers.  Voluntary scheme: contribution rate is 1 per cent of the reference income (reference income shall not be below minimum wage).

<b>Eligibility</b>	<p><b>Maternity benefit:</b> At least 12 months of contributions, of which six continuous prior to maternity leave.</p> <p><b>Sickness benefit and Funeral grant:</b> At least three months of contribution prior to a sickness leave due to ordinary disease and non-occupational accidents.</p>
<b>Benefits</b>	<p><b>Maternity benefit:</b> the replacement rate is 100 per cent of last 12 month average wage for a period of four months for mandatory insured mothers (Article 4.2); and 70 per cent of last 12 month average income for a period of four months for voluntary insured mothers (Article 4.3).</p> <p><b>Sickness benefit:</b> The insured period is taken into consideration in the determination of the benefit rate, which is applied on the average past three months wages:</p> <ul style="list-style-type: none"> <li>• up to 5 years old: 50 per cent;</li> <li>• 5–14 years old: 55 per cent;</li> <li>• 15 years and above: 75 per cent.</li> </ul> <p>The maximum 66 working days in case of ordinary disease in a year. This duration can be extended to 132 days in a year in case of extraordinary disease (both Articles 4.2 and 4.3).</p> <p>For example, in case the insured person has paid contributions for five continuous years based on the minimum wage, the benefit will amount MNT314,160 (US\$185) for a maximum of 66 days of sickness.</p> <p><b>Funeral grant:</b> MNT620,000 (both Articles 4.2 and 4.3).</p>
<b>Coverage</b>	<p>Insured under the mandatory scheme: 766,815 insured under the voluntary scheme: 147,100 in 2013.</p> <p>In 2013, a total of 45,700 mothers received maternity benefits and a total of 104,400 workers received benefits under the sickness insurance scheme. Funeral grants were paid to 12,400 people in 2013.</p>

### Unemployment insurance

The mandatory social insurance scheme also provides support in case of loss of employment for formal employees in the private and public sectors. The package of voluntary social insurance scheme provided for herders, self-employed and informal economy workers does not include unemployment benefits. The unemployment benefits are calculated, approved and delivered through Social Insurance Offices.<sup>26</sup>

<b>Legal framework</b>	Law on Social Insurance (31 May 1994), Article 4.2; Law on Unemployment Benefits Provided by the Social Insurance Fund (5 July 1994)
<b>Target group</b>	Article 4.2 (contracted employees and civil service employees)
<b>Registration</b>	Mandatory
<b>Financing</b>	Employers and employees' contributions to the social insurance Unemployment Insurance Fund: The contribution rate is of 0.4 per cent of wages equally shared between workers and employers.
<b>Eligibility</b>	A worker must have a minimum of 24 months of insurable employment including continuous employment in the last nine months to qualify for unemployment insurance benefits. From July 2015, in a case of a subsequent claim, the qualifying period will be increased from 6 months to 12 months, the other eligibility criteria remaining the same (Law amendment of 30 January 2015).

26 For more details see also: J. Carter, M. Bedard and C.P. Bista: A comparative review of unemployment and employment insurance systems in Asia and Worldwide (Bangkok, ILO, 2013).

**Benefits** Unemployment insurance benefits can last 76 days, irrespective of the duration of insured employment. The insured period is taken into consideration in the determination of the benefit rate, which is applied on the average past three wages:

- up to 5 years of insured employment: 45 per cent;
- 5 to 10 years: 50 per cent;
- 10 to 15 years: 60 per cent;
- 15 and above: 70 per cent.

The minimum unemployment benefit shall not be less than 75 per cent of the minimum wage established by the National Tripartite Committee on Labour and Social Consensus at MNT192,000 per month according to the last update in April 2013.

Under the current law, if a worker terminates the employment contract voluntarily or the employment relationship has been terminated by the employer due to serious and repeated breaches of the labour code, 36 days of benefits are deducted from due benefits. From 1 July 2015, however, with the new legal amendment adopted 30 January 2015, this provision will be removed.

**Coverage** Insured: 766,815 in 2013. In 2013, 15,800 employees received unemployment insurance benefits.

#### **Disability and survivor pension**

The disability and survivor pensions are part of the three benefits provided by the Pension Fund of the Social Insurance System, together with the old-age pension. The pension benefits are calculated and administered by Social Insurance offices at *aimag* levels, and delivered at *soum* levels.

**Legal framework** Law on Social Insurance (31 May 1994), Articles 4.2 and 4.3; Law on Pension and Benefits Provided by the Social Insurance Fund (7 June 1994)

**Target group** Article 4.2 (contracted employees and public service workers), Article 4.3 (informal sector and unemployed workers, and herders)

**Registration** Both mandatory and voluntary

**Financing** Employers and workers' contributions to the social insurance Pension Fund:  
Mandatory scheme: the contribution rate is included in the 14 per cent of the payroll salary equally shared between employer and employee that finances the three benefits of the social insurance pension Fund.

Voluntary scheme: the contribution rate is part of the 10 per cent of the reference income of the insured going to the social insurance pension fund. Reference income is declared on a voluntary basis: between minimum wage and 10 times the minimum wage.

**Benefits** **Disability pension:** in case of loss of capacity to a level of at least 50 per cent, the benefit rate is 45 per cent of his/her reference wage. After 20 years of service, the benefit rate increases by 1.5 per cent for each additional year. A person is eligible for a partial pension if s/he contributed for a period of three years out of five immediately preceding the date of commencement of disability. In any circumstances, both fully and partial disability pensions must not be lower than the minimum social insurance old-age pension (set at MNT195,000 for a partial pension or MNT230,000 for a full pension).

**Survivor pension:** the number of dependents is taken into consideration in the determination of the benefit rate:

- one dependent: 50 per cent of the amount corresponding to a full pension for old age based on the pensionable earnings of the insured;
- two dependent: 75 per cent;
- three or more dependent: 100 per cent.

However the minimum level of pension must be equal to 50–100 per cent of minimum wage (set at MNT192,000 in 2013) depending on the number of dependents.

**Eligibility** **Disability pension:** An insured person who has lost his/her capacity for work permanently or for a long duration due to a non-occupational disease or accident, provided that he/she has paid contributions for not less than 20 years, or for a period of three years out of five, immediately preceding the date of commencement of invalidity.

**Survivor pension:** Family dependents (spouse and children below age 16) where an insured person, who has paid contributions for not less than 20 years, or for a period of three years out of five before the death, dies due to a non-occupational disease or accident.

**Coverage** 766,815 insured under the mandatory scheme; 147,100 insured under the voluntary scheme in 2013.

**Beneficiaries** 22,500 survivors in 2013 (no disaggregated figures by age).

### **Military service scheme**

**Legal framework** Law on Pension and Benefits of Military Service Personnel (13 June 1994), Article 4.1

**Target group** Cadet, soldiers, sergeants, first-sergeants, officers, commissaries, generals of armed forces, officials of Defence, Police, Border Security, Correctional Service, Intelligence, Emergency Service and Criminalities.

## Benefits

The scheme include the following benefits delivered through Social Insurance offices: old-age pension (see more details under guarantee 4), disability pension, survivor pension, maternity benefit, sickness benefit and funeral grant.

**Maternity benefits:** 100 per cent of last 12 months average wage for a period of four months.

**Sickness benefits:** The benefits are calculated according to the years of services as follows:

- up to five years of services: 50 per cent of the reference wage;
- from 5 to 14 years: 60 per cent;
- 15 years and above: 80 per cent.

**Funeral grant:** MNT620,000 in 2014.

**Disability pension:** the level of benefits varies from 10 to 60 per cent of the average of the five continuous years' salaries out of the past 20 years of service depending on the level of invalidity.

**Survivor pension:** The calculation of the level of survivor pension takes into consideration the number of dependents, as a percentage of the average of the five continuous years' salaries out of the past 20 years of service. Dependents can be spouse and/or children:

- 3 or more dependents: 100 per cent of past earnings;
- 2 dependents: 75 per cent; and
- 1 dependent: 50 per cent and plus 10–15 per cent complementary benefit.

## Eligibility

Men military official should have completed at least 25 years of service and women 20 years of service.

## Financing

Government budget

A comparison of the provisions of the 1994 and 1999 laws on disability and survivor pensions is provided in table 11.

**Table 11. Comparison between the provisions of laws adopted in 1994 and 1999 for disability and survivor pensions**

	Defined benefits (DB) scheme (for citizens born before 1960)	Notional defined contribution (NDC) scheme (for citizens born after 1960)
<i>Disability pension</i>		
Benefit rate	<p>Invalidity of 75 per cent or more = 45 per cent of income reference, increased by 1.5 per cent of wages for every additional year.</p> <p>Invalidity of 50 per cent or less = pension calculated at proportional rate of the wages as 45 per cent or more.</p> <p>Both full and partial disability pension shall not be less than the old-age minimum pension.</p> <p>If old-age pension is below disability pension, the person will be entitled to disability pension at retirement age.</p> <p>If disability is not the result of an occupational accident or disease, the person will be eligible for a social pension provided by the Social Welfare Agency.</p>	<p>Total invalidity = monthly average wage in the last three years* 60 per cent</p> <p>Partial invalidity = (monthly average wage in the last three years*60 per cent)</p> <p>* percentage of capacity for work lost;</p> <p>Minimum disability pension must be equal to minimum old-age pension.</p>

Qualifying conditions	Invalidity of not less than 50 per cent due to a non-occupational disease or accident with contributions for not less than 20 years of service or at least three years out of five immediately preceding the date of invalidity commencement.	
<i>Survivors pension</i>		
Benefit rate	Three or more dependents = 100 per cent of the amount corresponding to a full pension for old age based on the pensionable earnings of the insured, Two dependents =75 per cent, and one dependent = 50 per cent.  Minimum survivor pension must be equal to 50–100 per cent of the minimum wage (set at MNT192,000 in 2013) depending on the number of dependents.	40 per cent monthly average wage in the last three years for one dependent, increased by 10 per cent for each additional family member.  Pension should not exceed 60 per cent monthly average wage of the last three years.  Minimum pension must be equal to minimum old-age pension
Qualifying conditions	Not less than 20 years insured service, or three years out of five, immediately preceding the death of the breadwinner due to non-occupational disease or accident.	

### Existing provisions: Non-contributory social protection schemes for the working age

The following benefits are delivered through Social Welfare Offices.

#### Social welfare disability pension benefit

<b>Legal framework</b>	Law on Social Welfare (19 January 2012) Articles 12.1.3 and 12.1.2; Government resolution No. 81, 2012
<b>Target group</b>	Citizens age 16 and older who lost his/her working capacity equivalent to at least 50 per cent and more and dwarf individuals age 16 and older
<b>Eligibility</b>	Being not entitled to receive pension under the social insurance legislation (never contributed (or less than three years) to the social insurance scheme).
<b>Benefits</b>	The level of disability pension is fixed on ad-hoc basis, and not indexed to the cost of living. On 1 February 2015, the amount was increased from MNT115,000 to MNT126,500 per month.
<b>Financing</b>	Social Welfare Fund financed by the government budget.
<b>Coverage</b>	44,209 people with disabilities and 164 dwarf people in 2013. <sup>27</sup>

Table 12 provides a summary of other social welfare cash supports for the working age population.

**Table 12. Other social welfare cash supports (2013)**

Support	Legal framework	Target/eligibility	Benefit	Coverage
Cash allowance for poor	Law on Social Welfare (19 January 2012), Art. 13.3	A citizen-member of household selected from households with living standard lower than a specified threshold who are registered in a central database of households (proxy-means tested database)	MNT48,000 per month	Proxy-means testing programme, not yet implemented

<sup>27</sup> Annual Report of MPDSP for 2013.

Emergency assistance	Law on Social Welfare (19 Jan. 2012), Art. 13.5.1	Homeless or whose home became unsuitable for living or lost livelihood due to sudden accident, disaster- <i>dzuds</i> (harsh winters) or other unforeseen reasons	MNT1,200,000 one time	815 people of 602 households
Livelihood support	Law on Social Welfare (19 Jan. 2012), Articles 13.5.2–13.5.5	Citizen, age 18–24 who became a double orphan before he/she turned 18; homeless citizen released from prison; homeless and wandering citizen or household	MNT1,200,000 one time.	403 people
Allowance and assistance	Law on Social Security of People with Disability (8 Dec. 2005), Articles 5.1.3 and 5.1.4; Government resolution No. 153, 2012	People with disabilities	15 types of allowances, reimbursements and assistance services	37,300 people <sup>1</sup>
Allowance for permanent care	Law on Social Welfare (19 Jan. 2012), Art. 13.2.4	A citizen taking care of elder or disabled person under medical control, requiring permanent care.	MNT48,000 per month (the amount was increased to MNT58,000 from 1 Feb. 2015) 1 Feb. 2015	16,800 people with disabilities (plus 16,800 older persons) <sup>2</sup>
Allowance for permanent care-givers	Law on Social Welfare (19 Jan. 2012), Art. 13.2.3	A citizen taking care of single elder or disabled person in their family, who has no children or relatives to take care of him\her;	MNT48,000 per month (the amount was increased to MNT58,000 from 1 Feb. 2015)	239 people with disabilities and 154 older people
Food and nutrition support	Law on Social Welfare (19 Jan. 2012), Art. 22	A member of poor household as requiring necessary food supply; homeless people	Food coupon – MNT10,000 for every month in 2014 (MNT13,000 per month from 1 Jan. 2015)	47,548 adults of 97,919 total beneficiaries
Cash allowance for livelihood improvement (starting 1 June 2013)	Presidential decree No. 42 (29 Mar. 2013); Government resolution No. 168 (11 May 2013)	Members of Reindeer herding families living in Taiga (ethnic minority)	Monthly allowance, 50 per cent of minimum subsistence level (MSL) for a child, 100 per cent for an adult <sup>3</sup>	339 people of 94 families

<sup>1</sup>Mongolian Statistical Yearbook 2013, NSO. <sup>2</sup> Annual report of MPDSP for 2013. <sup>3</sup> MSL for 2015: MNT160,800–MNT185,400 per month. The highest is for Ulaanbaatar.

Source: SWGO, 2015.

### Other in-kind social welfare: Community-based service for the working age

**Target group** People with disabilities; victims of violence; citizens released from a prison; alcohol and drug addicted citizens; citizens with incurable disease; Homeless and wandering households and citizens; migrated citizens or citizen-members of poor households; Single mothers/fathers.

**Services** Support to homeless citizens and their family members in socializing, civil registration, and accommodation in a temporary shelter; Socialize citizens and households requiring social welfare assistance, to help form a community group, implement income generating projects and provide life skills training; Counselling; Rehabilitation; Temporary accommodation and care; Day care service; Home based care and service.

**Financing** Local government budget (from 2013)

**Funding process** Service costs estimated by the Social welfare unit at the *aimag* level, district and capital city on the basis of proposal issued by Livelihood Support Council of respective *soum* and *khoro* and be submitted to the Local Governor Office.

**Coverage** 8,700 people in 2014



### Active labour market programmes

Active labour market measures comprise programmes with a twofold objective: 1) enhancing employability; and 2) promoting employment. All programmes, as well as functions and services of employment services, are designed and funded by the Ministry of Labour (MOL) and implemented by the local government at *aimag* and *soum* levels. From 2012 to 2014, MOL implemented two programmes under the first category and eight under the second, as described hereafter.

In February 2015, the National Employment Council (tripartite body) reviewed the employment promotion programmes (EPP) and adopted the five following programmes:

1. support to self-employed people to start cooperatives or partnerships;
2. employment skills and retention of jobs;
3. promotion of employment of people with disabilities;
4. promotion of herders' employment; and
5. promotion of employment among youth, graduates of vocational schools and training.

For the year 2015, MNT80.3 billion have been allocated to these programmes through the Employment Promotion Fund.

The report describes the ten EPPs that were been reviewed during the national dialogue from December 2013 to September 2014.

### Enhancing employability

Public employment services provide support for occupational and vocational orientation, career and job counselling and analysis and collection of labour market information, including supply and demand for jobs and skills. In addition, employment services are also accredited to deliver their own vocational training programmes. Current programmes and activities are outlined below.

#### Programme on preparation of professional workers<sup>28</sup>

**Key activity** Registration of trainees (a four-way contract is established between the unemployed person, Government, training provider and employer); **vocational training** at vocational training centres and production centres, 20 per cent of training shall cover the theory and 80 per cent shall be the practical appliance of theoretical knowledge; and evaluation and assessment of graduates and job placements

**Benefit**

Trainee is provided with:

- a monthly fellowship of MNT190,000;
- monthly accommodation cost of MNT75,000;
- working cloths of MNT60,000.

Additional cost for a practical session MNT312,000 per a mentor (mentor and trainee ratio 1:15) for 3 months.

Employer that provided a job place receives MNT65,000 per trainee.

In total MNT7.215 billion spent in 2014.

**Coverage** 4,182 people trained; 3,085 jobs created, of which 2,695 regular and 390 temporary

#### Programmes on employment preparation

**Key activity** **Counselling and orientation: review of career, preparation for interviews**

**Benefit**

Reimbursement of costs for obtaining necessary documents and medical check-up.

Maximum of reimbursement cost per person is fixed by Minister of Labour. In total MNT144.2 million spent in 2014

**Coverage** 5,695 people benefitted

**Key activity** **Employment training**

**Cost** MNT1.6182 billion spent in 2014

**Coverage** 6,399 people

**Key activity** **Measures to support employers; reimbursement of practical training cost of up to three months per fulltime worker trained through on job training**

<sup>28</sup> 2014 data provided by Ministry of Labour.

**Cost** 12 times the minimum wage for each newly created job that qualifies for benefits under the programme. The employee must have worked for more than 12 months.

Salary support:

- One year's salary to an employer if the employee reached working age while in the children's welfare campus or was released from a prison and was placed in a full-time job through on-the-job training. The employee must have worked for more than one year.
- 50 per cent of one year's salary to an employer if the employee reached working age while in the children's welfare campus or was released from prison and placed in a full-time job through on-the-job training. The employee must have worked for 8–12 months.

In total MNT1.1491 billion spent in 2014

**Coverage** 487 employers

### Employment promotion programmes

Since January 2012, the MOL has been implementing a number of employment promotion programmes, targeting: i) vulnerable workers such as people with disabilities, self-employed, herders, cooperatives and those starting their own-business; ii) employers; and iii) inhabited regions of Mongolia.

Eight employment promotion programmes have been implemented in 2014.

#### Employment promotion programme for workers over 40 and seniors

**Key activity** Project on planting potato, vegetables and fruits

**Cost** MNT527.1 million spent in 2014

**Coverage** 1,286 people

**Key activity** Projects on group work to protect and rehabilitate the environment and prevent injuries and accidents

**Cost** A group with 1–3 people, duration 4 months per group, incentive is MNT200,000 per month per group; MNT539.6 million spent in 2014

**Coverage** 2,097 people

**Key activity** Project on regulating traffic crosses around primary and secondary schools

**Cost** Only in a capital city Ulaanbaatar, a group with 1–3 people, duration is not more than eight months, incentive MNT200,000 per month per group; MNT84.3 million spent in 2014

**Coverage** 458 people

#### Employment promotion programme for herders

**Key activity** Restocking of animals for young herders

**Cost** MNT5 million, one time per household; 50 per cent of the loan shall be paid back within three years; MNT2.906 billion spent in 2014

**Coverage** 1,492 young herders

**Key activity** Financial Support to herder-employers

Herder-employer who hire probationer-herders with few animals or those herders who lost their animals because of natural disasters; employers must pay at least for 12 months not less than the national minimum wage and must teach them herding techniques; employers receive up to ten livestock annually

**Cost** Up to MNT1 million grant, for one time; MNT40 million spent in 2014

**Coverage** 40 herder-employers  
**Key activity** **Training and study tours, fair exhibitions**  
**Cost** MNT442.4 million spent in 2014  
**Coverage** 1,101 herders

#### Programme for entrepreneur development

**Key activity** **Providing financial support to entrepreneurs** as follows:

- citizens over age 40
- citizens that have difficulties of finding a job
- self-employers and citizens that start a business or move from the informal sector to formal

**Cost** MNT1 million per person; MNT1.5649 billion spent in 2014

**Coverage** 1,417 people

**Key activity** **Providing business and incubation services**

**Cost** MNT1.0526 billion spent in 2014

**Coverage** 8,658 people

#### Employment promotion programme for people with disabilities (PWD)

**Key activity** **Skills trainings**

**Cost** MNT83.3 million spent in 2014

**Coverage** 1,022 people

**Key activity** **Financial support to people with disabilities for their entrepreneur development**

**Cost** Up to MNT1 million per position; in total MNT5 million will be provided to PWDs based on a business proposal competition bid; MNT1.2443 billion spent in 2014

**Coverage** 1,455 people

**Key activity** **Support to employers that provide job places for PWD (1)**

**Cost** Incentive: One time incentive equal to 12 times the minimum wage for each person with disabilities employed for more than 12 months  
Financial support: MNT5 million per job place (up to MNT50 million) if more than eight permanent positions are created especially for the skills and features of PWDs, based on a competitive bid for the project; MNT97.8 million spent in 2014

**Coverage** 45 employers provided job places for 129 PWD

**Key activity** **Support to employers that provide job places for PWD (2)**

**Cost** Financial support: MNT5 million per job place (up to MNT50 million) if more than eight permanent positions are created specially designed for skills and features of PWDs, based on a competitive bid for the project; MNT300 million spent in 2014

**Coverage** 100 employers

#### Youth employment promotion programme

**Key activity** **“Soum youth” project** with an objective to provide public services to citizens in remote *soums* and towns and to contribute into activities for local development.

**Cost** One time incentive of MNT200,000 shall be paid to each participant, if s/he worked for more than 21 working days; MNT403.6 million spent in 2014

**Coverage** 1,978 people

**Key activity** **“Start of work” project** supporting youth participation in activities such as winter preparation, building model winter shelter, delivering new baby animal, making hay and cropping activities by financing of local authorities and citizens.

**Cost** One time incentive of MNT200,000 shall be paid to each participant, if s/he worked for more than 21 working days; MNT1.4857 billion spent in 2014

**Coverage** 7,311 people

**Key activity** **Support to youth income generation** through summer works in mining, road building, construction and other sectors during students' summer vacation.

**Cost** One time incentive of MNT200,000 shall be paid to each member of a team with 10–15 members, if s/he worked in the abovementioned economic sectors for more than 21 working days; MNT198.8 million spent in 2014

**Coverage** 914 people

#### **“Inhabited Mongolia” programme**

**Key activity** **10 working days paid to employees of local public work programmes**

**Cost** MNT14,000 per person per day as salary and a lump-sum of MNT10,000 for working equipment per person; MNT2.2516 billion spent in 2014

**Coverage** 17,299 people

**Key activity** **10 working days paid to employees of green work provided by local government**

**Cost** MNT14,000 per person per day as salary and MNT10,000 lump-sum per person for working equipment; MNT2.0803 billion spent in 2014

**Coverage** 8,030 people

#### **Senior specialist’s consultation service project**

**Key activity** **Consulting services on necessary field of work to *aimag, soum, district and sub-district by elder people’s team*** (a team at least of three members, at least three months service and 56 working hour per month)

**Cost** MNT1 million per team; MNT984.7 million spent in 2014

**Coverage** 3,030 people

**Key activity** **Consulting service, based on a contract, by elder people through NGO** (implemented by Employment Service Center in Ulaanbataar only, based on project bid, 70 per cent of budget shall be paid in advance and 30 per cent upon accomplished activities)

**Cost** No data

**Coverage** 272 people

#### **Loans from SME promotion fund, employment promotion fund and soum development fund**

**Key activity** **Small and medium enterprises loans; Employment promotion loans; Loans from *Soum development***

**Cost** According to bid regulations

**Coverage** 440 people small and medium enterprises loans; 5,729 people received employment promotion loans, MNT17.4 billion spent, 12,915 jobs created, of which 10,193 regular and 2,722 temporary jobs; 3,386 people received loans from *Soum development*, MNT5.8 billion spent

Social protection programmes for the working age group are summarized in table 13.

**Table 13. Summary of social protection programmes for the working age group**

Type of scheme	Benefits	Coverage (by the end of 2014)
<b>Social insurance schemes</b>		
Working Injury and Occupational Disease Insurance	Disability pension, Survivor pension, Sickness benefits, Compensation for rehabilitations: prosthetics facilities, sanatorium treatment	71.6 per cent of labour force
Allowance Insurance	Maternity benefit, Sickness benefit and Funeral Grant	71.6 per cent of labour force
Unemployment Insurance	Unemployment benefits	766,815 people or 60.1 per cent of total labour force
Pension Insurance	Disability pension, Survivor pension	71.6 per cent of labour force
Military benefit scheme	Disability pension, Survivor pension, Maternity benefits, Sickness benefits, Funeral grant	n/a
<b>Social welfare benefits</b>		
Non-contributory Social Welfare Pension Benefit	Disability pension	44,373 people received MNT115,000 per month (the amount was increased to MNT126,500 from 1 Feb. 2015)
Universal Maternity Benefit	Universal maternity benefit	94,882 people received MNT40,000 a month for 12 months
Cash support	Cash allowance for poor	n/a
Cash support	Emergency assistance	815 people received MNT1,200,000 one time
Cash support	Livelihood support for orphans age 18–24, homeless	403 people received MNT1,200,000 one time
Cash support	Allowance and assistance for people with disabilities	37,300 people
Cash support	Allowance for permanent medical care	33,600 people received MNT48,000 per month (the amount was increased to MNT58,000 from 1 Feb. 2015)
Cash support	Allowance for permanent home care	393 people received MNT48,000 per month (the amount was increased to MNT58,000 from 1 Feb. 2015)
Support in kind	Food and nutrition support	47,548 adults received food coupon of MNT10,000 a month (the amount was increased to MNT13,000 from 1 Jan. 2015)

Social welfare services	Community based service for WA	8,700 people
Employability programmes		
	Programme on preparation of professional workers	4,182 people
	Preparing for Employment	12,581 people
Employment promotion programmes		
	Employment promotion programme for people over age 40	3,841 people
	Employment promotion for herders	2,633 people
	Programme for entrepreneur development	10,075 people
	Employment promotion for PWD	2,622 people
	Youth employment promotion	10,203 people
	“Inhabited Mongolia” programme	25,329 people
	Senior Experts consultation services	3,302 people
	Loan through specialized funds	9,555 people

Source: SIGO, SWGO and MOL.

## Policy gaps and implementation issues

### Policy gaps

**Insurance policy** Contributions are collected on a monthly basis, which is not adapted to the seasonality of herders’ incomes (This gap was addressed by a policy amendment during the ABND process, in January 2014; now contributions can be collected monthly, quarterly or twice a year depending on how the social insurance agency and the insured agree in the contract).

**Social insurance benefits** The level of benefits relatively low for all contingencies, particularly in terms of duration. The qualifying conditions are often hard to meet. Both gaps create disincentives for participating to the social insurance scheme.

**Working injury and occupational disease insurance** Weak investigation mechanisms and absence of criteria to assess whether the disease is work related, as well as the ambiguity concerning accidents occurring on the way to/from work affect the effectiveness of the scheme.

Employer representatives also noted the absence of penalties or provisions to reduce benefits if a working accident occurs by fault of the worker.

The disability benefit offered for temporary incapacity is too low, i.e. nearly three times lower than standards prescribed by the ILO Convention No. 121, Schedule II: 60 per cent of past earnings for a man with a wife and two children as dependents).

The number of claims to the employment injury and occupational disease fund could be reduced by enforcing more effective prevention policies.

**Maternity** Voluntary social insurance offers lower benefits (replacement rate set at 70 per cent of past earnings) although the contribution rate is the same as the mandatory social insurance maternity benefit (replacement rate at 100 per cent of past earnings).

**Unemployment benefit eligibility** The eligibility condition requiring workers to contribute for at least two years, and notably the nine continuous months immediately preceding their job loss, is too restrictive and causes many who lose their jobs to fail to qualify for an unemployment insurance benefits.

Unemployment insurance entitlements do not link with return to work and employment promotion programmes.

**Contributory disability pension** The level of benefits is low and adjusted in ad-hoc manner, therefore it does not allow for automatic indexation to the cost of living.

Focus is on providing cash benefits, but the benefits do not link with some employment promotion and rehabilitation programmes that could reinforce employability of people with disabilities.

**EPP: Preparing for Employment** One of the criteria for an individual to be enrolled in the employment promotion programme (EPP) is the period already spent searching a job (over six months), which should be decreased to two–three months.

**EPP for herders** The demand for this programme in rural area is high. However, limited funding and restrictive eligibility criteria may affect its successful implementation.

Herders often lack information concerning social insurance schemes. For instance, participation in EPPs do not link to promoting social insurance registration. Herders are exempted from most taxes; therefore they may not be familiar with and/or willing to contribute to the social insurance system. Special attention should be given to young herders.

**EPP for people over 40 and senior citizens** MOL should consider improving the design of this programme, notably by including enhanced vocational training that supports senior workers to adapt their working methods.

**EPPs supporting employers** The programme includes restrictive qualifying conditions, which discourages potential beneficiaries from accessing the financial grant. For instance, one of the criteria is that the applicant should have worked for the same employer continuously for the past 12 months; or the employer can guarantee that the applicant will stay for at least six months in the job.

**EPPs providing financial support** The financial support such as loans granted by the EPPs for entrepreneurship development, people with disabilities, and herders does not include a component of business skills development.

## Implementation issues

**Coverage** Although the level of contribution seems affordable for herders (according to market price of livestock the minimum wage equals to price of one sheep), their participation to the voluntary social insurance is very low among herders. The very low coverage, especially among young people, herders and self-employed may denote a lack of interest and awareness on the benefits of social security.

**Evasion** The national average wage as reported by the NSO is significantly higher than the average wage declared for paying mandatory social insurance contributions, which suggests practices of social evasion by employers and employees.

<b>Accessibility</b>	Herders hardly visit the <i>soum</i> centre due to remoteness, and animal husbandry care (maybe once a month).
<b>Contribution schedule</b>	The contribution payment schedule is not appropriate or does not meet the income cycle and life style of rural population. Herders' income depends on highly seasonal events like cashmere, milk and live animal sales, and their demand for cash is also dictated by seasonal needs. Herders hold cash only twice a year, at spring during cashmere sale and early December during meat preparation. (This gap was addressed by a policy amendment during the ABND process, in January 2014; now contributions can be collected monthly, quarterly or twice a year depending on how the social insurance agency and the insured agree in the contract).
<b>Awareness</b>	There is a significant lack of information on procedures and benefits from contributing to social security systems, especially among the young people.
<b>Targeting</b>	There is no clear definition for a homeless person neither clear procedure of providing a shelter ( <i>ger</i> ) to them.
<b>Adequacy</b>	People with disabilities cannot access services due to inadequate facilities for people with prostheses and orthopaedics and absence of service providers in rural area.
<b>EPPs: General comment</b>	Information and awareness on these programmes is low among population. Four of the EPPs, notably those for herders, entrepreneur development, people with disabilities and training of professional workers have been more successful according to the MOL annual review for 2014. <sup>29</sup> Further improvements to the design all of the programmes are needed. The report highlights poor coordination, overlapping and contradictions between the different employment programmes. Funds and capacities are lacking for the efficient implementation of the programmes. EPPs lack funds and good capacities of labour officers in rural areas, where levels of unemployment and poverty are higher than the national average.
<b>EPPs to promote vocational training</b>	<p>The duration of vocational training is too short, which hinders the proper acquisition of professional skills needed to increase competitiveness on the labour market.</p> <p>The selection process for obtaining an authorization to open a training institute tends to favour Ulaanbaatar training providers, leaving behind vocational training supply for seasonal jobs in the rural area, in particular training facilities/programmes aimed at promoting rural cooperatives and seasonal job placement.</p>

### Conclusions and recommendations

Participation in the voluntary social insurance system remains low, integration between income support programmes (e.g. social welfare programmes, unemployment benefits) and employment promotion measures is weak. To complete the social protection floor for the working age population, the main recommendations are: introduce incentive mechanisms (e.g. subsidies on contributions) to increase social insurance coverage among herders and self-employed workers; increase the replacement rate of maternity benefits for women covered under the voluntary social insurance scheme; and establish effective and systematic linkages between social insurance and active labour market programmes.

Table 14 summarizes the recommendations gathered during the national dialogue process. Items marked with an asterisk (\*) indicate a recommendation to provide new social protection provisions or increase

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of coverage of existing provisions. The cost of these additional provisions or coverage is calculated using the ILO RAP costing tool. A number of recommendations would require more in-depth feasibility and/or actuarial studies to assess their costs. These recommendations are marked with a delta ( $\Delta$ ) in table 14.

**Table 14. Recommendations adopted by the ABND for ensuring income security of the working age group**

Main recommendations	
*	WA1. Increase the replacement rate for maternity benefits under voluntary social insurance scheme to 100 per cent at the same level as for mandatory social insurance scheme.
$\Delta$	WA2. Bring more flexibility in qualifying conditions to the unemployment insurance benefits: nine months qualifying period in the last 24 months in order to improve protection of workers holding short term contracts; Increase the level of benefits at minimum 50 per cent.
*	WA3. Create incentives to join the voluntary social insurance contribution by subsidizing the contribution.
	WA4. Provide more flexibility in paying voluntary contributions (applies also to the social insurance pension fund), especially for herders by revising the contribution payment schedule (twice a year) and allowing paying back unpaid contributions within a determined period of time (Reform introduced in January 2014).
*	WA5. Establish systemic linkages between social insurance and EPPs by entailing social insurance registration as a condition to access the EPPs.
*	WA6. Develop EPPs linking with vocational training and registration to social insurance, targeting specifically young herders (most of beneficiaries of the eight EPP are living in urban areas).
*	WA7. Increase linkages of unemployment insurance benefits with ALMPS, by designing for instance training responding to the needs of beneficiaries (EPP target vulnerable workers who require skills upgrading)
$\Delta$	WA8. Reinforce public employment services, in particular career/employment/training counselling, vocational training and entrepreneurship counselling, rather than focusing only loan programmes, notably services adapted to young people.
*	WA9: Develop a comprehensive programme (that combines training and retraining, counselling for entrepreneurship, career counselling) for reinsertion of people with disabilities due to working injury and occupational diseases.
	WA10. Implement awareness and information campaigns about new EPPs especially in rural areas.
Additional recommendations	
$\Delta$	WA11: Use new information technologies and flexible systems, such as telephone-based contribution payment services, e-file and information technology connectivity between <i>aimag</i> and <i>soum</i> social insurance offices, mobile offices and insurance products linked to herders' seasonal cash flows.
$\Delta$	WA12: Implement workplace improvement and injury prevention activities, e.g. public awareness aimed at both workers and employers, arranging consulting services and dissemination of good experiences.

Source: UN/G Social Protection Working Group, 2015.



#### 4.4. Older persons

“Basic income security, at least at a nationally defined minimum level, for older persons.”

The Mongolian pension system comprises both a social insurance and a social welfare pension schemes. Each respective pension scheme offers income support for all those not capable to work and for survivors of an insured person. Reasons for incapacity to work can be old age, child care responsibilities and disability. For the purpose of this report we have separated the old-age, disability and survivor pensions (the disability pension is addressed under guarantee for the working age group and survivor pension is mentioned for each guarantee along the life cycle), although in laws and practice the three contingencies are merged into either contributory or non-contributory schemes.

##### Existing provisions: Disability, old-age and survivor social insurance pensions

Mongolia inherited a defined benefits (DB) pension system, based on a pay-as-you-go (PAYG) financing method that provided universal coverage and high levels of benefits. The pension system was fully funded by the State budget based on some financial redistribution mechanisms. In 1995, the Government reformed the system and introduced a contributory pension among other new social insurance branches. To date, the system still remains largely dependent on State budget transfers. The reforms improved the existing scheme but failed to achieve financial sustainability or address a number of gaps in the scheme’s design. As a result, the reform weakened incentives for contributing to the system, notably to the voluntary scheme, and created benefit inequities between different groups of workers/population cohorts.

In 1999 a Notional Defined Contribution (NDC) scheme was established for workers born after 1960, with the intention of gradually moving from notional to partial funding accounts. The NDC scheme did not alter the parameters of the defined benefits scheme for those born prior to 1960 and resulted as an abrupt benefit reduction for those born after 1960. Also, the NDC system did not reform key qualifying conditions such as the retirement age, while it still guarantees a minimum pension provision at a level that will continue requiring substantial fiscal subsidies over the long run. Finally the NDC reform did not address the issue of universal coverage that the voluntary scheme failed to achieve.

Besides the old-age, disability and survivor benefits provided by the contributory (mandatory and voluntary) Pension Fund, the MPDSP also implements a number of non-contributory social welfare programmes targeting vulnerable groups.

Currently, the Mongolian contributory pension system has two parallel schemes: one is a DB scheme covering cohorts born before 1 January 1960 and the other is a NDC scheme, namely the Individual Account Retirement System, for those born since 1960.

By 2013, 56,500 people or 5.8 per cent of total insured were still contributing to the pre-1960 system and not yet retired, and 913,900 people or 71.6 per cent of economically active population were contributing under the NDC scheme.

By the end of 2013, there were 232,100 old-age pensioners,<sup>30</sup> equivalent to the entire population above the pensionable age, receiving benefits from the Pension Insurance Fund of the Social Insurance Fund. After January 2015, the first pensioners will be eligible to claim benefits under the NDC scheme (7,000 people will be eligible for the pension in 2015).

Besides the contributory pension scheme Mongolia has a military service pension and a number of non-contributory pension schemes for military and several social welfare pension benefit programmes.

### DB old-age pension insurance

**Legal framework** Law on Social Insurance (31 May 1994) Articles 4.2, 4.3 and 4.7; Law on Pension and Benefits provided by the Social Insurance Fund (7 June 1994) Article 4

**Target** Article 4.2 (Contracted employment and public officials), Article 4.3 (informal sector and unemployed workers, and herders) born before 1 January 1960

Article 4.7: All reindeer herders living in taiga shall be insured by the State under the pension and benefit (some say allowance) insurance schemes. For this group the contribution will be fully subsidized and they will be covered under the voluntary scheme (amended on 30 January 2015).

**Registration** Both mandatory and voluntary registration

**Financing** This contribution is part of the social insurance Pension Fund that also provides disability and survivor pension benefits. The pension fund is financed following the PAYG model.

Mandatory scheme: the contribution rate is 14 per cent of the payroll salary (between minimum wage and 10 times the minimum wage), equally shared between employers and employees.

Voluntary scheme: the contribution rate is set at 10 per cent of the reference income of the individual. Reference income is declared on a voluntary basis, between the minimum wage and 10 times the minimum wage.

In addition, the government transfers part of its budget in order to balance the Fund and contain the deficit level.

**Eligibility** Years of service: Not less than 20 years of contribution to be entitled to a full old-age pension; and at least 10–19 years of contribution for partial pension, for both voluntary and mandatory schemes.

Retirement Age: 55 for women (but if they wish so) and 50 for women who have four and more born or adopted children under age 3 up to age 6; and 60 for men who were born before 1 January 1960. Both men and women engaged in hardship work can also opt for early retirement, from 45 to 55 years old depending on working conditions.

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30 SIGO data provided in Apr. 2014.

<b>Benefits</b>	Old-age pension is calculated based on a DB formula. At the end of 2013, the monthly average pension benefit was MNT225,600. The minimum social insurance old-age pension varied from MNT195,000 for a partial pension to MNT230,000 for a full pension from 1 February 2015.
<b>Replacement rate</b>	45 per cent of the monthly average wage of the best continuing five years' salary and increased by 0.125 per cent of wage for each month additional to 20 years or 1.5 per cent per each additional year (amendment adopted on 30 January 2015 to enter into force on 1 July 2015). For example, 60 per cent replacement rate after 30 years. The minimum guarantee, if at least 20 years of contribution is 75 per cent of minimum wage.
<b>Active contributors</b>	In 2013, 52,100 people were insured under the mandatory DB scheme and 6,400 people under the voluntary DB scheme.
<b>Coverage</b>	232,100 in 2013, which corresponds to a universal coverage.

### NDC old-age pension insurance

Due to abrupt reduction of the replacement rate under the NDC scheme, in February 2015, the Government drafted an amendment to the Law on Individual Account of Pension Insurance contributions. The draft provides alternative choice for participants born between 1960 and 1979 expected to receive an old-age pension under the current NDC scheme to opt for a pension benefit under either the initial DB or NDC, choosing the higher pension. The draft law will be discussed at the Parliament at the fall 2015 sessions.

<b>Legal framework</b>	Law on Social Insurance (31 May 1994) Articles 4.2 and 4.3; Law on Individual Pension Insurance Contribution Account (1 July 1999)
<b>Target</b>	Article 4.2 (Contracted employment and public officials), Article 4.3 (informal sector and unemployed workers, and herders) born after 1 January 1960
<b>Registration</b>	Both mandatory and voluntary registration.
<b>Financing</b>	This contribution is part of the social insurance Pension Fund that also provides disability and survivor pension benefits. The pension fund is financed following the PAYG model.

Mandatory scheme: the contribution rate is 14 per cent of the payroll salary (between minimum wage and ten times the minimum wage), equally shared between employers and employees.

Voluntary scheme: the contribution rate is set at 10 per cent of the reference income of the individual. Reference income is declared on a voluntary basis, between the minimum wage and ten times the minimum wage.

<b>Benefits</b>	Old age pension is calculated based on a NDC formula. Minimum standard: 20 per cent of the national average wage, plus an additional 0.5 per cent of the average wage for each additional service year beyond the minimum of 15 years.
<b>Eligibility</b>	Years of service: 15 years of service and contributions Retirement age: 55 for women (if they wish so) and 50 for women who raised four or more born or adopted children under age 3 up to age of 6; and 60 for men who were born after 1 January 1960. Both men and women engaged in hardship work can also opt for early retirement, from 45 to 55 years old depending on working conditions.
<b>Replacement rate</b>	The replacement rate is calculating based on years of contributions to the notional account balance, accrued notional returns for each year (average growth in the last three years' average wages), and the average life expectancy after retirement.
<b>Active contributors</b>	In 2013, 714,700 insured under the mandatory scheme, and 140,700 insured under the voluntary scheme, or in total 75.5 per cent of the labour force.
<b>Coverage</b>	First pensioner will be eligible in January 2015 (estimated at around 7,000 applicants).

In total, 766,815 are insured under the mandatory scheme (DB for those born before 1960 and NDC for those born after 1960) and 147,100 are insured under the voluntary scheme (DB and NDC), which corresponds to 71.6 per cent of the economically active population. The DB and NDC schemes are explained in table 15. Under the voluntary branch, only 23.3 per cent of herders, self-employed and informal economy workers contributed to the social insurance scheme, which was nevertheless higher than the coverage rate of 9.3 per cent in 2010. However, only 8.4 per cent of herders contribute to the voluntary scheme in 2013.<sup>31</sup>

**Table 15. Two parallel pension schemes of Mongolia**

Old age pension	DB wage-based pension scheme (for those born before 1960)	NDC scheme (for those born after 1960)
Regulatory Law	Law on Pensions and Benefits provided by the Social Insurance Fund (1995)	Law on Individual Pension Insurance Contribution Accounts (1999)
Years of contribution	At least 20 years for a full pension, 10–20 years for a reduced pension	At least 15 years for a minimum pension
Retirement age	60 for men and 55 for women	60 for men and 55 for women
Contribution rates	Mandatory insurance: Employee and employer each pay 7 per cent of reference salary  Voluntary insurance: Unemployed and self-employed workers, and herders pay 10 per cent of reference income	Mandatory insurance: Employee and employer each pay 7 per cent of reference salary  Voluntary insurance: Unemployed and self-employed workers, and herders pay 10 per cent of reference income.
Pension rates	Range of pensionable incomes/ earnings: between minimum wage and ten times minimum wage  (45 per cent + 1.5 per cent for each additional year of contribution over 20 years) multiplied by the highest salary for any five continuous years	Range of pensionable incomes/earnings: between minimum wage and ten times minimum wage  Notional account accumulation (contributions earmarked for old age + notional interest calculated according to average growth in covered wages over the past three years) / (annuity factor or life expectancy at retirement)

Source: Law on Pension and Benefits provided by the Social Insurance, 1994; Law on Individual Pension Insurance Contribution Account, 1999.

### Survivor pension

**Legal framework** Law on Social Insurance (31 May 1994), Articles 4.2 and 4.3; Law on Pension and Benefits Provided by the Social Insurance Fund (7 June 1994)

**Target group** Article 4.2 (contracted employees and public service workers), Article 4.3 (informal sector and unemployed workers, and herders)

**Registration** Both mandatory and voluntary registrations.

**Financing** Employers and workers' contributions to the social insurance Pension Fund:  
Mandatory scheme: the contribution rate is included in the 14 per cent of the payroll salary equally shared between employer and employee that finances the three benefits of the social insurance Pension Fund.  
Voluntary scheme: the contribution rate is part of the 10 per cent of the reference income of the individual going to the social insurance Pension fund. Reference income is declared on a voluntary basis: between minimum wage and ten times the minimum wage.

31 Labour Force Survey and SIGO data provided in Apr. 2014.

**Benefits** The number of dependents is taken into consideration in the determination of the benefit rate:

- one dependent: 50 per cent of the amount corresponding to a full pension for old age based on the pensionable earnings of the insured;
- two dependent: 75 per cent;
- three or more dependent: 100 per cent.

The minimum level of pension must be equal to 50–100 per cent of minimum wage (set at MNT192,000 in 2013) depending on the number of dependents.

**Eligibility** Family dependents (spouse and children below 16 years old) where an insured person, who has paid contributions for not less than 20 years, or for a period of three years out of five years before the death, dies due to a non-occupational disease or accident.

**Coverage (2013)** 766,815 insured under the mandatory scheme; 147,100 insured under the voluntary scheme

**Beneficiaries** 22,500 survivor pensioners in 2013 (data are not disaggregated by age).

#### **Military old age pension scheme**

**Legal framework** Law on Pension and Benefits of Military Service Personnel (13 June 1994), Article 4.1

**Target** Members of the Defence Forces, Police, Border Security, Correctional service, Intelligence, and Emergency Services are eligible for military old age pension.

**Eligibility** The system requires 25 years of service for men and 20 years of service for women. There is no legal retirement age.

**Replacement rate** The level of benefit correspond to 80 per cent of the monthly average wage increased by 1.5 per cent of wages for each year additional up to 20–25 years.

**Benefit** The minimum pension is aligned with the minimum social insurance old age pension that varied from MNT195,000 for a partial pension to MNT230,000 for a full pension from 1 February 2015.

**Financing** The military pension fund is financed by the government budget

**Coverage** 15,600 people in 2013

#### **Existing social welfare old-age benefits**

The Social Protection Policy Coordination and Implementation Department is the social welfare services division of the MPDSP, and is responsible for designing and planning the non-contributory pensions. Social Welfare Offices confirm the eligibility of the applicants and pay the pension.

#### **Non-contributory social pension**

**Legal framework** Law on Social Welfare (19 January 2012), Art 12.1.1

**Target** All men of age 60 and above, all women of age 55 and above; single mothers age 45 or fathers age 50 heading a family of at least four children under age 18.

**Benefits** Pension increased from MNT115,000 to MNT126,500 on 1 February 2015.

**Eligibility** The person must have never worked or have less than 10 years of contribution to the mandatory and voluntary social insurance schemes, and therefore be ineligible for a pension under the Social Insurance Pension Fund.

**Financing** Social Welfare Fund financed by the government budget

**Coverage** 1,693 older persons in 2013<sup>32</sup>

Additional cash supports for senior citizens and for mothers with children are outlined in table 16.

**Table 16. Other social welfare cash supports**

Support	Legal framework	Target/Eligibility	Benefit	Coverage
Additional allowance for senior citizens	Law on Supplementary Allowance for Honoured Senior Citizens /HSC/ (2008); Government resolution No. 70, 2012	Senior citizens who rewarded with a medal of Hero of Mongolia, Hero of Labour, holder of People's and Honoured titles	MNT150,000–MNT200,000 per month	4,800 people in 2013, with a budget of MNT4.9 billion spent in 2013
Allowance for Mothers with many children	Law on Social Welfare (19 January 2012); Art. 13.5.9	Mothers who were honoured with the first and second rank State medal of “Mother’s Glory”	First rank MNT200,000 and second rank MNT100,000 once a year	202,500 people covered and MNT29 billion spent in 2013
Reimbursements and assistance services for older persons	Law on Social Security of Senior Citizens (2005); Art. 5.1.1–5.1.11	Senior citizens over 55–60 years old	11 types of reimbursements and assistance services	126,000 people covered and MNT14.3 billion spent in 2013

Source: SWGO.

## Care services for older persons

### Community-based service for older persons

The services provided include counselling, rehabilitation, temporary accommodation and care, day care home based care and services. The programme is regulated by the Articles 17.1.1, 18.1 and 18.2.12 of the Law on Social Welfare.

Since 2013, the services are financed through the local government budgets. The service costs are estimated by Social welfare units at the *aimag*, *soum*, district and capital city on the basis of proposals submitted by the Livelihood Support Council of each respective *soums* and *khoroos* (district of Ulaanbaatar). The selected proposals are subject to the approval by the local governor’s office.

In 2014 in total 28,300 older people received services from this programme.

### Institutional care service for older persons

The programme aims at assisting single older persons identified as incapable of living independently with no child to support him or her or with a child who became incapable of providing care due to disability or old age. The identified beneficiaries were senior citizens who were benefitting from the community based services programme. The programme was introduced and is regulated by the Article 17.1.2 of the Law on Social Welfare.

Since 2013 the programme has been financed through local government budgets. The governors of *aimags*, districts and the capital city are responsible for approving the applications of senior citizens to

32 Annual report of MPDSP, 2013.

the care service programme. In 2013 there were 320 older persons and people with disabilities living in nine specialised care centres.<sup>33</sup>

Social protection programmes for older persons in Mongolia are summarized in table 17.

**Table 17. Summary of social protection programmes for older persons**

Scheme	Number of beneficiaries
Defined benefit old age pension insurance	232,147 people or over 100 per cent of the male population over 60, and female population over 55 years old (due to early retirement pensions) in 2013.
Defined contribution old age pension insurance	The first pensioner will be eligible from 2015.
Non-contributory military pension benefit scheme	15,600 people benefitted in 2013
Non-contributory social welfare old-age benefit	1,693 older persons in 2013
Social welfare cash supports for older persons	333,300 (double counting) people in 2013.

Source: SIGO, SWGO, 2015.

## Policy gaps and implementation issues

### Policy gaps

**Coverage** The coverage rate of the voluntary scheme remains very low, especially among young people, herders and self-employed workers. This can be explained by a lack of awareness and interest in contributing for their old-age pension.

**Funding** The defined benefit (DB) pension system currently operates on a PAYG basis; however the fund is largely in deficit and projections show that these deficits are likely to grow in the future, even after considering the impact of the 1999 individual Pension Account or notional defined contribution (NDC) reform.

**Benefits** There is no automatic indexation to the cost of living of the levels of the social insurance old-age and survivor pension and the social welfare old-age pension; the level being rather adjusted on an ad-hoc decision.

**Conflict of DB and NDC schemes** The current scheme will provide a lower pension to workers born after 1960 than those born before 1960; it is also expected that the level of benefits under the NDC scheme will be lower than standards recommended by ILO Convention No. 102.

**Retirement age** The retirement age is too low to allow for adequate level of benefits, in particular for women, and sustainability of the fund.

**Equality of treatment** The retirement age for women is lower than for men which leads to a lower pension for women due to shorter period of contributions, in addition to wages that tend to be lower among female employed for similar jobs and level of qualifications.

### Implementation issues

**Military pension** The generous military pension is managed by the Social Insurance Fund, which creates confusion among insured with the other pension funds.

**Governance** Absence of periodical actuarial reviews, low administrative capacity and insufficient infrastructures are all elements that might jeopardize the fund efficiency and sustainability.

## Conclusions and recommendations

While the participation of private and public employees to the old-age social insurance pension is high, only 23.3 per cent of herders, self-employed and informal economy workers contribute to the voluntary social insurance scheme despite repeated efforts to increase participation. Therefore, the ABND recommends introducing a subsidy on the contribution (50 per cent was proposed) of herders, self-employed and informal economy workers to contribute and converting the scheme into a mandatory one that would require improved enforcement mechanisms. The development of a more holistic approach to long-term care should also be considered.

Table 18 summarizes the recommendations gathered during the national dialogue process. Items marked with an asterisk (\*) indicate a recommendation to provide new social protection provisions or increase of coverage of existing provisions. The cost of these additional provisions or coverage is calculated using the ILO RAP costing tool. A number of recommendations would require more in-depth feasibility and/or actuarial studies to assess their costs. These recommendations are marked with a delta (Δ) in table 18.

**Table 18. Recommendations adopted by the ABND for securing social protection to older persons**

Main recommendations	
	E1. Introduce equal retirement age between female and male workers.
Δ	E2. Introduce a three pillar pension system: Pillar 0: universal minimum pension; Pillar 1: Contributory social insurance pension; Pillar 2: Supplementary individual saving accounts.
*	E3: Improve old-age income security of herders and other self-employed individuals by encouraging their participation in the social insurance scheme. Introduce government subsidies on the contributions of the target population as an incentive to increase coverage. Consider reforming the scheme to require the participation of all workers.
Δ	E4. Develop a long term care and support system for older persons: nursing homes and programmes promoting older persons' participation in social work (e.g child care) and short term assignment (e.g. doctors).
*	E5: Automatically index the amount of the social welfare pension benefit to the consumer price index (CPI).
	E6. Open option to pay the voluntary social insurance contribution twice a year to follow seasonality of herders' income (or to allow more flexibility, pay once a year) (reform introduced in January 2014); provide more flexibility in paying back unpaid contributions (applies also to social insurance Pension Fund and SHI contributions. linked to recommendations WA4 and H2).
Additional recommendations	
Δ	E7: Revise the social insurance pension parameters, including automatic indexation to the CPI, to address the low level of benefits under the NDC scheme.
Δ	E8: Introduce new scheme of supplemental benefits for insured born after 1960 in case of early retirement provisions.
Δ	E9. Based on existing social welfare programmes to provide cash or in-kind assistance to poor older persons, create a more coordinated integrated package that will continue applying the same qualifying conditions.
	E10: In addition to indexing the pension benefit, increase minimum pension level but at a reasonable level so it does not create disincentives to contribute to the social insurance scheme.
Δ	E11: Provide an integrated social welfare benefits package for poor older persons (age and means targeted): housing benefits, fuel allowance, increased health-care package and the minimum pension provide by the new old-age pension system.
Δ	E12: Streamline procedures for registration and introduce e-files available at the <i>soum</i> level; introduce IT systems through mobile phone for payment of contributions.

Source: UN/G Social Protection Working Group, 2014.



## 5. Step 2: Costing methodology, description of the policy options ('scenarios') to complete the social protection floor and cost projections

### The costing methodology using the RAP protocol

The Rapid Assessment Protocol (RAP), developed by the ILO on the basis of an earlier UNICEF/ILO costing tool, was used for this costing exercise.

The outcomes of the costing exercise include:

- Policy options (additional social protection provisions) that could be introduced to complete the social protection floor in Mongolia, in line with the recommendations of the assessment.
- Projected costs of policy options in Mongolian tugrik (MNT), comparisons of the costing results with the GDP and government revenues and expenditures, and estimated costs in reference to government budget projections in order to provide preliminary indications of the affordability of the proposed social protection provisions.

The results of this costing exercise can be used to support discussions with different government agencies on social protection policy priorities, fiscal space and budget reallocations.

The RAP uses a simple methodology that builds on single age population projections, single age estimates of labour force participation rates. The RAP does not aim at producing its own projections, therefore projected costs rely on projections of demographic, labour market and economic indicators available in the country. For this reason, the cost of the social protection floor is projected to 2020 in this exercise. The sources of data, main assumptions and background calculations are listed below.

## Territorial and administrative units

Mongolia ranks eighteenth by the size of its territory, bordered by China and Russia. Mongolia is divided into 21 *aimags* (provinces) and the capital, Ulaanbaatar. Since 2006, Mongolia has had 331 *soums* (districts).

## Historical population data and projections

The RAP uses the demographic actual and projected data produced by the National Statistics Office (NSO). The RAP took into consideration the population resident in Mongolia, i.e. including the population who resides for at least six months or 183 days in a determined year and are registered in administrative units of Mongolia. Such account of the population excludes Mongolian citizens who have reside abroad for at least six months in a determined year.

The NSO dataset is based on the 2010 population census incorporating regular updates based on surveys conducted by NSO.

The costing exercise utilizes population projections for the years 2011 to 2020 produced by NSO. The projections are based on national level mortality assumptions and medium fertility rate assumptions. In addition, it is assumed that net migration is equal to zero.

In 2013, life expectancy at birth in Mongolia was 65.42 for men and 75.01 for women (table 19).

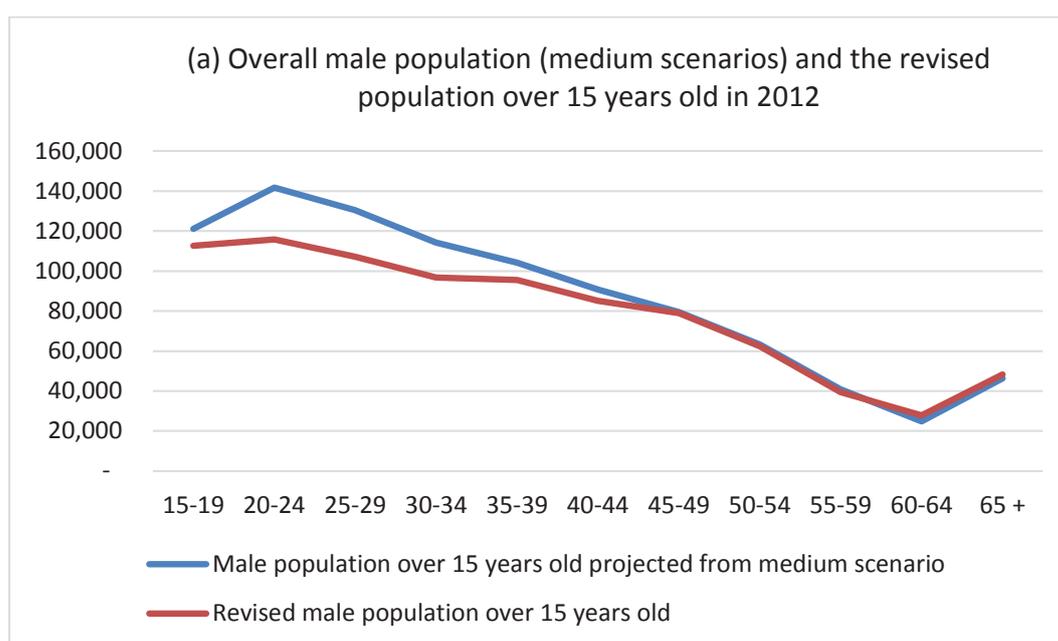
**Table 19. Life expectancy in Mongolia 2007-13**

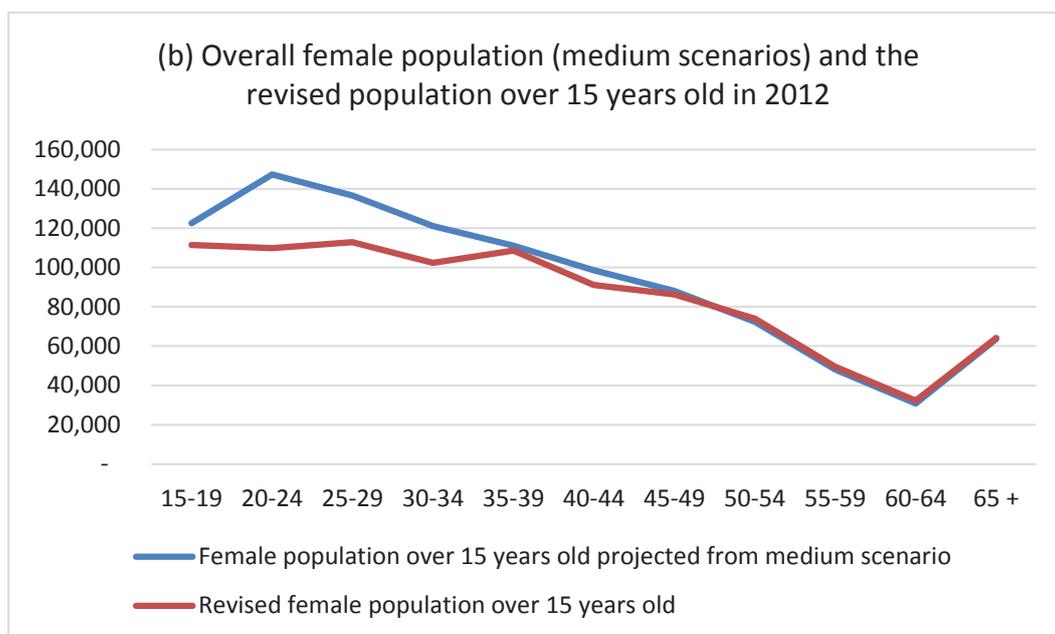
Life expectancy at birth	2007	2009	2011	2013
Total	66.54	67.96	68.32	69.11
Male	63.13	64.33	64.68	65.42
Female	70.23	71.79	73.76	75.01

Source: NSO, *Mongolian Statistical Yearbook*, 2013.

**Figure 11. Overall population and revised population over age 15 in 2012, (a) male and (b) female**

## Labour force participation rates





Source: NSO.

The historical labour force participation rates come from the NSO Labour Force Survey 2006–12 for people 15 years old and above, which is also the set of data published by ILO (ILO STAT). NSO does not project labour force participation rates. Based on NSO historical datasets of labour force participation rates, RAP uses rates constructed by the ILO-LAB model<sup>34</sup> for the years 2013 to 2020. The ILO-LAB model assumes a relatively stable labour force participation across the age groups over the next five years.

For its historical and projected data of labour force participation, the NSO used a population over age 15 that differed from the real population over age 15. Differences are noticeable at younger ages as illustrated in figure 11. The NSO was not able to provide an explanation of the differences. Therefore the historical and projected labour force participation rates were applied in the RAP to the real population over age 15 (NSO medium scenario projection) which is more representative of the whole population especially among youth. The RAP uses the blue set of demographic data throughout the calculations, including to estimate the labour force participation.

### Minimum and average wages

In Mongolia, minimum wage increases are decided by the National Tripartite Committee on Labour and Social Consensus, according to the 2010 Law on Minimum Wage. The 2014 level was identical to 2013, at MNT192,000 per month. The RAP assumes that the minimum wage will increase with inflation and labour productivity after 2014, as though it was indexed to inflation and labour productivity since 2005.

The average wages (historical data and projections) are provided by the Labour Force Survey (LFS) for the period 2005–12. From 2013, the average is adjusted based on labour productivity and inflation rates increase.

<sup>34</sup> An ILO-LAB model was developed in 2014 for a parallel actuarial study to design an extension of the pension system to herders, self-employed and informal workers, commissioned by MPDSP.

**Table 20. Sources of household income per month, national and sub-national averages (Q4 2012, in MNT)**

Household income	National average	Capital city	Provincial centres	<i>Soum</i> centres	Rural
Total Income	852 267	1 021 938	828 034	719 301	651 785
<b>1. Cash income</b>	<b>780 769</b>	<b>988 080</b>	<b>780 932</b>	<b>654 014</b>	<b>490 012</b>
Wage and salaries	391 244	560 887	401 311	355 994	109 161
Pension, benefits and other transfers	163 052	183 343	172 053	146 049	128 623
Income from animal husbandry	58 377	3 725	20 133	37 386	198 177
Income from agriculture (crop, harvesting, etc.)	2 192	574	4 754	3 956	2 579
Income for non-agriculture entrepreneurial activities	100 189	165 773	97 096	46 996	17 805
Other income	65 714	74 297	85 586	63 633	33 667
<b>2. Value food and non-food products received free of charge</b>	<b>28 004</b>	<b>29 487</b>	<b>26 399</b>	<b>17 392</b>	<b>32 365</b>
<b>3. Value of food products consumed from own domestic economic activities</b> (animal husbandry and vegetable growing)	<b>43 495</b>	<b>4 371</b>	<b>20 702</b>	<b>47 894</b>	<b>129 408</b>

Source: NSO, 2014, Household Socio-economic Survey.

The NSO has conducted a Households Income and Expenditure Survey (HIES) since 1966 and a Household Socio-economic Survey since 2007, by combining the HIES and Living Standards Measurement Survey. Every year, the survey samples 11,232 households to compile data on age, sex, employment, income, expenditure and consumption. For instance, the results of the survey provide data on household income disaggregated by place of residence which also corresponds to categories of professions. The category 'rural' can be equated to income earned by herders (table 20). The NSO defines the urban population as those who reside in Ulaanbaatar, *aimag* centres and towns. The rural population includes those who reside in *soum* centres and rural areas.

### Poverty indicators

NSO has determined the minimum subsistence level or national poverty line at the regional level since 1998. The minimum subsistence level refers to a minimum consumption level expressed in monetary value. The minimum consumption level refers to a scientifically set quantity of consumption to meet basic needs as defined in the food and non-food consumption baskets. The minimum subsistence level was set between MNT130,500 and MNT149,900 per month in 2013.

The poverty headcount index is the share of population whose consumption is below the poverty line or minimum subsistence level. The poverty headcount index (or poverty rate) was 27.5 per cent in 2012, the latest data available. NSO anticipates a poverty rate of 25.0 per cent for 2013. The RAP assumes that progress in poverty reduction will continue over the coming five years, and will bring down the poverty headcount index to 20.0 per cent by 2020.

### Nominal and real GDP and GDP deflator

The 2005–12 historical GDP data are extracted from the Mongolian Statistical Yearbook of the NSO. The Medium Term Fiscal Framework (MTFF) of the Ministry of Finance (MOF) contains a number of macro-economic indicators, including some projections to five years. The RAP used historical and projected data from the latest MTFF released in September 2014.

From 2017 onwards (latest data available), the GDP growth and GDP deflator are assumed constant at, respectively, 5.9 per cent annual increase and fixed at 3.6 deflator.

The RAP expresses the cost of introducing new social protection benefits as a percentage of projected GDP at current prices.

### **Headline inflation**

For the headline inflation, the RAP used the annual average of inflation rate. It compared it to the annual inflation rate by end of period, which uses the national consumer price index (CPI) (base period 2010). The 2005–13 historical data come from NSO. For 2013–17 projections, the RAP used projected data from MOF released in the September 2014 MTFF. After 2017, the RAP assumed headline inflation will be constant at 6.0 per cent.

### **Employment and unemployment rate**

As a consequence of above, the RAP recalculated the employment/unemployment number and rates, based on the overall population age 15 and above. The RAP used the unemployment rate published by MOF in the September 2014 MTFF. From 2017 and onwards, the RAP assumed a constant unemployment rate at 5.9 per cent. It is assumed that the trends of unemployment rate for all ages applies also to the projected unemployment rate of the 15–29 age group after 2013. There are no data available concerning the projected sex-disaggregated employment and unemployment rates.

### **Health expenditures**

The Health Development Center under the Ministry of Health and Sports compiles health statistics and sends to NSO its monthly report on health statistics on a monthly basis and its annual report by March every year.

The RAP assumes that health expenditures will increase based on inflation and demographic growth. However, this assumption might underestimate the real increase in health expenditures, as majority of these expenditures are imputable to utilization of health services by the population residing in Ulaanbaatar

### **Government total revenues, grants and expenditures**

Total government revenues, grants, and expenditures used in the costing exercise are based on historical data and projections produced by the MTFF of the MOF. The government expenditures and revenues corresponds to a situation of policy status quo, i.e. if no policy changes are introduced. The RAP expresses the cost of introducing new social protection benefits as a percentage of projected revenue and grants and as a percentage of government expenditures. The revenues and expenditures listed are those of the central government and the Human Development Funds (HDF). In that case, government revenues and expenditures may be underestimated since it does not include the local government budgets and the Social Insurance General Office revenues and expenditures.



## 5.1. Health care

“A nationally defined set of goods and services, constituting essential health care, including maternity care that meets the criteria of availability, accessibility, acceptability and quality”

SHI coverage is nearly universal; however effective access to quality health care remains a challenge for many in rural areas. For instance, the fact that the coverage has dropped by 6 per cent in recent years may indicate customers are dissatisfied with the services. A number of surveys showed that the insured are losing trust in the SHI and its benefits as they have to pay out of pocket for various diagnostic and testing services as well as medical devices, even though they pay insurance contributions. To ensure universal and permanent social insurance coverage among the whole population, while securing the sustainability of the fund, a number of scenarios are compared to the status quo. The last scenario is built to compare the cost between subsidized contributions for categories I and II and a means-tested approach (table 21).

**Table 21. Health care scenarios**

<b>Scenario H1-0</b>	Status quo: Maintain monthly SHI contribution for Category II (herders, unemployed workers and vocational students) at MNT670.
<b>Scenario H1-1</b>	Increase the SHI contribution of Category II to 1 per cent of the minimum wage
<b>Scenario H1-2</b>	Fully subsidize the SHI contribution for Category II.
<b>Scenario H1-3</b>	Introduce a proxy-means-tested scheme: Full subsidize the SHI contribution of the poor of Category II; for non-poor of Category II, increase contribution to 1 per cent of the minimum wage.

Source: UN/G Social Protection Working Group, 2014.

## Scenario H1-1: Increase the SHI contribution of Category II to 1 per cent of the minimum wage

### Assumptions

- Category II of the SHI scheme comprises herders, unemployed workers and students enrolled in vocational training courses. They represented 324,500 insured in 2011, reaching full coverage based on a government subsidy on all contributions. It is assumed that not all unemployed workers registered as Category II insured and contributed to the SHI Fund; some are also registered under Category IV corresponding to the self-employed.
- In 2011, when the Government subsidized all SHI Fund contributions using the Human Development Fund (HDF), the insured population overpassed the total resident population by 3 per cent. It is assumed that the difference was due to a double counting of vocational students under Category II and Category III.
- The number of insured in 2011 is used as a reference year, assuming that the scheme reached full coverage thanks to HDF subsidies. The split of insured by category as a percentage of the total population in 2011 is used for projecting universal SHI coverage. The division among the categories is assumed to be constant over the years.
- It is assumed that national demographic growth applies similarly across all categories of the population, including herders, unemployed workers and vocational students.
- Health expenditure difference between rural and urban populations is estimated by the difference in number of physicians per 10,000 people between rural and urban areas: 18.8 for in rural areas, 43.4 for Ulaanbaatar. This proxy for health-care expenditure gives a rough ratio of 2.3 in 2008 (*source: WHO Country Cooperation Strategy Mongolia, 2010–15*). The ratio of 2.3 is assumed to be constant over the next 12 years.
- Rural health expenditure proxies for Category II health expenditures, as students' health expenditures are limited. It is also assumed that health expenditures of those unemployed will be limited (those unemployed represent a minority of this group, most of the unemployed being unregistered and counted under the category of self-employed, together with the informal economy workers). Herders' households tend to consume less due to the under-provision of health services and lack of facilities in rural areas, while services and facilities in Ulaanbaatar are overprovided.
- It is assumed that health expenditures will increase based on inflation, labour productivity (wage increases) and demographic growth. However, this assumption might underestimate real increases in health expenditures, as the majority of these expenditures concern the population in Ulaanbaatar.
- Finally, the level of minimum wage is not indexed to inflation and labour productivity, but rather adjusted on a policy-based decision. The RAP assumes that the level will increase with labour productivity and inflation after 2016.

### Results

This scenario intends to compare the extent of savings that could be made on the SHI Fund if contributions of Category II (herders, unemployed workers and vocational students) were less subsidized. Considering the above assumptions, the savings would bring a saving of 0.02 per cent of GDP in 2014 up to 0.05 per cent of GDP in 2020 in comparison to the status quo situation.

## Scenario H1-2: Fully subsidize the SHI contribution for Category II

### Assumptions

- All the above assumptions concerning the health scenario 1-1 remain valid.
- As it was the case in 2011, for such scenario, it is believed that government will use resources of the Human Development Fund.

### Results

This second scenario aims at comparing the cost of fully subsidizing the contributions of Category II (herders, unemployed workers and vocational students), which would secure universal SHI coverage, with the status quo (contribution set at MNT670 per month) and a lower subsidy (contribution set at 1 per cent of the minimum wage). Considering the above assumptions, results show that providing a full subsidy on the contribution of insured under Category II would increase the cost of the SHI scheme by only 0.06 per cent in 2014 and 0.01 per cent of GDP after 2017 onwards in addition to the costs of the status quo scenario.

## Scenario H1-3: Introduce a proxy-means-tested scheme: Full subsidize SHI contribution of poor of Category II; for non-poor of Category II, increase contribution to 1 per cent of the minimum wage

### Assumptions

- All the above assumptions concerning the health scenario H1-1 remain valid.
- For comparison purpose, participants in the national dialogue decided to estimate the cost of a means-tested SHI scheme that would fully subsidized the contribution of the poor of Category II and enforce a contribution at 1 per cent of the minimum wage for the non-poor of Category II.
- To identify the poor, the RAP uses the poverty headcount index. The poverty headcount index is the share of population whose consumption is below the poverty line or minimum subsistence level.
- The administration cost for a proxy-means-tested scheme is assumed to be at 15 per cent of the programme cost.

### Results

The costing exercise of this third scenario does not bring significant conclusion concerning potential savings if a proxy-means tested SHI scheme were to be introduced. Introducing a means tested scheme that would fully subsidize the contribution of the 25.0 per cent identified as poor would not allow any savings until 2016, and the savings will be quite insignificant at 0.04 per cent by 2020. Such results find their explanation in the very limited targeted non-poor population under such measure (6.0 per cent of the population in 2014) and the high administrative cost induced by a proxy-means tested system.

A summary of the scenarios and results of the costing exercise are provided in table 22.

**Table 22. Results of costing SHI scenarios**

	2014	2016	2018	2020
Scenario H1-0: Status quo (monthly contribution for Category II at MNT670)				
Target group = Category II of SHI (000s)	352	364	375	386
Take-up rate (per cent)	67	83	100	100
Group covered by this scenario (000s)	235	303	375	386
<b>Cost of scenario (in million MNT)</b>	<b>20 952</b>	<b>34 657</b>	<b>54 740</b>	<b>72 542</b>
<b>Cost, percentage of GDP (current)</b>	<b>0.10</b>	<b>0.13</b>	<b>0.17</b>	<b>0.20</b>

<b>Cost, percentage of Gov. Revenues and grants</b>	<b>0.34</b>	<b>0.47</b>	<b>0.54</b>	<b>0.57</b>
<b>Scenario H1-1: Increased contribution of Category II to 1 per cent of minimum wage</b>				
Target group = Category II of SHI (000s)	352	364	375	386
Take-up rate (per cent)	67	83	100	100
Group covered by this scenario (000s)	235	303	375	386
<b>Cost of scenario (in million MNT)</b>	<b>17 255</b>	<b>27 872</b>	<b>43 168</b>	<b>56 246</b>
<b>Cost, percentage of GDP (current)</b>	<b>0.08</b>	<b>0.10</b>	<b>0.13</b>	<b>0.15</b>
<b>Cost, percentage of Gov. Revenues and grants</b>	<b>0.28</b>	<b>0.38</b>	<b>0.43</b>	<b>0.44</b>
<b>Scenario H1-2: Contribution for Category II fully subsidized by the government</b>				
Target group (000s)= Category II of SHI	352	364	375	386
Take-up rate (per cent)	100	100	100	100
Group covered by this scenario (000s)	352	364	375	386
<b>Cost of scenario (in million MNT)</b>	<b>34 402</b>	<b>44 659</b>	<b>57 907</b>	<b>75 800</b>
<b>Cost, percentage of GDP (current)</b>	<b>0.16</b>	<b>0.16</b>	<b>0.18</b>	<b>0.21</b>
<b>Cost, percentage of Gov. Revenues and grants</b>	<b>0.55</b>	<b>0.61</b>	<b>0.57</b>	<b>0.60</b>
<b>Scenario H1-3: Means-tested scheme: Fully subsidized contribution for poor of Category II, for non-poor at 1 per cent of the minimum wage</b>				
Target group= Poor Category II of SHI (000s)	88	84	75	77
Take-up rate (per cent)	100	100	100	100
Group covered by this scenario (000s)	88	84	75	77
Target group= Non-poor Category II of SHI (000s)	264	280	300	309
<b>Cost of scenario (in million MNT)</b>	<b>21 744</b>	<b>31 689</b>	<b>45 574</b>	<b>59 458</b>
<b>Cost, percentage of GDP (current)</b>	<b>0.10</b>	<b>0.11</b>	<b>0.14</b>	<b>0.16</b>
<b>Cost, percentage of Gov. Revenues and grants</b>	<b>0.35</b>	<b>0.43</b>	<b>0.45</b>	<b>0.47</b>

Source: ILO RAP calculations, 2015.

## Conclusion

Participants in the national dialogue concluded that the cost-opportunity of introducing a 1 per cent contribution or a means tested system for Category II of SHI would not justify to amend the subsidy on Category II contribution; the risk of reducing SHI coverage being too high. Therefore the status quo is kept at part of the low package scenario for implementing a social protection floor and the fully subsidized Category II contributions being part of the high package scenario, accounting for an additional 0.01 per cent of GDP by 2020.



## 5.2. Children

“Basic income security for children, at least at a nationally defined minimum level, providing access to nutrition, education, care and any other necessary goods and services”

To complete the social protection floor for children, the main recommendations are to index the allowance of the Child Money Programme (CMP) to inflation and increased the school meals allowance. The UN/G Social Protection Working Group protection translated these two recommendations into the following scenarios for payment of the support grant. Scenarios C1-2 and C3-3 were included with the purpose of comparing the cost of a universal scheme with the one of a proxy-means-tested programme (table 23).

**Table 23. Children scenarios**

<b>Scenario C1-0</b>	Status quo: Maintain the parameters of the CMP, the allowance not being indexed to inflation.
<b>Scenario C1-1</b>	Index the CMP allowance to inflation.
<b>Scenario C1-2</b>	Introduce a proxy-means tested CMP allowance indexed to inflation.
<b>Scenario C3-0</b>	Status quo: Maintain the parameters of the school meal programme in kindergarten, the meal allowance not being indexed to inflation.
<b>Scenario C3-1</b>	Maintain the level of the meal allowance in kindergarten (half-board: MNT1,650 per day, and full-board: MNT2,400 per day) and indexed it to inflation.
<b>Scenario C3-2</b>	Increase the meal allowance in kindergarten to MNT2,000 per day for half-board children and MNT4,000 per day for full-board children (indexed to inflation).
<b>Scenario C3-3</b>	Introduce a targeted scheme with the following parameters: MNT2,000 per day for half-board poor children, and MNT4,000 per day for full-board poor children (indexed to inflation); for those not eligible, the meal allowance being subsidized at 50 per cent.

Source: UN/G Social Protection Working Group, 2014.

The ILO Social Protection Floors Recommendation, 2012 (No. 202) prescribes the indexation of benefits on inflation and/or wage increase. Therefore this scenario will be included in the minimum package of social protection. Following first dialogues of the ABND, the Government started discussing amendment to the CMP to introduce an indexation to the CPI.

### Scenario C1-1: Index CMP allowance on inflation

The recommendation of the national dialogue was to maintain the allowance of the CMP at its current level of MNT20,000 per child per month, however, the CMP allowance should be indexed to the CPI to align the programme with Recommendation No. 202.

#### Assumptions

- The RAP assumes that after 2014 (latest projected data available) the annual inflation rate by end of period will be similar to the annual average inflation rate. For calculating the cost of indexation of the CMP allowance to inflation, we use the annual average inflation rate.
- The additional cost will be covered by the Human Development Fund.
- The MPDSP estimates the administrative cost of the non-means-tested CMP to be no more than 2 per cent.
- All other parameters of the CMP, notably its universality, remain unchanged.

#### Results

The introduction of an indexation of the CMP allowance would comply with international labour standards and add a cost of 0.16 per cent of GDP in 2014 and 0.46 per cent of GDP by 2020.

### Scenario C1-2: Introduce a proxy-means tested CMP allowance indexed to inflation

#### Assumptions

- The above assumptions identified for scenario C1-1 remain valid.
- For comparison purpose, participants in the national dialogue decided to estimate the cost of a proxy-means tested CMP targeting poor children. To identify the poor, the scenario uses the poverty headcount index, the share of population whose level of consumption is below the poverty line or minimum subsistence level.
- It is assumed that an additional 15.0 per cent of poverty incidence is applied on the top of the annual national poverty rate to the ratio of children age 0–18 considered to be poor in Mongolia.
- The administration cost for a proxy-means tested scheme is assumed to be at 15 per cent of the programme cost.

#### Results

A proxy-means tested CMP would allow the government to save 1.02 per cent of GDP in 2014 compared to an indexed CMP; however such savings will gradually decrease and amount to 0.92 per cent of GDP by 2020, but leaving three children out of four without income support. A universal child allowance adjusted on the cost of living would only cost 1.19 per cent of GDP.

### **Scenario C3-1: Maintain the level of the meal allowance in kindergarten (half-board: MNT1,650 per day, and full-board: MNT2,400 per day) and index the amount to inflation**

*Evidence-based research conducted by UNICEF shows that early child development is crucial for the long-term well-being of children and positive outcomes in adulthood. Reaching children in a holistic manner and incorporating health, nutrition, water and sanitation, education and interventions that support their full development are essential to ensure the future of the country. In Mongolia, health and education are free of charge and accessible for all children; nevertheless, nutrition quality remains a major concern. Participants in the national dialogue decided that efforts are needed to improve the quality of nutrition among young children (age 2–6) attending kindergarten. The least intervention would be to index the meal allowance on the CPI. The UN/G Social Protection Working Group also estimated the overall cost of increasing the meal allowances to what is assumed to be a more adequate level.*

#### **Assumptions**

- The above assumptions identified for scenario C1-1 remain valid.
- Mongolia has six full-board kindergartens (with as an average 150 children each). The exercise assume that 10 per cent more children will enrol in a full-board kindergarten every year.
- It is assumed that the enrolment of children age 2–6 in kindergartens is tied to female labour force participation.
- It is assumed that children will attend kindergarten 45 weeks per year (from September to June).
- It is assumed that the national poverty rate also applies to the ratio of children age 2–6 considered to be poor in Mongolia.
- Children enrolled in full-board kindergartens are most likely from vulnerable families, e.g. parents with disabilities, single mothers, and so on (UNICEF).
- Reducing by half the subsidy on kindergartens meals will not impact the enrolment rate.
- It is assumed that households where both parents are working are those who require to enrol their child in a kindergarten. For this reason, the take-up rate is aligned to projected female labour participation rates.

#### **Results**

The indexing of the school meals allowance to inflation, consistent with Recommendation No. 202, would increase the cost of the programme by 0.04 per cent of the GDP in 2014 and 0.12 per cent by 2020. However, the level of the allowance does not allow sufficient quality of the meals to improve child nutrition.

### **Scenario C3-2: Increase the meal allowance in kindergarten to MNT2,000 per day for half-board children and MNT4,000 per day for full-board children and index to inflation**

The national dialogue participants agreed that the current amount allocated for the school meals allowance might not offer sufficient nutrition. Therefore, it was proposed to estimate the cost of increasing the school meals allowance to MNT2,000 per day for all half-board children and MNT4,000 per day for full-board children. The school meals allowance should be indexed to inflation to align with Recommendation No. 202.

#### **Assumptions**

- The above assumptions identified for scenario C3-1 all apply for scenario C3-2.

#### **Results**

Increasing the kindergarten meals allowance, as a priority to improve nutrition among children at early ages, would raise the cost of the programme by a constant 0.03 per cent of GDP compared to the cost when indexed to inflation. The cost is contained as the number of beneficiaries children would be limited (180,000 children in 2020).

**Scenario C3-3: Introduce a targeted scheme for kindergarten meals with the following parameters: MNT2,000 per day for half-board poor children, and MNT4,000 per day for full-board poor children (indexed to inflation); for those not eligible, the meal allowance is subsidized at 50 per cent.**

### Assumptions

- The above assumptions identified for scenario C1-1 remain valid.
- For comparison purposes, participants in the national dialogue decided to estimate the cost of a proxy-means tested school meals allowance targeting poor children. To identify the poor, the scenario uses the poverty headcount index. The poverty headcount index is the share of population whose consumption is below the poverty line or minimum subsistence level.
- It is assumed that an additional 15.0 per cent of poverty incidence is applied on the top of the annual national poverty rate to the ratio of children considered to be poor in Mongolia, so 28.7 per cent of children age 2-6 are considered.
- According to the 2012 Household Socio-economic Survey, on a national average, where the head of household is between age 17 and 40, the household will have 1.2 children (0–18 years old). The RAP assumes that the same number applies to households below the poverty line. Because figures are not available on the composition of poor households and in particular number of young children (0–6 years old) in poor households, this exercise assumes that each poor household has 1.0 child 0–6 years old.
- The administration cost for a proxy-means tested scheme is assumed to be at 15 per cent of the programme cost.

### Results

The costing exercise of this third scenario that would only benefit to poor children does not bring significant conclusion concerning potential savings. The targeted population (children 2–6 years old) being limited in number, introducing a means tested scheme would allow savings in limited extent (0.12 per cent of GDP), due to the high administration cost of a proxy-means tested system. Table 24 summarizes the scenarios of child income security and nutrition and the estimated costs.

**Table 24. Results of costing child income security and nutrition**

	2014	2016	2018	2020
<b>Scenario C1-0: status quo: no indexation of CMP allowance</b>				
Target group 0–18 years old (000s)	1 001	1 028	1 059	1 093
Take-up rate (per cent)	100	100	100	100
Group covered by this scenario (000s)	1 001	1 028	1 059	1 093
<b>Cost of scenario (in million MNT)</b>	<b>244 976</b>	<b>251 766</b>	<b>259</b>	<b>267</b>
<b>Cost, percentage of GDP</b>	<b>1.15</b>	<b>0.91</b>	<b>0.80</b>	<b>0.73</b>
<b>Cost, percentage of government revenues and grants</b>	<b>3.94</b>	<b>3.44</b>	<b>2.55</b>	<b>2.12</b>
<b>Scenario C1-1: CMP allowance indexed to inflation</b>				
Target group 0–18 years old (000s)	1 001	1 028	1 059	1 093
Take-up rate (per cent)	100	100	100	100
Group covered by this scenario (000s)	1 001	1 028	1 059	1 093
<b>Cost of scenario (in million MNT)</b>	<b>277 313</b>	<b>323 246</b>	<b>373</b>	<b>433</b>
<b>Cost, percentage of GDP</b>	<b>1.31</b>	<b>1.17</b>	<b>1.15</b>	<b>1.19</b>
<b>Cost, percentage of government revenues and grants</b>	<b>4.46</b>	<b>4.41</b>	<b>3.68</b>	<b>3.43</b>
<b>Scenario C1-2: Proxy-means tested CMP indexed to inflation</b>				
Target group 0–18 years old (under poverty line) (000s)	250	237	212	219
Take-up rate (per cent)	80	100	100	100
Group covered by this scenario (000s)	200	237	212	219

<b>Cost of scenario (in million MNT)</b>	<b>62 531</b>	<b>83 822</b>	<b>84 295</b>	<b>97 759</b>
<b>Cost, percentage of GDP</b>	<b>0.29</b>	<b>0.30</b>	<b>0.26</b>	<b>0.27</b>
<b>Cost, percentage of government revenues and grants</b>	<b>1.00</b>	<b>1.14</b>	<b>0.83</b>	<b>0.77</b>
Scenario C3-0: status quo: half-board meal at MNT1,650 per day, and full-board: MNT2,400 per day (no indexation)				
Total population 2–6 years (000s)	311	316	318	316
Take-up rate (per cent)	56	56	57	57
Group covered by this scenario (000s)	173	178	181	180
<b>Cost of scenario (in million MNT)</b>	<b>67 613</b>	<b>69 724</b>	<b>70 777</b>	<b>70 477</b>
<b>Cost, percentage of GDP</b>	<b>0.32</b>	<b>0.25</b>	<b>0.22</b>	<b>0.19</b>
<b>Cost, percentage of government revenues and grants</b>	<b>1.09</b>	<b>0.95</b>	<b>0.70</b>	<b>0.56</b>
Scenario C3-1: half-board meal at MNT1,650 per day, and full-board: MNT2,400 per day (indexed to inflation)				
Total population 2–6 years (000s)	311	316	318	316
Take-up rate (per cent)	56	56	57	57
Group covered by this scenario (000s)	173	178	181	180
<b>Cost of scenario (in million MNT)</b>	<b>76 538</b>	<b>89 519</b>	<b>102 104</b>	<b>114 236</b>
<b>Cost, percentage of GDP</b>	<b>0.36</b>	<b>0.32</b>	<b>0.31</b>	<b>0.31</b>
<b>Cost, percentage of government revenues and grants</b>	<b>1.23</b>	<b>1.22</b>	<b>1.01</b>	<b>0.90</b>
Scenario C3-2: half-board meal at MNT2,000 per day, and full-board: MNT4,000 per day (indexed to inflation)				
Total population 2–6 years (000s)	311	316	318	316
Take-up rate (per cent)	56	56	57	57
Group covered by this scenario (000s)	173	178	181	180
<b>Cost of scenario (in million MNT)</b>	<b>82 264</b>	<b>96 279</b>	<b>109 906</b>	<b>123 105</b>
<b>Cost, percentage of GDP</b>	<b>0.39</b>	<b>0.35</b>	<b>0.34</b>	<b>0.34</b>
<b>Cost, percentage of government revenues and grants</b>	<b>1.32</b>	<b>1.31</b>	<b>1.08</b>	<b>0.97</b>
Scenario C3-3: Targeted scheme: for poor children, half-board meal at MNT2,000 per day, and full-board: MNT4,000 per day (indexed to inflation); those non-eligible subsidized at 50%				
Total population 2–6 years (000s)	<b>311</b>	<b>316</b>	<b>318</b>	<b>316</b>
Take-up rate (per cent)	<b>56</b>	<b>56</b>	<b>57</b>	<b>57</b>
Fully subsidized group covered by this scenario (000s)	<b>43</b>	<b>41</b>	<b>36</b>	<b>36</b>
Half-subsidized group covered by this scenario (000s)	<b>130</b>	<b>137</b>	<b>145</b>	<b>144</b>
<b>Cost of scenario (in million MNT)</b>	<b>57 164</b>	<b>66 029</b>	<b>73 844</b>	<b>83 099</b>
<b>Cost, percentage of GDP</b>	<b>0.27</b>	<b>0.24</b>	<b>0.23</b>	<b>0.23</b>
<b>Cost, percentage of government revenues and grants</b>	<b>0.92</b>	<b>0.90</b>	<b>0.73</b>	<b>0.66</b>

Source: ILO RAP calculations, 2015.

## Conclusion

The indexation of the CMP allowance and the increase of the school meals programme for all children is a priority to improve child income security and increase level of nutrition which is fundamental for their personal development. Both intervention would cost an additional 0.72 per cent of GDP by 2020 bringing the cost of both programmes to 1.53 per cent of the GDP in 2020. The costing exercise also concludes that the introduction of a proxy-means tested system to target poor children under the CMP and school meals programme would not lead to significant savings. In the opposite, decrease in kindergarten registrations, in access to nutrition and drop-off in meeting basic needs will have a negative impact on child development. Investing in child nutrition, education and access to essential needs is investing in the future of the country.



### 5.3. Working age

“Basic income security, at least at a nationally defined minimum level, for people in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability.”

To complete the social protection floor for the working age population, the main recommendations are to ensure equal maternity benefits for all formal and informal workers, self-employed workers and herders, as well as to expand the coverage of the social insurance scheme among herders, self-employed and informal economy workers, notably those benefiting from the ten EPPs of the Ministry of Labour (MOL). The cost of these recommendations is estimated through the scenarios contained in table 25.

**Table 25. Working age scenarios related to social insurance**

<b>Scenario WA1-0</b>	<b>Status quo: Maintain voluntary social insurance scheme replacement rate during maternity leave at 70 per cent (current law).</b>
<b>Scenario WA1-1</b>	Increase the replacement rate during maternity leave to 100 per cent under the voluntary scheme.
<b>Scenario WA2-1</b>	Subsidize 50 per cent of the contribution for voluntary maternity, sickness and working injury insurance.
<b>Scenario WA2-2</b>	Subsidize 70 per cent of the contribution for voluntary maternity, sickness and working injury insurance.
<b>Scenario WA3-1</b>	Subsidize 100 per cent of the voluntary social insurance contribution for all beneficiaries of EPPs (pension and short-term benefits).
<b>Scenario WA3-2</b>	Subsidize 100 per cent of the voluntary social insurance contribution for “vulnerable group” and 70 for the “less vulnerable group” (Pension and short-term benefits).
<b>Scenario WA3-3</b>	Subsidize 100 per cent of the voluntary social insurance contribution for “vulnerable group” and 50 for the “less vulnerable group” (Pension and short-term benefits).

Source: UN/G Social Protection Working Group, 2014.

Additional recommendations also aim at promoting social insurance and employment among youth in rural areas, as well as improving return to work of the insured unemployed workers and people with disabilities due to a working injury. These recommendations were translated into the following scenarios (table 26).

**Table 26. Working age scenarios related to active labour market policies**

<b>Scenario WA4-1</b>	<b>Introduce a new EPP targeting young herders that combines counselling for entrepreneurship and subsidy for social insurance young herders for one year.</b>
<b>Scenario WA4-2</b>	Introduce a new EPP targeting young herders that combines counselling for entrepreneurship and subsidy for social insurance young herders for <u>three years</u> .
<b>Scenario WA4-3</b>	Introduce a new EPP targeting young herders that provides vocational training, apprenticeships, a stipend and subsidy for social insurance contributions ( <u>six months</u> ).
<b>Scenario WA4-4</b>	Introduce a new EPP targeting young herders that provides vocational training, a stipend and subsidy for social insurance contributions ( <u>three months</u> ).
<b>Scenario WA5</b>	Implement an up-skilling training of two months for unemployed skilled workers of formal economy (unemployment insurance beneficiaries, programme funded by Social Insurance Fund).
<b>Scenario WA3-2</b>	Subsidize 100 per cent of the voluntary social insurance contribution for “vulnerable group” and 70 for the “less vulnerable group” (Pension and short-term benefits).
<b>Scenario WA6</b>	Implement a re-skilling training for people with disabilities due to working injury and occupational diseases (beneficiaries of disability pension from social insurance working injury fund, funded by the Social Insurance Fund).

Source: UN/G Social Protection Working Group, 2014.

### **Scenario WA1-1: Increase the replacement rate during maternity leave to 100 per cent under the voluntary scheme.**

Maternity benefits aim at compensating women in employment for the loss of income when resting before and after birth and taking care of the new born baby. It therefore does not overlap with the social welfare maternity benefits that provides an allowance to cover the costs resulting from pregnancy and child birth. The replacement rate for maternity benefits under the mandatory social insurance system is 100 per cent of last 12 month average while the rate is only 70 per cent of last 12 month average income for voluntary insured mothers. In this scenario, the RAP estimates the cost of ensuring equal treatment between female workers in the private sectors and those engaged in herding, self-employment and informal economy, thus lifting up the replacement rate during maternity leave to 100 per cent for both schemes.

#### **Assumptions**

- The fertility rate of the target population (herders, self-employed) is the same as the national fertility rate.
- The number of births did not take into consideration the multiple birth per mother and child mortality at birth.
- The number of insured under Categories II (herders, unemployed workers and vocational students) and IV (self-employed) in 2011 represent 100 per cent of the target population of the voluntary social insurance scheme. The RAP assumes that vocational students are not part of the target population for the voluntary scheme. They either fall under Article 4.2 (mandatory social insurance) or are inactive.
- All voluntary insured contribute at the level of the minimum wage.
- The RAP assumes that the coverage rate of the voluntary insurance scheme will reach 100 per cent by 2020.

## Results

Ensuring equality of treatment between female workers covered under the voluntary and mandatory schemes for maternity benefits would not cost more than an additional 0.1 per cent of GDP, even in the case that the voluntary scheme reaches full coverage by 2020. The cost will be in any case absorbed by additional social insurance contributions due to increase in insured population, therefore such measure will have a very limited impact on the balance of the Social Insurance Fund.

### **Scenario WA2: Subsidize 50 per cent or 70 per cent of the contribution of herders, self-employed and informal economy workers for maternity, sickness and working injury insurance.**

This scenario introduces a subsidy on the social insurance contribution of herders, self-employed and informal economy workers, as an incentive to increment coverage under the social insurance system. It compares the cost between a 50 and 70 per cent subsidy.

This scenario is aligned with the current debate of reforming the old-age pension system to convert the voluntary participation of herders, self-employed and informal economy workers into a mandatory participation with subsidized contributions. Such reform would also apply to short-term benefits. The RAP has simulated what would be the cost of the scenario if all the target population would be contributing to the scheme by 2020, i.e. 100 per cent of coverage of the target population. Nevertheless, a more in-depth actuarial study is necessary to provide a more accurate cost estimate.

## Assumptions

- The RAP assumes that vocational students are not part of the target population for the voluntary scheme. They are registered either under Article 4.2 (mandatory social insurance) or are inactive.
- Number of insured under Categories II (herders) and IV (self-employed) in 2011 represent 100 per cent of the target population of the voluntary social insurance scheme. It is used as the baseline data to project herders and self-employed population.
- All voluntary insured contribute at the level of the minimum wage.
- The RAP assumes that the voluntary social insurance scheme will cover the full target population by 2020 (100 per cent of coverage).

## Results

The additional cost of introducing a subsidy on the social insurance voluntary contribution for short term benefits would remain limited to 0.02 per cent in 2014 (for both levels of subsidy), up to 0.10 per cent for a 50 per cent subsidy and 0.14 per cent for a 70 per cent subsidy with a simulated full coverage by 2020.

### **Scenario WA3: Subsidize the social insurance contribution for beneficiaries of EPPs (pension and short-term benefits): (1) full subsidy for all beneficiaries; (2) partial subsidy for the “less vulnerable” (50 per cent or 70 per cent).**

The scenario 3 of the working age group aims to create incentives for increasing the social insurance coverage, especially among the beneficiaries of the ten EPPs implemented by the MOL. Eight EPPs were initiated in 2012 and were complemented by two additional programme in 2014, bringing the number of EPPs to ten.

It is proposed to subsidize social insurance contributions of all participants in the ten EPPs. The cost would be covered by the budget of the MOL. It compares the cost of different options: (1) all beneficiaries of the ten EPPs benefit from full subsidies on their social insurance contribution for the duration of their programme; (2) only the “vulnerable” group will receive full subsidy, the “less vulnerable” ones benefit from a 50 per cent or 70 per cent subsidy. It is expected that subsidizing the social insurance contribution would create an incentive for continuing participating in the scheme after the period of benefiting from an EPP.

## Assumptions

- The number of beneficiaries of the EPPs will increase by 10 per cent every year.
- As an average, an EPP lasts for 6.06 months (see 'EPP beneficiaries').
- EPP design will not change over the next six years.

## Results

The most expensive option, i.e. a full subsidy for all beneficiaries of the EPPs during the period of the programme, would cost 0.05 per cent in 2014 and 0.10 per cent in 2020. The difference between fully subsidized and partially subsidized EPPs remains modest (0.01 per cent of GDP by 2020).

**Scenario WA4: Introduce two new EPPs targeting young herders: (1) one programme that combines counselling for entrepreneurship and subsidy for social insurance for young herders for one or three years, (2) a second programme that provides vocational training, a stipend and subsidy for social insurance contributions: duration of three months; or six months with apprenticeship.**

Although the MOL has recently introduced targeted EPPs, the participants in the national dialogue felt that none fully addressed the needs of young herders. For that reason, the following two programmes were proposed: (1) personalized entrepreneurship counselling for one year (low scenario) or three years (high scenario); and (2) targeted training for herding activities during three months (low scenario) or six months with a three-month apprenticeship (high scenario). Because young herders must continue to meet subsistence costs for themselves and their families during training periods, the training programme will include a monthly stipend. As in the above scenarios, during the whole period of the programme, the young herders receive a subsidy on their social insurance contributions as to create incentives among young workers to participate in the social insurance system. Beneficiaries of the training programme receive a full subsidy and those benefiting from the entrepreneurship counselling programme receive a partial subsidy (90 per cent). The targeted population for this scenario is the youth, age 15–29, engaged in herding production, either seeking to improve their husbandry activities and/or exploring new local economic opportunities and the establishment of small enterprises.

## Assumptions

- The ratio rural/urban of the overall population also applies to the age group 15–29.
- The national unemployment rate among youth (age 15–29) applies to youth in rural areas too.
- The cost of running personalized and collective continued entrepreneurship counselling is estimated at MNT15,000 per session, on an average. This cost has been identified in consultation with the ILO Community-Based Enterprises Development programme which has a long experience in providing such targeted programmes in rural areas of developing countries.
- One out of five of rural youth is willing to develop and/or reinforce his or her own business and enhance vocational skills.
- Average training cost per head and per month is estimated at MNT200,000 during the first three months, and then MNT100,000 for the three consecutive months. The young herder programme uses existing training, thus there is no need to develop new training curricula. The average duration of training is three months for the low scenario, and six months including a three months of apprenticeship for the high scenario.
- The monthly stipend is fixed at MNT190,000, aligned with the current stipend of the EPP on Preparation of Professional Workers.
- During the apprenticeship, the employer receives a subsidy from the MOL equivalent to half of the minimum wage to be paid to the beneficiary and social insurance contribution.

## Results

The introduction of an additional EPP targeting young herders would cost, for the high scenario, 0.12 per cent of GDP for three years of personalized entrepreneurship counselling and 0.13 per cent for targeted training that would include apprenticeship too by 2020. A low scenario would respectively cost 0.04 per cent of GDP and 0.03 per cent of GDP by 2020. The cost also includes a subsidy on the social insurance contribution. Therefore, it is suggested introducing both high scenario programmes in order to better target the needs of young herders.

### **Scenario WA5: Implement an up-skilling training of two months for unemployed skilled workers in the formal economy (unemployment insurance beneficiaries, programme funded by the Social Insurance Fund).**

This scheme would complement the existing unemployment insurance system by strengthening its link with active labour market policies (ALMPs) and facilitate return to work of those receiving unemployment benefits. Participants in the national dialogue agreed on the introduction of an up-skilling training programme targeting unemployment insurance beneficiaries. Such up-skilling programme will also contribute to smooth economic restructuring by providing training opportunities to help those most affected by these changes gaining new skills in high demand.

## Assumptions

- The number of unemployment insurance beneficiaries will follow the trend of the unemployment rate over the years.
- The unemployment rate is constant at 5.9 per cent after 2017.
- The cost of re-training course for beneficiaries is similar to the cost of training under the “Conduct Employment Training Programme” per head, amounting to MNT131,000 per month. It is lower than the cost used in the above scenario because we are here considering up-skilling of workers rather than equipping them with new skills. The cost is indexed to labour cost.
- The duration of the training is two months.
- Beneficiaries can undergo only one up-skilling training per year.
- In 2014, half of unemployment insurance beneficiaries undergo the up-skilling programme and the ratio remains constant over the years.

## Results

Reinforcing the unemployment insurance scheme would cost 0.03 per cent of government grants and revenues by 2020. During the ABND process, there was a request to explore possible linkages of the unemployment insurance benefits with possible ALMPs. Such request should be addressed through a more in-depth study assessing the financial, legal and institutional feasibility of different options.

### **Scenario WA6: Implement a reskilling training for people with disabilities due to working injury and occupational diseases (beneficiaries of disability pension from social insurance working injury fund, funded by the Social Insurance Fund).**

This scheme would complement the existing disability pension provided by the social insurance scheme and the EPP targeting people with disabilities. This scenario essentially targets those receiving a disability pension from the working injury scheme. The new proposed re-skilling programme would offer some adapted training and re-training aimed at maintaining beneficiaries of the disability pension in some activity.

## Assumptions

- The number of beneficiaries of the occupational disability pension remains constant during the period 2013–20, at the level of the average number of beneficiaries for the period 2005–13.
- The programme targets at all the beneficiaries of the disability pension, assuming that all people with disability can somehow benefit from being trained for new jobs.

- Average training cost per head and per month is estimated at MNT400,000 (and indexed to labour cost). The training curricula need to adapt to the target group, and therefore may also require innovative methodologies, introduction of new technologies and more experienced trainers.
- The average duration of training is six months.

## Results

The introduction of a re-training programme for beneficiaries of the disability pension would cost between 0.08 per cent of GDP in 2014 and 0.09 per cent in 2020. This cost represents 0.24 per cent of government grants and revenues in 2014 and 0.27 per cent in 2020. Here again, more in-depth feasibility studies are needed to effectively target the need of people with disabilities. Nevertheless, the introduction of the scenario during the ABND demonstrates the shared concern among all stakeholders to improve the integration of people with disabilities into the labour market and society.

The cost estimates for each scenario are summarized in table 27.

**Table 27. Results of costing: Increasing social insurance coverage and promoting employment of the working age group**

	2014	2016	2018	2020
<b>Scenario WA1-0: Status quo: Replacement rate during maternity leave at 70%, voluntary scheme</b>				
Target group (Number of births by female workers under Art. 4.3 of social insurance Law: herders, self-employed and informal eco-workers) (000s)	32	32	31	31
Take-up rate (per cent) (Insured under voluntary social insurance as a percentage of target workers)	19	25	33	44
Group covered by this scenario (000s)	6	8	10	14
<b>Cost of scenario (in million MNT)</b>	<b>3 462</b>	<b>5 761</b>	<b>9 589</b>	<b>16 089</b>
<b>Cost, percentage of GDP</b>	<b>0.02</b>	<b>0.02</b>	<b>0.03</b>	<b>0.04</b>
<b>Cost, percentage of government revenues and grants</b>	<b>0.06</b>	<b>0.08</b>	<b>0.09</b>	<b>0.13</b>
<b>Scenario WA1-1: Replacement rate during maternity leave at 100%, voluntary scheme</b>				
Target group (number of births by female workers under Art. 4.3 of Social Insurance Law: Herders, self-employed workers) (000s)	32	32	31	31
Take-up rate (per cent)	20	60	100	100
Group covered by this scenario (000s)	6	19	31	31
<b>Cost of scenario (in million MNT)</b>	<b>5 186</b>	<b>19 575</b>	<b>40 983</b>	<b>51 789</b>
<b>Cost, percentage of GDP</b>	<b>0.02</b>	<b>0.07</b>	<b>0.13</b>	<b>0.14</b>
<b>Cost, percentage of government revenues and grants</b>	<b>0.08</b>	<b>0.27</b>	<b>0.40</b>	<b>0.41</b>
<b>Scenario WA2-1: Contribution to maternity, sickness, employment injury is 2% of minimum wage, 50% of contribution subsidized by the government, for voluntary scheme</b>				
Target group (number of herders, self-employed workers) (000s)	675	697	719	740
Take-up rate (per cent)	20	60	100	100
Target group covered by this scenario (000s)	135	418	719	740
<b>Cost of scenario (in million MNT)</b>	<b>3 266</b>	<b>12 895</b>	<b>28 249</b>	<b>37 478</b>
<b>Cost, percentage of current GDP</b>	<b>0.02</b>	<b>0.05</b>	<b>0.09</b>	<b>0.10</b>
<b>Cost, percentage of government revenues and grants</b>	<b>0.05</b>	<b>0.18</b>	<b>0.28</b>	<b>0.30</b>
<b>Scenario WA2-2: Contribution to maternity, sickness, employment injury is 2% of minimum wage, 70% of contribution subsidized by the government, for voluntary scheme</b>				

Target group (number of herders, self-employed workers) (000s)	675	698	719	740
Take-up rate (per cent)	20	60	100	100
Group covered by this scenario (000s)	135	419	719	740
<b>Cost of scenario (in million MNT)</b>	<b>4 574</b>	<b>18 061</b>	<b>39 549</b>	<b>52 469</b>
<b>Cost, percentage of current GDP</b>	<b>0.02</b>	<b>0.07</b>	<b>0.12</b>	<b>0.14</b>
<b>Cost, percentage of government revenues and grants</b>	<b>0.07</b>	<b>0.25</b>	<b>0.39</b>	<b>0.42</b>

Scenario WA3-1: Voluntary social insurance Contribution subsidized by the government at 100% (Pension and short-term benefits) for all beneficiaries of EPPs

Number of beneficiaries of 4 “Vulnerable Group” EPPs (000s)	38	46	56	68
Number of beneficiaries of 2 “Less vulnerable Group” EPPs (000s)	30	36	44	53
<b>Cost of Scenario (in million MNT)</b>	<b>9 993</b>	<b>15 406</b>	<b>23 762</b>	<b>37 073</b>
<b>Cost, percentage of current GDP</b>	<b>0.05</b>	<b>0.06</b>	<b>0.07</b>	<b>0.10</b>
<b>Cost, percentage of government revenues and grants</b>	<b>0.16</b>	<b>0.21</b>	<b>0.23</b>	<b>0.29</b>

Scenario WA3-2: Voluntary social insurance Contribution subsidized by the government at 100% for “vulnerable group” and at 70% for “less vulnerable group” (pension and short-term benefits)

Number of beneficiaries of 4 “Vulnerable Group” EPPs (000s)	38	46	56	68
Number of beneficiaries of 2 “Less vulnerable Group” EPPs (000s)	30	36	44	53
<b>Cost of scenario (in million MNT)</b>	<b>8 640</b>	<b>13 319</b>	<b>20 543</b>	<b>32 052</b>
<b>Cost, percentage of current GDP</b>	<b>0.04</b>	<b>0.05</b>	<b>0.06</b>	<b>0.09</b>
<b>Cost, percentage of government revenues and grants</b>	<b>0.14</b>	<b>0.18</b>	<b>0.20</b>	<b>0.25</b>

Scenario WA3-3: Voluntary social insurance Contribution subsidized by the government at 100% for “vulnerable group” and at 50% for “less vulnerable group” (pension and short-term benefits)

Number of beneficiaries of 4 “Vulnerable Group” EPPs (000s)	38	46	56	68
Number of beneficiaries to the 2 “Less vulnerable Group” EPPs (000s)	30	36	44	53
<b>Cost of scenario (in million MNT)</b>	<b>7 737</b>	<b>11 928</b>	<b>18 398</b>	<b>28 704</b>
<b>Cost, percentage of current GDP</b>	<b>0.04</b>	<b>0.04</b>	<b>0.06</b>	<b>0.08</b>
<b>Cost, percentage of government revenues and grants</b>	<b>0.12</b>	<b>0.16</b>	<b>0.18</b>	<b>0.23</b>

Scenario WA4-1: Low: EPPs linked to social security for young herders – Entrepreneurship counselling + social insurance subsidy during one year

Target population 1 (15–29 years old, unemployed people in rural areas) (000s)	7	6	5	4
Target population 2 (15–29 years old in rural areas, willing to develop their own business)	15	14	12	11
Take up rate	50	70	100	100
Number of beneficiaries (000s)	11	14	17	15
<b>Cost of scenario (in million MNT)</b>	<b>5 048</b>	<b>7 890</b>	<b>12 495</b>	<b>14 085</b>
<b>Cost, percentage of current GDP</b>	<b>0.02</b>	<b>0.03</b>	<b>0.04</b>	<b>0.04</b>
<b>Cost, percentage of government revenues and grants</b>	<b>0.07</b>	<b>0.11</b>	<b>0.12</b>	<b>0.11</b>

Scenario WA4-2: High: EPPs linked to social security for young herders – Entrepreneurship counselling + social insurance subsidy during three years

Target population 1 (15–29 years old, unemployed people in rural areas) (000s)	7	6	5	4
Target population 2 (15–29 years old in rural areas, willing to develop their own business) (000s)	15	14	12	11

Take up rate	50	70	100	100
Number of beneficiaries (000s)	11	14	17	15
<b>Cost of scenario (in million MNT)</b>	<b>15 143</b>	<b>23 671</b>	<b>37 485</b>	<b>42 255</b>
<b>Cost, percentage of current GDP</b>	<b>0.07</b>	<b>0.09</b>	<b>0.12</b>	<b>0.12</b>
<b>Cost, percentage of government revenues and grants</b>	<b>0.24</b>	<b>0.32</b>	<b>0.37</b>	<b>0.33</b>
<b>Scenario WA4-3: High: EPPs linked to social security for young herders – vocational training + stipend + social insurance subsidy during training for six months (three months full-time training; three months apprenticeship)</b>				
Target population 1 (15–29 years old unemployed people in rural areas) (000s)	7	6	5	4
Target population 2 (15–29 years old in rural areas, willing to develop their skills) (000s)	15	14	12	11
Take up rate	50	70	100	100
Number of beneficiaries (000s)	11	14	17	15
<b>Cost of scenario (in million MNT)</b>	<b>18 930</b>	<b>28 439</b>	<b>43 284</b>	<b>46 902</b>
<b>Cost, percentage of current GDP</b>	<b>0.09</b>	<b>0.10</b>	<b>0.13</b>	<b>0.13</b>
<b>Cost, percentage of government revenues and grants</b>	<b>0.30</b>	<b>0.39</b>	<b>0.43</b>	<b>0.37</b>
<b>Scenario WA4-4: Low: EPPs linked to social security for young herders – vocational training + stipend + social insurance subsidy during training (3 months)</b>				
Target population 1 (15–29 years old, unemployed people in rural areas) (000s)	7	6	5	4
Target population 2 (15–29 years old in rural areas, willing to develop their skills)	15	14	12	11
Take up rate	50	70	100	100
Number of beneficiaries (000s)	4	4	5	4
<b>Cost of scenario (in million MNT)</b>	<b>4 573</b>	<b>6 172</b>	<b>8 948</b>	<b>9 567</b>
<b>Cost, percentage of current GDP</b>	<b>0.02</b>	<b>0.02</b>	<b>0.03</b>	<b>0.03</b>
<b>Cost, percentage of government revenues and grants</b>	<b>0.07</b>	<b>0.08</b>	<b>0.09</b>	<b>0.08</b>
<b>Scenario WA5: Up-skilling training of two months for unemployed skilled formal economy workers (unemployment insurance benefits funded by social insurance)</b>				
Number of unemployment insurance beneficiaries funded by social insurance (000s)	9	5	5	5
Take up rate	80	100	100	100
Beneficiaries participating in upskilling course (000s)	7	5	5	5
<b>Cost of Scenario (in million MNT)</b>	<b>2 459</b>	<b>2 198</b>	<b>2 866</b>	<b>3 261</b>
<b>Cost, percentage of current GDP</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>
<b>Cost, percentage of government revenues and grants</b>	<b>0.04</b>	<b>0.03</b>	<b>0.03</b>	<b>0.03</b>
<b>Scenario WA6: Reskilling training for people with disabilities due to working injury and occupational diseases (beneficiaries of disability pension from social insurance working injury fund)</b>				
Number of beneficiaries of disability pension from social insurance working injury fund (000s)	6	6	6	6
<b>Cost of Scenario (in million MNT)</b>	<b>15 344</b>	<b>20 675</b>	<b>26 355</b>	<b>33 982</b>
<b>Cost, percentage of current GDP</b>	<b>0.08</b>	<b>0.08</b>	<b>0.08</b>	<b>0.09</b>
<b>Cost, percentage of government revenues and grants</b>	<b>0.24</b>	<b>0.28</b>	<b>0.26</b>	<b>0.27</b>

Source: ILO RAP calculations, 2015.

## Conclusion

Increasing the level of social insurance benefits for herders, self-employed and informal workers appears to be a policy necessity to ensure equality of treatment between the two schemes; the cost would be capped at 0.10 per cent of GDP even in the eventuality of reaching a full coverage. Participants in the national dialogue opted for a subsidized contribution of the short-term benefits at 50 per cent, more for an equity concern towards the formal workers than a cost issue. The estimated cost of introducing a subsidy on the short-term benefits contributions, its feasibility and sustainability should in any case be further assessed by an in-depth actuarial study.

An upgraded package of ALMPs targeting vulnerable groups such as young herders, unemployed workers and people with disabilities, as proposed through the national dialogue process would cost less than 1 per cent of GDP. Further design and feasibility study would be necessary to refine the parameters of such programmes.



#### 5.4. Older persons

“Basic income security, at least at a nationally defined minimum level, for older persons.”

To complete the social protection floor for the old-age group, the main recommendations are to introduce incentive mechanisms for increasing participation of herders, self-employed and informal workers, and to adjust the existing social welfare allowance for older people in order to guarantee a certain level of income security (e.g. the amount of benefits should be indexed to inflation).

In line with the existing policy, the target group includes all women over age 55 and all men over age 60.

Furthermore, participants in the national dialogue agreed on the introduction of the subsidy on the voluntary social insurance contribution as to create an incentive among herders and self-employed workers to participate in the old-age pension scheme. The UN/G Social Protection Working Group translated the above recommendations into the scenarios contained in table 28.

**Table 28. Older persons scenarios**

<b>Scenario E1-0</b>	<b>Status quo: Maintain the social welfare pension at the same level (MNT115,000), and do not index to inflation.</b>
<b>Scenario E1-1</b>	Index the social welfare pension (MNT115,000) to inflation.
<b>Scenario E2-1</b>	Subsidize the contribution of herders, self-employed and informal workers to the old-age pension scheme by 50 per cent.
<b>Scenario E2-2</b>	Subsidize the contribution of herders, self-employed and informal workers to the old-age pension scheme by 70 per cent.

Source: UN/G Social Protection Working Group, 2014.

### Scenario E1-1: Index the social welfare pension (MNT115,000) to inflation

This social welfare programme provides a minimum income guarantee to all women (55 years) and men (60 years) who have never worked, or have less than ten years of contribution to the social insurance scheme. The social welfare old-age pension is not indexed to inflation. Participants in the national dialogue felt this was weakness in the social welfare system, as inflation has fluctuated significantly in the past few years.

#### Assumptions

- Sex-disaggregated data on social welfare beneficiaries are not available. The average growth rate of the target population (male over 60 years old, women over 55 years old) on both male and female groups was applied in the RAP costing exercise.
- The number of beneficiaries of the social welfare old-age pension grows in parallel with the demographic growth of this age group.
- In the status quo scenario, it is assumed that the MPDSP will not increase the pension over the next six years.

#### Results

Because the number of beneficiaries is very limited (around 3,000–4,000 individuals), indexing the social welfare old-age pension to inflation would not have any major impact in terms of cost. The additional cost represents only 0.01 per cent of GDP or 0.03 per cent of government grants and revenues by 2020.

### Scenario E2: Subsidize the contribution of herders, self-employed and informal economy workers to the old-age pension scheme by 50 per cent or 70 per cent.

The second scenario for the old-age protection assesses the cost of introducing a subsidy on the contribution to the social insurance pension fund as an incentive to increase participation in the social insurance system. The measure aims to extend old-age pensions to herders and self-employed workers and will also increase protection against five other risks since the participation to the social insurance scheme gives access to a package of six benefits: sickness, maternity, working injury, old-age, disability and survivors. The monthly contribution to the pension fund (long-term benefits) is 10 per cent of the reference wage, and the monthly contribution to the allowance fund (short-term benefits) is 2 per cent of the reference wage.

The scenario compares the cost of a subsidy for the contribution of herders, self-employed and informal economy workers set at 50 per cent of the reference wage and one at 70 per cent.

This scenario is aligned with the current debate on reforming the old-age pension system to convert the voluntary participation of herders, self-employed and informal economy workers into mandatory participation. The RAP has roughly simulated the cost of the scenario if the entire target population contributed to the scheme by 2020. Nevertheless, a more in-depth actuarial study is necessary to provide a more accurate estimate of the cost, feasibility and sustainability of such proposal.

#### Assumptions

- The RAP assumes that vocational students are not part of the target population for the voluntary scheme. They are either registered under Article 4.2 (mandatory social insurance) or are inactive.
- The number of insured under categories II (herders) and IV (self-employed) in 2011 represent 100 per cent of the target population of the voluntary social insurance scheme.
- All voluntary insured contribute at the level of the minimum wage.
- The RAP assumes that the coverage rate of the voluntary insurance scheme will reach 100 per cent by 2020. The take up rate is similar to the one used for scenarios WA2.

## Results

Introducing a subsidy of 50 per cent of the contribution based on the reference wage would cost 0.51 per cent of GDP by 2020 once the social insurance voluntary scheme achieves full coverage of the herders and self-employed population, and 0.72 per cent if the subsidy is set at 70 per cent. In terms of government revenues and grants, it represents respectively 1.48 per cent and 2.08 per cent for full coverage of the target population.

The scenarios and costs of increasing old-age pension coverage for herders and self-employed workers are summarized in table 29.

**Table 29. Results of costing: Increasing old age pension coverage among herders and self-employed workers**

	2014	2016	2018	2020
<b>Scenario E1-0: Status quo: No indexation of the social welfare pension</b>				
Target population (male over 60, female over 55) (000s)	231		292	328
<b>Cost of scenario (in million MNT)</b>	<b>2 793</b>	<b>3 135</b>	<b>3 536</b>	<b>3 974</b>
<b>Cost, percentage of GDP</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>
<b>Cost, percentage of government revenues and grants</b>	<b>0.04</b>	<b>0.04</b>	<b>0.03</b>	<b>0.03</b>
<b>Scenario E1-1: Social welfare pension indexed to inflation</b>				
Target population (male over 60, female over 55) (000s)	231	259	292	328
<b>Cost of scenario (in million MNT)</b>	<b>3 162</b>	<b>4 025</b>	<b>5 100</b>	<b>6 442</b>
<b>Cost, percentage of GDP</b>	<b>0.01</b>	<b>0.01</b>	<b>0.02</b>	<b>0.02</b>
<b>Cost, percentage of government revenues and grants</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>
<b>Scenario E2-1: Subsidize old-age contribution of herders, self-employed and informal economy workers at 50%.</b>				
Target population (herders and self-employed) (000s)	675	697	719	740
Take-up rate (per cent)	20	60	100	100
Target group covered by this scenario (000s)	135	418	719	740
<b>Cost of scenario (in million MNT)</b>	<b>16 329</b>	<b>64 477</b>	<b>141</b>	<b>187</b>
<b>Cost, percentage of current GDP</b>	<b>0.08</b>	<b>0.23</b>	<b>0.43</b>	<b>0.51</b>
<b>Cost, percentage of government revenues and grants</b>	<b>0.24</b>	<b>0.88</b>	<b>1.39</b>	<b>1.48</b>
<b>Scenario E2-2: Subsidize old-age contribution of herders, self-employed and informal economy workers at 70%.</b>				
Target population (herders and self-employed) (000s)	675	697	719	740
Take-up rate (per cent)	20	60	100	100
Target group covered by this scenario (000s)	135	418	719	740
<b>Cost of scenario (in million MNT)</b>	<b>22 861</b>	<b>90 268</b>	<b>197</b>	<b>262</b>
<b>Cost, percentage of current GDP</b>	<b>0.11</b>	<b>0.33</b>	<b>0.61</b>	<b>0.72</b>
<b>Cost, percentage of government revenues and grants</b>	<b>0.33</b>	<b>1.23</b>	<b>1.95</b>	<b>2.08</b>

Source: ILO RAP calculations, 2015.

## Conclusion

Participants in the national dialogue opted for a subsidized contribution of old-age pension benefits at 50 per cent. The estimated cost of introducing a subsidy on the short-term benefits contributions, its feasibility and sustainability should be further assessed in any case by an in-depth actuarial study. Indexing the social pension appears to be an immediate necessity.



## 6. A Nationally Defined Social Protection Floor for Mongolia

### 6.1. Consolidated package to close gaps in the social protection floor in Mongolia

To close gaps in the social protection floor in Mongolia, the UN/G Social Protection Working Group proposed two possible schemes, a 'low scenario' and a 'high scenario', outlined in table 30.

**Table 30. Proposed combined low and high estimates**

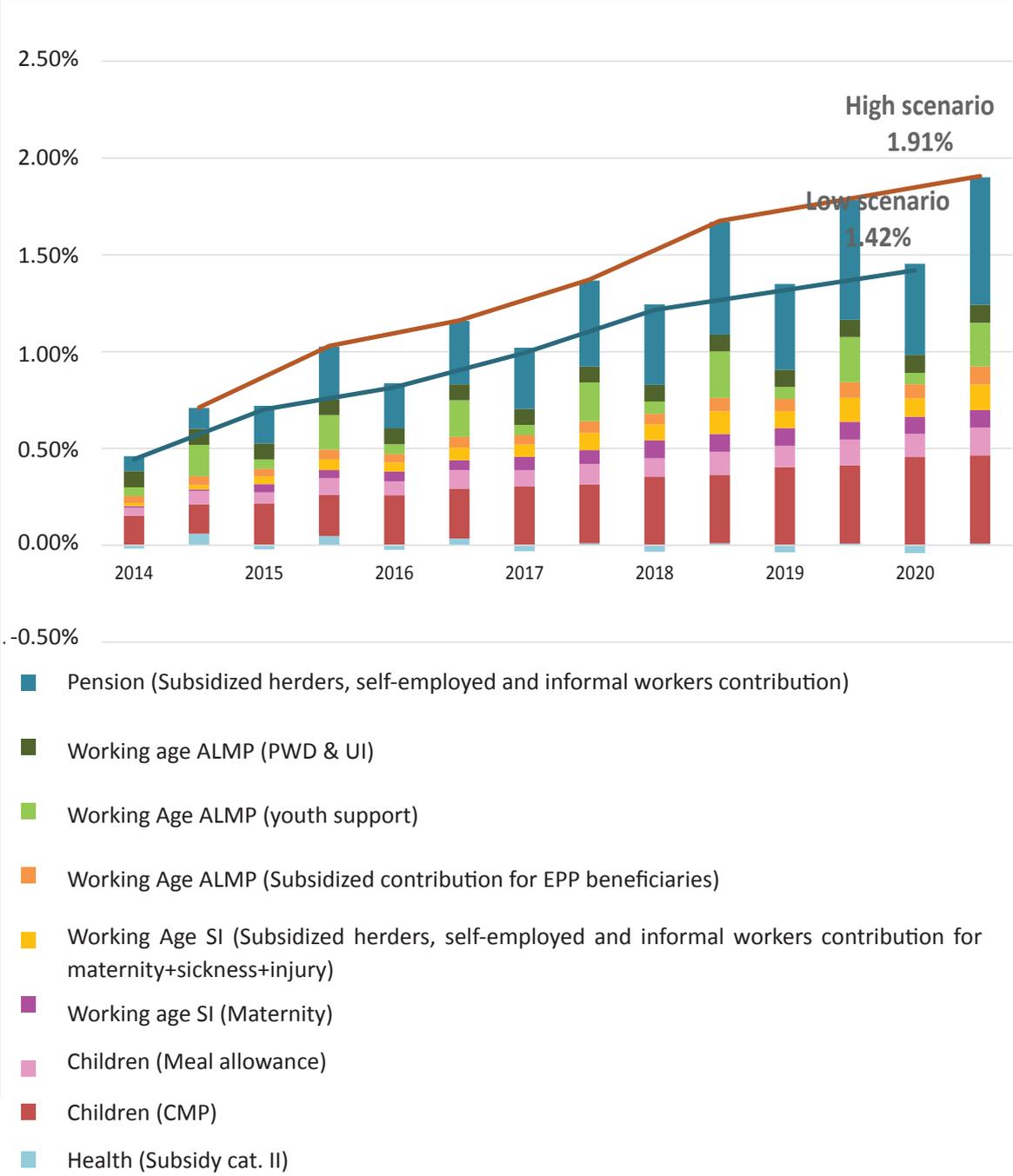
	Low	High
<b>Health</b>		
Scenario H1-0: Maintain SHI contribution fully subsidized for Category II and partially for Category II (status quo)	✓	
Scenario H1-2: Fully subsidize the SHI contribution for Category II		✓
<b>Children</b>		
Scenario C1-1: Index the Child Money Programme (CMP) allowance to inflation	✓	✓
Scenario C3-1: Maintain the school meal allowance at current level (for half-board children, MNT1,650 per day, and for full-board children MNT2,400 per day) and index the amounts on inflation	✓	
Scenario C3-2: Increase food allowance: half-board meals MNT2,000 per day, full-board meals MNT4,000 per day (indexed on inflation)		✓
<b>Working age</b>		
Scenario WA1-1: Increase the replacement rate during maternity leave to 100 per cent under the voluntary scheme	✓	✓
Scenario WA2-1: Subsidize maternity, sickness, employment injury contribution of herders, self-employed and informal economy workers at 50%.	✓	

Scenario WA2-2: Subsidize maternity, sickness, employment injury contribution of herders, self-employed and informal economy workers at 70%.		✓
Scenario WA3-1: Subsidize 100 per cent of the social insurance contribution for all beneficiaries of EPPs (Pension and short-term benefits).		✓
Scenario WA3-3: Subsidize 100 per cent of the voluntary social insurance contribution for “vulnerable group” and 50 per cent for the “less vulnerable group” (Pension and short-term benefits).	✓	
Scenario WA4-1: Introduce a new EPP targeting young herders that combines counselling for entrepreneurship and subsidy for social insurance young herders for one year.	✓	
Scenario WA4-2: Introduce a new EPP targeting young herders that combines counselling for entrepreneurship and subsidy for social insurance young herders for three years.		✓
Scenario WA4-3: Introduce a new EPP targeting young herders that provides vocational training, apprenticeships, a stipend and subsidy for social insurance contributions (six months).		✓
Scenario WA4-4: Introduce a new EPP targeting young herders that provides vocational training, a stipend and subsidy for social insurance contributions (three months).	✓	
Scenario WA5: Implement an up-skilling training of two months for unemployed skilled workers of formal economy (unemployment insurance beneficiaries, programme funded by Social Insurance Fund).	✓	✓
Scenario WA6: Implement a reskilling training for people with disabilities due to working injury and occupational diseases (beneficiaries of disability pension from social insurance working injury fund, funded by the Social Insurance Fund).	✓	✓
<b>Older persons</b>		
Scenario E1-1: Index the social welfare pension (MNT115,000) on inflation	✓	✓
Scenario E2-1: Subsidize the contribution to the old-age pension scheme by 50 per cent for herders, self-employed and informal economy workers.	✓	
Scenario E2-2: Subsidize the contribution to the old-age pension scheme by 70 per cent for herders, self-employed and informal economy workers.		✓

Source: UN/G Social Protection Working Group, 2014.

### 6.2. Cost comparison of different options for social protection floor in Mongolia

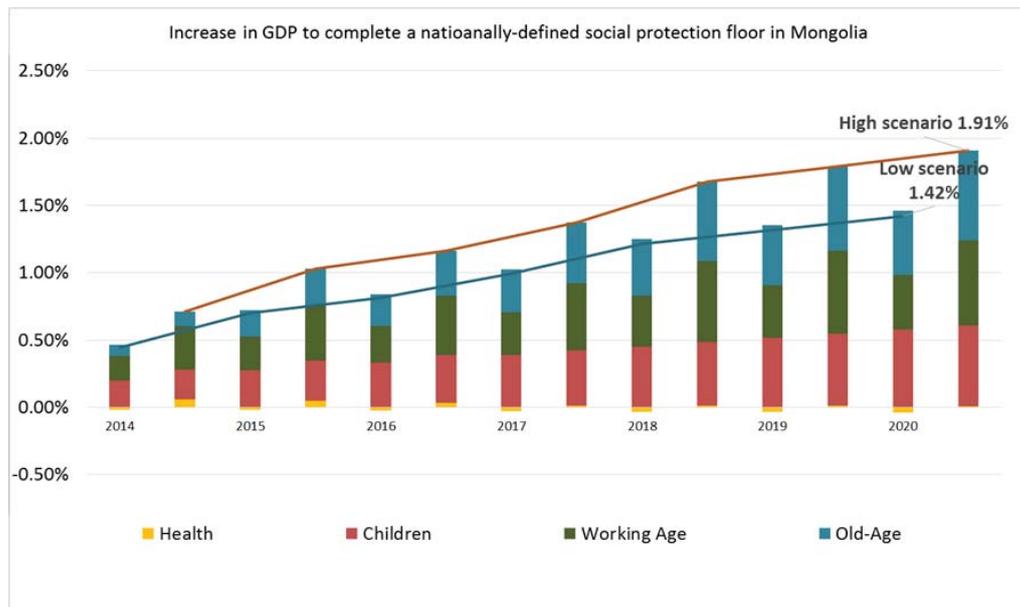
Figure 12. Additional cost to complete the social protection floor for the combined low and high scenarios, per programme, as a percentage of GDP (2014–20)



Source: ILO RAP calculations, 2015.

It would cost an additional **1.91 per cent of GDP to achieve the high scenario** of a social protection floor in Mongolia and **1.42 per cent of GDP in the case of the low scenario**, on the top of the already projected social protection expenditures by 2020 (figures 12 and 13). Because universal SHI has already been achieved, expenses would mainly reinforce social protection of and nutrition for children, income security and employability of the working age group, as well as old-age protection. To complete the higher social protection floor scenario, the additional cost as a percentage of GDP by 2020 will be spread as follows: 0.60 per cent for the children guarantee, 0.63 per cent for the working age guarantee, and 0.66 per cent for the older persons guarantee.

**Figure 13. Results of the additional cost estimates for the combined low and high scenarios per guarantee**

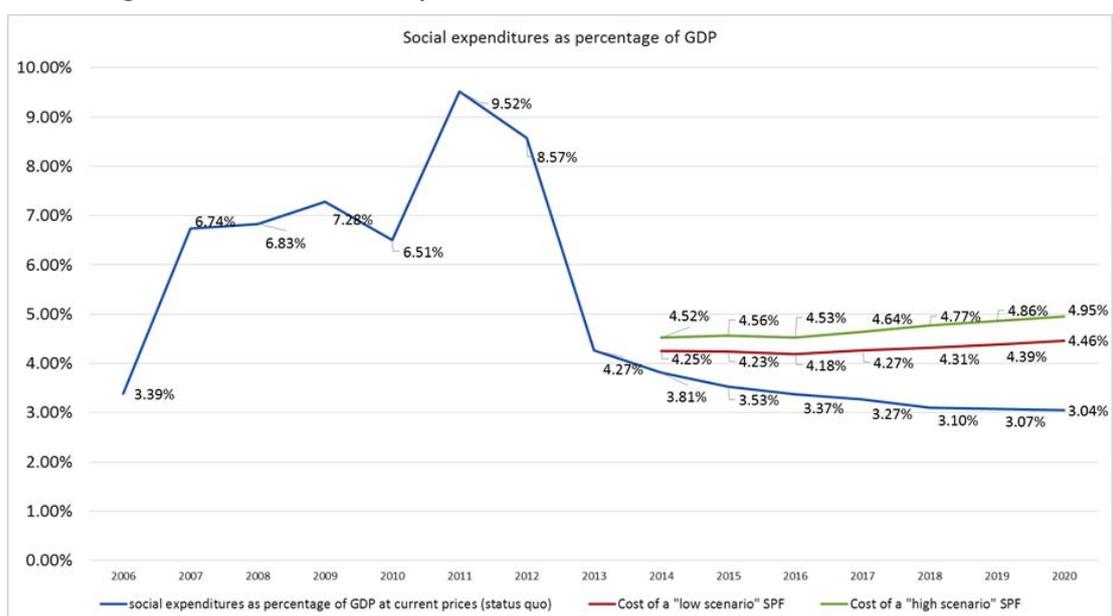


Source: ILO RAP calculations, 2015.

Completing a social protection floor in Mongolia would bring the social expenditures into a range from 4.23 per cent to 4.56 per cent of GDP in 2015 (figure 14). If projected to six years, total social protection expenditures to realize a social protection floor could range from **4.46 per cent rising annually to 4.95 per cent of GDP** by 2020, which corresponds to an additional 0.91 per cent of GDP in the most expansionist case.

This level remains much lower than the social protection expenditures engaged by the Government in 2010-12 when introducing a temporary cash transfer to every citizen. In 2011, the social protection expenditures peaked at 9.5 per cent of GDP and then fell back to its levels prior to 2007.

**Figure 14. Projections of social expenditures as a percentage of GDP, comparing the cost of the status quo, low and high scenarios for a social protection floor**



Source: ILO RAP calculations, 2015.

**Table 31. Regional average (weighted by total population) of public social protection expenditure by guarantee, latest available year (percentage of GDP)**

Major area, region or country	Total social protection expenditure	Public health care expenditure	Public social protection expenditure for older persons	Public social protection expenditure for persons of active age <sup>1</sup>	General social assistance	Public social protection expenditure for children
Africa	4.3	2.6	1.3	0.4	0.2	0.2
North Africa	10.0	3.2	5.0	1.1	0.3	0.4
Sub-saharan Africa	4.3	2.6	1.1	0.3	0.2	0.1
Asia and the Pacific	4.6	1.5	2.0	0.4	0.4	0.2
Western Europe	27.1	7.9	11.1	5.0	0.9	2.2
Central and Eastern Europe	17.8	4.4	8.3	3.0	1.3	0.8
Latin America and the Caribbean	13.9	4.0	4.6	2.0	2.6	0.7
North America	17.0	8.5	6.6	2.8	1.1	0.7
Middle East	11.0	2.0	3.3	1.5	3.4	0.8
World	8.8	2.8	3.3	1.5	0.7	0.4

<sup>1</sup> Social benefits for persons of active age (excluding general social assistance).

Source: ILO, World Social Protection Report 2014–15 (ILO, 2015).

As shown in table 31, the share of social protection expenditures to GDP in Mongolia is lower compared to the world average share of public social protection expenditures (without public health-care expenditures) to GDP (6.0 per cent), even in the situation of a high social protection floor scenario; however, higher than the Asia-Pacific average (3.1 per cent).

### 6.3. Definition and cost of a social protection floor for Mongolia

After a review of the cost estimates of the different options aimed at providing at least a minimum guarantee to all people in Mongolia, participants in the national dialogue agreed on a definition of a social protection floor. Table 32 presents the definition established through that process.

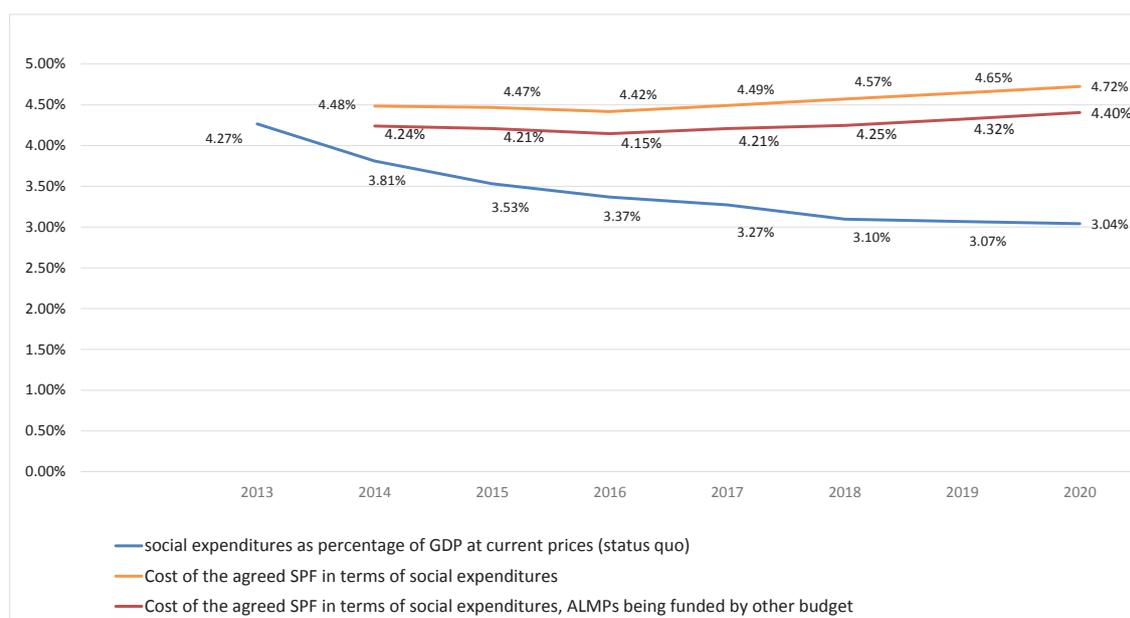
**Table 32. Definition of a social protection floor for Mongolia**

Guarantee	Components of the social protection floor	Already in place, to be improved	New programme
Health	Universal health insurance coverage, with a full subsidy of the contribution for vulnerable group and herders	✓	
	Quality, available and affordable health care for all throughout the country, with efforts to improve supply and services in rural areas	✓	
Children	Universal and free general education, including free boarding schools	✓	
	Universal CMP, safeguarded by a law and automatically indexed to the cost of living	✓	

<b>Children</b>	Improved early-child nutrition through a higher meal allowance indexed to the cost of living for all children attending kindergarten (2–6 years old)	✓
	Improved environment to ensure the development and fundamental rights of children of herder families	✓
<b>Working age</b>	Universal social insurance coverage for sickness, maternity and working injury, with subsidized contribution for herders, self-employed and informal economy workers (50 per cent subsidized by the State budget)	✓
	Replacement rate of maternity benefits at 100 per cent for all workers, including herders, self-employed and informal economy workers.	✓
	Reinforced Employment Promotion Programmes (EPPs) and introduction of a specific programme for young herders	✓
	Return to work and retraining programmes for victims of working accident and occupational disease, and unemployment insurance.	✓
<b>Older persons</b>	Three pillar pension system composed of:	
	- Universal basic pension indexed to the cost of living	✓
	- Mandatory social insurance old-age pension coverage, with subsidized contribution for herders, self-employed and informal economy workers (50 per cent subsidized by the State budget)	
	- Supplementary pension plans.	
	Create an integrated benefits and services package, including a long term care system for older persons, based on existing social welfare programmes to provide cash or in-kind assistance to poor older persons	✓

Source: Un/G Social Protection Working Group, 2014.

**Figure 15. Projections of social expenditures as a percentage of GDP, comparing the status quo and completion of a social protection floor (2014-20)**



Source: ILO RAP calculations, 2015.

The cost of a social protection floor in Mongolia would be around **4.7 per cent of GDP in 2020** and the portion would fall to 4.4 per cent if new EPPs are included under other budget lines, as per the national definition of social expenditures (figure 15). The additional cost to complete the social protection floor by 2020 would represent 1.7 per cent of GDP above the status quo of social expenditures. In other words, a social protection floor would cost 44,650 tugrik (MNT) per month per capita in 2020, or US\$22.50,<sup>35</sup> which would represent an additional expenditure of US\$8 per month per capita to achieve a social protection floor in Mongolia by 2020.

This cost includes all social protection expenditures already committed, indexation of social welfare benefits to the cost of living, subsidies on social insurance contributions and some additional programmes that would complete the social protection floor in Mongolia.

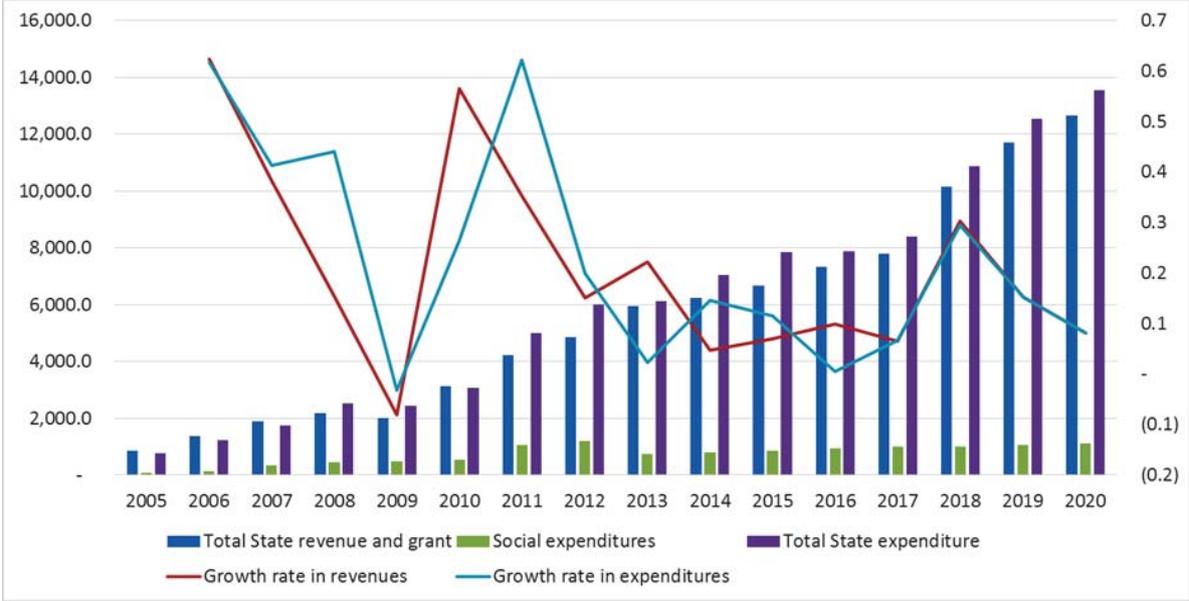
To conclude, in Mongolia, the additional long-term cost to ensure universal access to income security and basic social services would be only 1.7 per cent of GDP by 2020, bringing social expenditures to 4.7 per cent to GDP. The social protection floor would guarantee universal health insurance with subsidies for all vulnerable groups and herders to ensure their effective access to health care; maintain and index the current universal child allowance, in addition to already existing free general education (until upper secondary school); introduce universal social insurance coverage, including old-age pension, with subsidized contribution for all herders, self-employed and informal economy workers; and finally establish targeted and effective EPPs, notably for young herders.

**6.4. Fiscal space for financing the nationally defined social protection floor of Mongolia**

**The Government budget on a high deficit in 2014**

The Mongolian national budget is strongly dependent on the economic growth. The dynamics of the consolidated revenue and expenditure of the Mongolian budget shows highly cyclical revenue fluctuations. Figure 16 was developed based on data provided by the NSO, MOF and Ministry of Economic Development (MED), following fiscal requirements set forth in the Law on Fiscal Stability.

**Figure 16. Consolidated budget, share of social expenditures and growth rate of revenues and expenditures compared to previous year (billion MNT)**



Source: NSO, MED, MOF, Medium-Term Fiscal Framework Statement.

During the years of fast economic growth, State revenues expanded significantly, due mainly to the increase in commodity prices. In parallel, the Government invested those revenues in social policies.

35 Exchange rate of 16 Mar. 2015: US\$1 = MNT1985.6

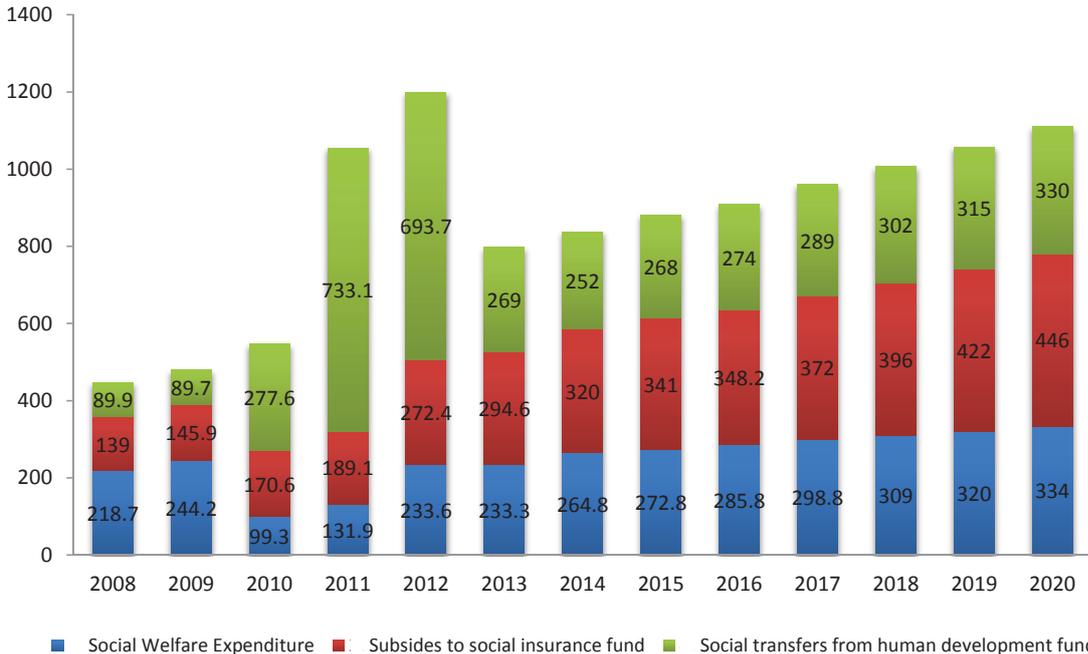
The cash transfer programme to every citizen in 2010–12 for a total amount of MNT1,704 billion was one such investment. During those years, the country did not manage to build sufficient savings for future ‘bad’ years. The budget is overly dependent on mining and is unable to withstand a decline in mineral prices, thus public debt has increased substantially in recent years. In 2011 and 2012 budget expenditure grew by 62.2 per cent and 19.9 per cent, which was higher than the revenue growth in those years of 35.4 per cent and 15.5 per cent. It was in 2013 that the Government reduced social and other expenditures.

Due to lower than anticipated State revenues in 2014, the budget deficit exceeded the limits of the special fiscal requirements and is likely to reach 10 per cent of GDP. Moreover, public debt as a percentage of GDP exceeded fiscal requirements and reached 57.0 per cent. The current fiscal situation of Mongolia suggests it will tighten budget expenditures, so the 2015 State budget was approved with significant cuts in spending, including social spending.

**Financing a social protection floor**

Mongolia finances its social protection programmes from three different sources (figure 17). First, the Social Welfare Fund finances social pensions, allowances and specified social services. Second, the Human Development Fund (HDF) partly replaced the former Development Fund of Mongolia in 2010 and covers the CMP, tuition fees, housing subsidies, special allowances for medical services and government subsidies on social insurance contributions, notably the SHI contribution of vulnerable groups. Thirdly, the State budget also covers the deficit of the pension social insurance.

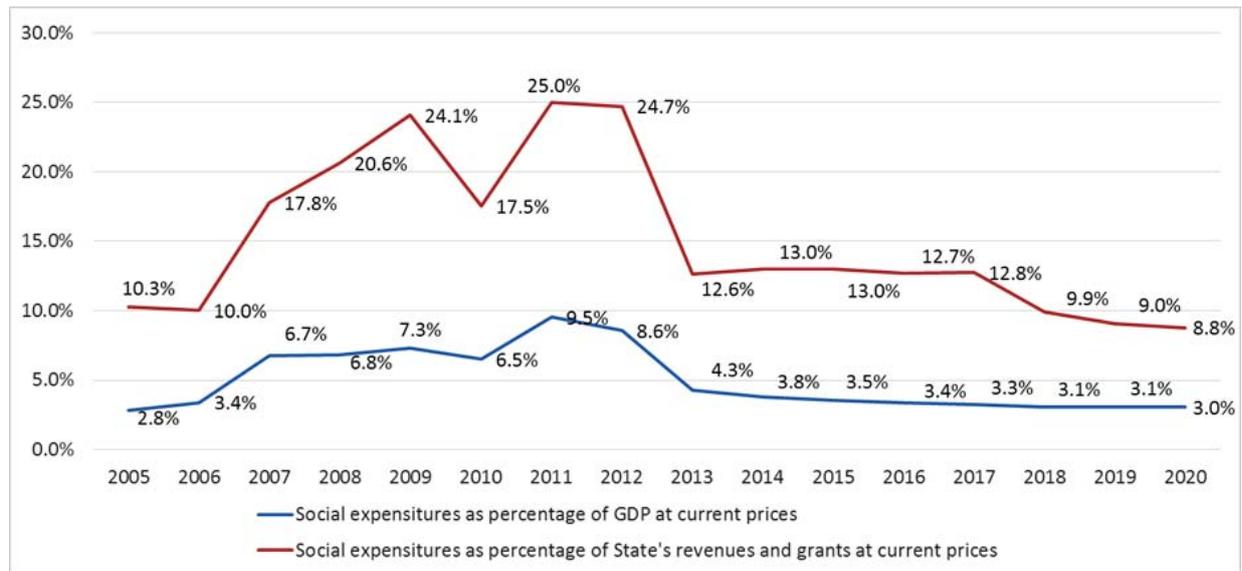
**Figure 17. Total social protection expenditures in Mongolia by source (billion MNT)**



Source: NSO, MED, MOF, Medium-Term Fiscal Framework Statement, calculated according to the needs of the budget.

In 2011 and 2012 when the economy was favourable, expenditures of the social protection system increased sharply due to cash transfers from the HDF. However, from 2013 many of these cash transfers, notably the cash transfers to every citizen, stopped as the HDF could not build sufficient resources to support those expansive programmes. As a result the share of social protection expenditure to GDP dropped from 8.6 per cent to 3.8 per cent in 2014. If no additional social protection measures are included (thus maintaining the status quo) this share will drop to 3.0 per cent of GDP by 2020 (figure 18).

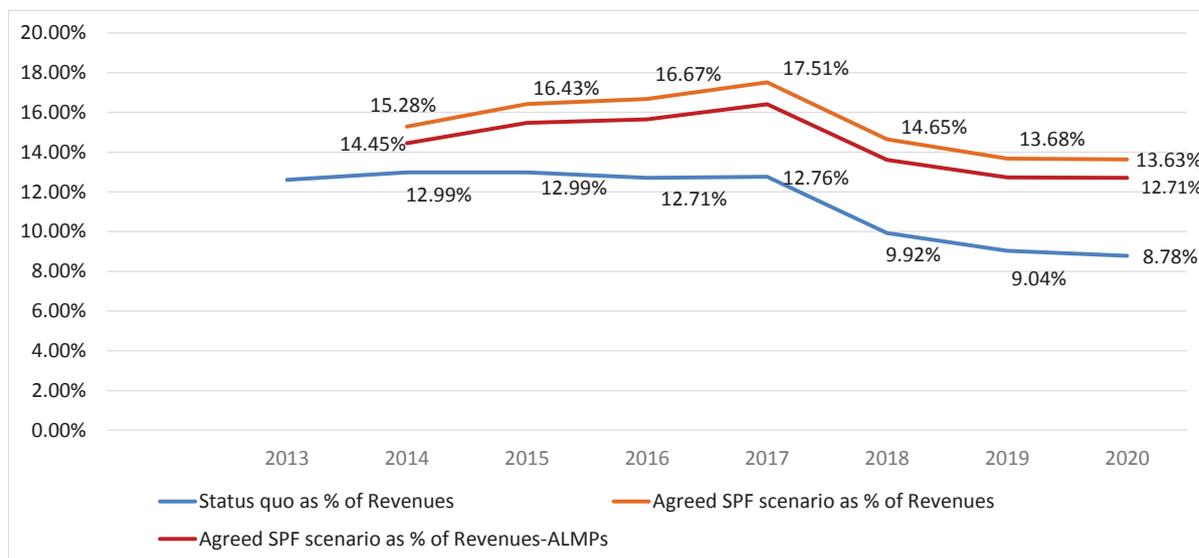
**Figure 18. Projections of social expenditures as percentages of GDP and State revenues**



Source: NSO, MED, MOF, Medium-Term Fiscal Framework Statement, calculated according to the needs of the budget.

Completing a social protection floor in Mongolia would bring social expenditures to 15.3 per cent of State revenues and grants in 2014 to slowly decrease to 13.6 per cent by 2020. It corresponds to an additional 4.8 per cent of revenues and grants by 2020 (figure 19).

**Figure 19. Social protection expenditures and cost of a social protection floor as percentages of revenues and grants, actual and projected**



Source: NSO, MED, MOF, Medium-Term Fiscal Framework Statement, forecast calculated according to the needs of the budget, ILO RAP calculations, 2015.

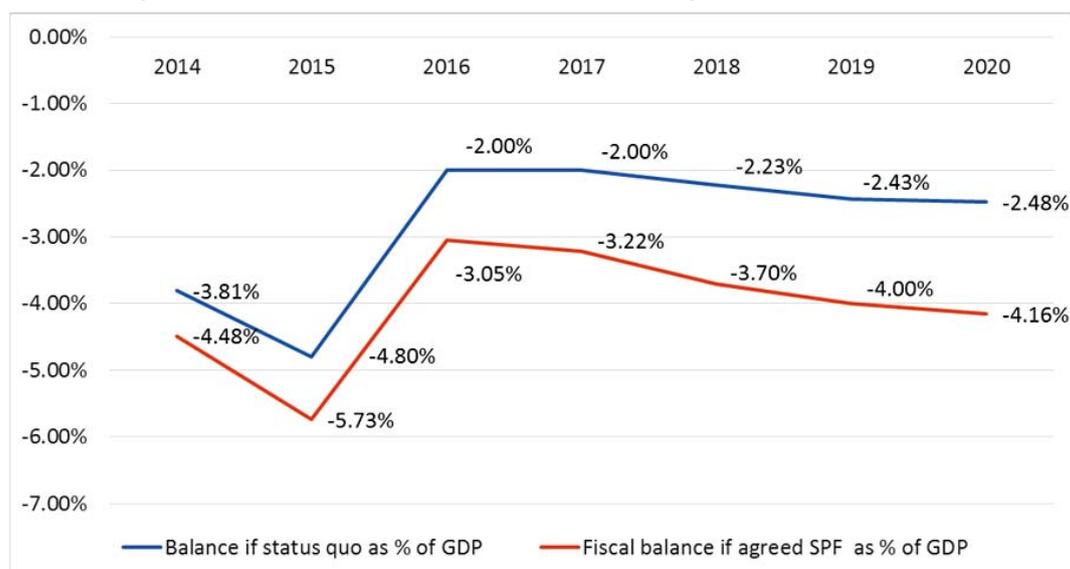
It must be noted that for the purpose of the RAP exercise in Mongolia, the cost of EPPs has been included under the revised projection of social protection expenditures, if a social protection floor was to be implemented. If the cost of additional employment promotion measures is assumed, then the cost of social expenditures needed to reach a social protection floor as a percentage of State revenues and grants would be 12.7 per cent instead of 13.6 per cent by 2020.

Increasing social expenditures to complete a social protection floor in Mongolia would have an

unavoidable cost on the already existing fiscal deficit (figure 20). Projections of the MOF estimate a fiscal deficit maintained below 3.0 per cent of GDP by 2020. Introducing a social protection floor in Mongolia may entail a deficit in the government budget reaching 4.2 per cent of GDP at current prices by 2020.

Several measures can be envisaged to resolve such a deficit, for instance, budget reallocations, changes in the tax structure, enforcement of tax collection, revision of the parameters of the social insurance system, among other measures. In parallel to higher State’s spending on social protection, the increase in social insurance contributions (covering all herders, self-employed and informal economy workers) would allow to resorb the recurrent deficit of the social insurance fund, now financed by the State’s budget.

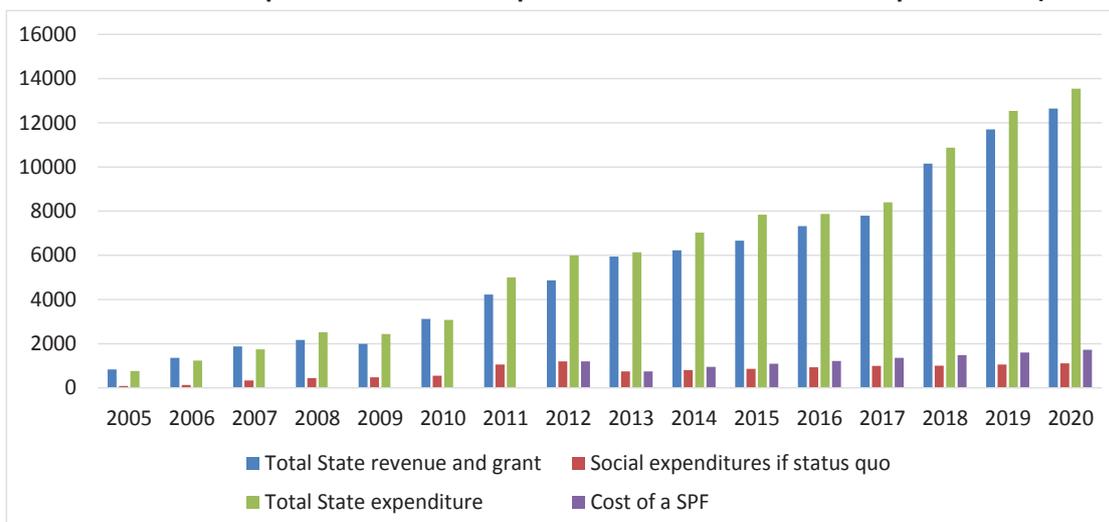
**Figure 20. Fiscal deficit as a percentage of GDP at current prices, comparison between status quo in terms of social expenditures and the establishment of a social protection floor**



Source: NSO, MED, MOF, Medium-Term Fiscal Framework Statement, forecast calculated according to the needs of the budget, ILO RAP calculations, 2015.

As illustrated in figure 21, the cost of a social protection floor would still represent a minor expense compared to the total expenditures of the State.

**Figure 21. Cost of a social protection floor compared to State revenues and expenditures (2005-20)**



Source: NSO, MED, MOF, Medium-Term Fiscal Framework Statement, forecast calculated according to the needs of the budget, ILO RAP calculations, 2015.

Nevertheless, the Government together with social partners and key stakeholders, notably representatives of the beneficiaries may consider reviewing which programmes would become redundant. For instance, introducing a universal old-age pension may overlap with certain social welfare benefits. Such arbitration on the suspension of certain social benefits, services and subsidies will only result from an informed and effective dialogue with parties representing the beneficiaries, and would require further analysis of the impact and the costs and benefits.

### 6.5. The need for coordination and efficient delivery of services

Engagement in productive, remunerated and protected employment, including participation to social insurance, is key to improve income security and access to social services. Missing links in these important dimensions of decent work prevent people from enjoying adequate employment protection and social protection provided by both national and international instruments. This is particularly relevant among vulnerable groups who often must overcome challenges to realize their right to decent work and social protection.

Achieving a social protection floor in a country is essential to mend the missing links and close gaps and thereby prevent people from falling into the vicious cycle of poverty. In 2012, the Government restructuration divided the portfolio of social protection and labour issues into two ministries, MOL and MPDSP. The reform aims at reinforcing policy planning and implementation with the goal of providing every Mongolian with a decent job and fostering population development as priorities of the government agenda. Consequently, a number of specialized agencies and centres were established under each Ministry to implement policies and deliver services following a strict vertical hierarchical structure. With such multiplication of institutions and vertical reporting, there is a strong need to foster coordination mechanisms to better integrate social protection interventions, notably social welfare programmes, with employment strategies. However, the existing coordination mechanisms, particularly horizontal ones among different Ministries and agencies are still weak resulting in low integration across strategies that are complementary, nevertheless necessary to achieve a broader development objective. The same pattern is observed at lower levels as well where the local administration acts as coordinator of decentralized offices working under vertical management of line ministries.

Due to the lack of coordination or ineffective coordination, programmes are fragmented resulting in overlapping and duplication of benefits in the areas of social insurance and welfare while institutions remain focused only on their jurisdictions. Effective coordination and building systematic linkages within and beyond the social protection sector is needed to ensure that people are able to get social services and assistance in an integrated and inclusive manner.

There are a number of challenges for effective delivery of social services to different groups in need in the unique environment of Mongolia with vast territory and dispersed population. In addition to the existing institutional settings, the establishment of one stop shops in *aimag* and certain *soum* centers since 2007<sup>36</sup>, which is by nature a horizontal structure bringing together different service lines in one place, has significantly improved access to services, especially at *soum* levels. However, services, decision-making power and responsibilities could yet be more decentralized, with more decision-making power transferred from *aimag* to *soum* levels. In addition, the one stop shops should be recognized as the single platform to deliver coordinated social and employment protection services to the people by building clear and effective linkages among the implementing agencies and local administration layers in terms of both vertical and horizontal structures (van Langenhove, 2015).<sup>37</sup>

Finally, another area that requires further development and improvement is monitoring and evaluation, particularly impact evaluation. Assessment of each social protection programme impact is needed, to ensure that they contribute to poverty reduction.

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36 ILO, 2015: The one stop shop – The Mongolian experience for delivering social protection and employment services (Ulaanbaatar, 2015) (video).

37 Thibault van Langenhove: Fact-findings, local assessment report and recommendations for the further development of the OSS (working document Feb. 2015).



**Annexes**

## Annex: social protection floor assessment matrix

### Social protection floor assessment matrix: Guarantee 1- Health care for all residents

Scheme/programme (Legal framework)	Overview of existing provisions	Anticipated policy changes/law reforms	Existing coverage
<p>Universal Social Health Insurance (SHI)<sup>1</sup></p> <p>(Law on Citizens Health Insurance (25 April 2002); Law on Health (25 May 2011), Articles 15.1, 23 and 24; Law on Health Insurance adopted on 29 January 2015, entering into force on 1 July 2015)</p>	<p><b>Target:</b> All Mongolian citizens and foreign residents or stateless person. The scheme is mandatory for all Mongolian citizens (Articles 6.1.1–6.1.1.1).</p> <p>Foreign residents can be insured on a voluntary basis (Article 6.2).</p> <p><b>Level of contribution:</b></p> <p><b>Category I:</b> Employees of the Government and business entities are required to pay 4 per cent of their monthly wage and salary (2 per cent by employer, 2 per cent by the employee);</p> <p><b>Category II:</b> Herders, unemployed workers and students of the vocational training centres pay MNT670 per month;</p> <p><b>Category III:</b> Children of age 0–18, people without income except for those receiving old-age, disability and survivor pension either from SIGO and/or social welfare department, students (universities and colleges), parents looking after their babies until 2 years old, personnel of military service (defence, border security, police and emergency), and citizens involved in community based welfare services whose contribution is entirely funded by the State. Other targeted groups, i.e. older persons, people with disabilities, children with chronic condition, people affected by domestic violence, convicts released from correctional service, alcohol and drug addicts, homeless, single mother/father family, people affected by curable disease, poor family members, citizens migrated locally, and parents of children with disabilities, are also required to pay MNT670, which is currently being fully subsidized and financed by the Human Development Fund (HDF);</p> <p><b>Category IV:</b> Self-employed who pay 1 per cent of their reference income on the basis of their tax statement to tax authority; and</p> <p><b>Category V:</b> Foreign nationals and stateless people who are requested to pay 6 per cent of minimum wage (MNT8,424 monthly).</p> <p><b>Benefit package:</b> Out-patient and in-patient care services (provided by primary and secondary level hospitals), day care service (secondary level), in-patient service of traditional medicine clinics, rehabilitative care provided by sanatoria and palliative and drug discount; free check-up testing and diagnostic service for any case at the request of the insured, not exceeding MNT56,000 in each case.</p> <p><b>Bonus:</b> In case an insured did not receive any benefit from SHI Fund during last 36 months, s/he is eligible for free check-up testing of MNT80,000 each year.</p> <p><b>Benefit ceiling:</b> MNT1,380,000 per insured person per year.</p> <p><b>Payment mechanisms:</b> SHI Department of SIGO based on invoices issued by service providers</p> <p><b>Excluded services:</b> primary health care service, pregnancy and delivery care, tuberculosis and cancer treatment (directly financed by Government budget)</p>	<p>1. MPDSP (also involved MOH, WHO, GIZ, P4H) launched the long term strategy for the development of the health insurance of Mongolia, 2013–2022, including: Coverage; HI benefit package; Quality of care and purchasing; Governance; HI Organization; and Private Health Insurance.</p> <p>Since 1995, ADB has been the major partner in supporting the Mongolian health sector reform as Health sector Development Programme (I, II, III and IV).<sup>1</sup></p> <p>2. The Law on Mandatory Health Insurance was adopted on 29 Jan. 2015. The law will come into force from 1 July 2015 with certain provisions from 1 January 2016. Major changes include:</p> <ul style="list-style-type: none"> <li>-The amount of government subsidized contributions has increased (currently, monthly contribution per subsidized person - MNT670 a month, MNT8,040 a year) to 2% of monthly minimum wage (MNT3,840 a month or MNT46,000 a year)</li> <li>-Students have been excluded from the state subsidy: They will make contributions themselves at 1% of minimum wage or MNT23,000 a year from 1 Jan. 2016. This year's contributions for students will be borne by the government.</li> <li>-Transfer of entitlements to family members: The insured who did not use his/her entitled amount of money to purchase health care services per year can transfer it to other members of his/her family</li> <li>-Drugs prescribed by outpatient doctors of aimag and district hospitals have become subject to HI discounts (previously it was applicable only at the primary health care level)</li> <li>-The benefit package to be purchased by health insurance has extended: e.g. cancer and palliative care, and some expensive care and prosthetic appliances.</li> </ul>	<p>Share of insured population to the total population: 97.8 per cent (2,761,700 people) at the end of 2013</p> <p>Share of population subsidized contribution to the total population: 58.7 per cent (1,658,200 people) in 2013</p>

<p>Health care service delivery<sup>1</sup> (Law on Health (5 May 2011) Art. 15.1)</p>	<p><b>Primary level:</b> financed by the State budget: a) 1,588 <i>bagh feidsher</i> (rural); b) 271 <i>soum</i> hospitals and 39 inter-<i>soum</i> hospitals (15–30 beds per <i>soums</i>); and c) 221 family health centres (urban, private practices); <b>Secondary level:</b> 10 per cent co-payment system: 12 district hospitals (200–300 beds) and 17 <i>aimag</i> hospitals (100–500 beds) and three maternity homes; <b>Tertiary level:</b> 15 per cent co-payment system: Four regional diagnostic and treatment centres (at <i>aimags</i>), three central hospitals, and 11 specialized hospitals <b>Qualifying conditions:</b> A citizen aged 16 and more, who needs permanent care provided by care givers <b>Benefits:</b> MNT60,000 once a quarter</p>	<p>737,500 people received in-patient service of which 374,100 paid from the health insurance fund for MNT72.2 billion (2013). Health expenditure 3% of GDP and 6.9% of the total General Government Expenditure</p> <p>26,100 people in 2012</p>
<p>Non-contributory Social Welfare Allowance (permanent care)<sup>2</sup> (Law on Social Welfare (19 Jan. 2012) Art. 13.5.7)</p>	<p><b>Policy gaps</b></p> <p><b>Health care services are divided into two packages:</b> 1. SHI Fund (only 25.1% of the total health expenditures) and; 2. Tax funded (state budget) package <b>Extra Payment:</b> Customer's out-of-pocket (OOP) payments has become a major problem which has reached 41% total health expenditure and 95% of OOP consist of drug expenses among poor population. <b>Targeting:</b> The Government subsidizes not targeted enough. The amount of contribution for Human Development Fund dependents, herders, self-employed, unemployed and informal economy workers is not properly settled or not risk adjusted. <b>Governance:</b> Functions and responsibilities of HI stakeholders are fragmented and overlapping. Institution: There is no legal environment for the HI office to carry out responsibilities of an active purchaser such as studying the needs of the insured, defining the health care services, selecting health care providers and negotiating prices and tariffs of health care services. <b>Package of Service:</b> Health insurance package does not completely cover service needed by insured leading to situation where the insured need to pay for the service that are omitted. <b>Equality of treatment:</b> There is significant difference of monthly contribution between Mongolian nationals (MNT670) and non-nationals (MNT8,424)</p>	<p><b>Implementation issues</b></p> <p><b>Coverage:</b> The coverage of HI decreasing from 100% to 94% between 2011 and 2012 due to the fact that herders, students and unemployed were subsidized by the Human Development Fund (HDF) by one time measure for their contribution fulfilment. <b>Collect contribution:</b> the current SI system is not effective in collecting HI contributions from the informal sector and herders where people are obliged to pay their contributions by themselves. <b>Capacity:</b> Social health insurance activities are not institutionalized in an autonomous institution and having weak capacity. <b>Benefits:</b> Free Diagnostic services and check-up testing benefit (MNT56,000 each case and MNT80,000 for bonus once in a year) is adequate, but there is very limited beneficiaries due to insufficient service delivery and poor accessibility of public hospitals. Private hospital diagnosis centres have not been contacted with SHI Fund. <b>Quality:</b> Insufficient investments in public health care facilities that results in decreasing health care services quality and lack of well-equipped infrastructure <b>Service quality control:</b> Health care complaint system does not work properly if the grievance is not addressed in a way which satisfies a consumer. <b>SHI Fund:</b> Huge positive balance (equal to 95.3% of the annual health insurance fund revenue in 2012) between the health insurance fund revenue and expenditures, but the health needs of the population are not fully met.</p>
<p><b>Key recommendations</b></p> <p>H1: Extend effectively health insurance coverage to segments of population not yet covered by the health insurance scheme, by subsidizing contributions. <b>H2: Increase SHI contribution for category II and IV.</b> H3: Develop methods to determining SHI contribution rate for Categories II, III and IV. <b>H4: Allow option for herders to pay SHI contributions twice a year adjusting better to the seasonality of their income. Provide an incentive to use the power of local NGO's, small businesses and mobilized merchants those who collect/buy cashmere, wool and meat in rural areas.</b> <b>H5: Gradually expand the benefit package funded by SHI and reduce the OOP expenses.</b> H6: Transfer primary health-care services, especially soum hospital and family health centres funded by the Government budget into SHI benefit package in order to expand SHI coverage. H7: introduce good SHI governance structural change plan. H8: Develop SHI organization as active purchaser of health-care service. <b>H9: Reinforce monitoring role of the SHI offices in ensuring the quality of health-care services.</b> H10: Create a health-care service control system with the participation of the insured. H11: Increase reimbursement rate for drugs.</p>	<p><b>Costing scenarios</b></p> <p>H1_1: Increase the contribution rate of Category II to MNT1,920 (1% of minimum wage) H1_2: Fully subsidize the contribution rate of Category II H1_3 (ADB): Subsidize the contribution rate for 15% of the households (identified as poor through the PMT database) H1_4: Status quo H3_1: Increase reimbursement rate for currently list of essential drugs to 100% for all</p>	<p><b>Key recommendations</b></p> <p>H1: Extend effectively health insurance coverage to segments of population not yet covered by the health insurance scheme, by subsidizing contributions. <b>H2: Increase SHI contribution for category II and IV.</b> H3: Develop methods to determining SHI contribution rate for Categories II, III and IV. <b>H4: Allow option for herders to pay SHI contributions twice a year adjusting better to the seasonality of their income. Provide an incentive to use the power of local NGO's, small businesses and mobilized merchants those who collect/buy cashmere, wool and meat in rural areas.</b> <b>H5: Gradually expand the benefit package funded by SHI and reduce the OOP expenses.</b> H6: Transfer primary health-care services, especially soum hospital and family health centres funded by the Government budget into SHI benefit package in order to expand SHI coverage. H7: introduce good SHI governance structural change plan. H8: Develop SHI organization as active purchaser of health-care service. <b>H9: Reinforce monitoring role of the SHI offices in ensuring the quality of health-care services.</b> H10: Create a health-care service control system with the participation of the insured. H11: Increase reimbursement rate for drugs.</p>

**H12: Increase the number of subsidized medicine, reimbursed at 80% based on current list review.**  
H13: Create independent health-care service complaint bureau with good procedures and forms.  
**H14: Introduce a smart card registration system that could be accepted at all hospitals for any type of care covered by the SHI service package.**  
H15: Develop public-private partnerships to deliver health-care services, and introduce supplementary insurances to cover OOP expenses.  
H16: Improve quality of health-care services.  
H17: Increase yearly ceiling of health-care package for people over age 70.  
H18: Activate Sub-National SHI Committees functionalities at all levels (each aimag also has SHI subcommittee under the Sub National SHI) which has ineffective activities.  
H19: Finance private diagnostic laboratories from SHI fund in order to decentralize diagnostic services in public hospitals and improve accessibility of services to the beneficiaries.  
H20: Some expensive health-care services, for instance, surgeries, diagnostic testing and prosthetics, should be financed by SHI Fund.  
H21: Establish minimum guarantee of health care service by the State but not only limited primary health care services as family health centres.  
H22: Prosthetic facilities for disabled and elderly from the Social welfare fund also should finance by SHI fund.  
**H23: Ensure equality of treatment between nationals and non-nationals in terms of contribution**

H3\_2: Introduce new essential drugs applying current reimbursement rate between 50 and 80% for all  
H3\_3: Introduce new essential drugs and increase reimbursement rate to 100% for all  
H6\_1: Decrease OOP expenses to 25%  
H6\_1: Decrease OOP expenses to 30%  
H6\_2: Status quo

1 Actors involved include MOH, MPDSP, SIGO and Social Health Insurance Sub-Committee; the responsible body is MOH.

2 Involves MOH, Health Development Centre, and aimag level health departments, MOF, MPDSP, SIGO; the responsible body is MOH. 2 Involves the Social Welfare Department, MPDSP.

3 [http://p4h-network.net/wp-content/uploads/2014/01/2013\\_09\\_03\\_Mongolia\\_SHI\\_development\\_long-term\\_strategy.pdf](http://p4h-network.net/wp-content/uploads/2014/01/2013_09_03_Mongolia_SHI_development_long-term_strategy.pdf)

## Social protection floor assessment matrix: Guarantee 2-Children

Scheme/programme (Legal framework)	Overview of existing provisions	Existing coverage
<p>Universal Child Money Programme (CMP)<sup>1</sup> (Law on Human Development Fund 13 Dec. 2012), Art.17.1-5; Government resolution No. 49, 2012 and Government resolution No. 70, 2012)</p> <p>Contributory Survivor Benefit<sup>3</sup> (SI Survivor pension) (Law on Pension and Benefits provided by the Social Insurance (17 June 1994) Articles 12.1.1, 12.1.2, 12.1.3 and 12.2.3)</p>	<p><b>Target group:</b> MNT20,000 (\$12) per month to all children age 0-18 (even children under correctional service and living abroad are eligible to apply) since Oct. 2012 <b>Financing:</b> Mineral resource tax accumulated in Human Development Fund (HDF)<sup>2</sup>. <b>Delivery:</b> CMP are paid to the families through bank transfers.</p> <p><b>Target group:</b> <b>1)</b> born and adopted children (applicable to a child born after father's death) under age 16 (19, if a student) regardless whether there is another person as legal guardian/carer; <b>2)</b> grandchildren and his/her younger sisters and brothers under age 16 who have no other person legally responsible for maintenance; <b>3)</b> grandchildren and his/her younger sisters and brothers, who were deceased, born incapacitated or incapacitated prior attaining age 16; and <b>4)</b> a child who doesn't get any alimony from his/her parents by judicial decision be treated like his or her own child in the event of death of his or her step father or step mother <b>Financing:</b> Mandatory: Social Insurance Pension Fund (included in the 14% contribution for benefits of the social insurance Pension Fund); Voluntary: 10% of the reference income going to the social insurance Pension fund <b>Benefit:</b> 1) one dependent: 50% of the amount corresponding to a full pension for old age based on the pensionable earnings of the insured; 2) two dependents: 75%; or 3) three or more dependents: 100%. However, the minimum level of pension must be equal to 50-100% of minimum wage (set at MNT192,000 in 2013) depending on the number of dependents</p>	<p>960,300 children (nearly 100%) covered and MNT229.0 million spent in 2013</p> <p>22,500 children in 2013</p>
<p>Non-contributory Survivor Benefit<sup>4</sup> (Social welfare Survivor pension) (Law on Social Welfare (19 Jan. 2012) Art. 12.1.4)</p>	<p><b>Qualifying conditions:</b> Children age 0-18 who lost their bread-winner (one or both) who never contributed to the SI. <b>Benefits:</b> MNT126,500 per month.</p>	<p>14,072 children in 2013</p>
<p>Non-contributory Social Welfare Allowances (twin baby care)<sup>5</sup> (Law on Social Welfare (19 Jan. 2012) Art. 13.5.5)</p>	<p><b>Qualifying conditions:</b> a citizen or household raising up and taking care of twins (triples and quadruplets). <b>Benefits:</b> twin= MNT1,000,000; and triples or quadruplets= MNT3,000,000 for each child one time</p>	<p>300 children in 2013</p>
<p>Non-contributory Social Welfare Allowances (single parent headed family)<sup>5</sup> (Law on Social Welfare (19 Jan. 2012) Art. 12.1.5 and Government Resolution No. 81, 2012)</p>	<p><b>Qualifying conditions:</b> Children in a family headed by a single mother age 45 or more (or father age 50 or more) with at least four children below age 18. <b>Benefits:</b> MNT126,500 per month.</p>	<p>52 in 2013</p>
<p>Non-contributory Social Welfare Allowance (family support)<sup>5</sup> (Law on Social Welfare (19 Jan. 2012), Art. 13.5.8)</p>	<p><b>Qualifying conditions:</b> single mothers/fathers with 3 or more children under age 14; <b>Benefits:</b> MNT120,000 once a year</p>	<p>1,200 persons in 2012</p>
<p>Non-contributory Social Welfare Allowances (child adoption)<sup>5</sup> (Law on Social Welfare (Jan 19 2012) Art. 13.2.1)</p>	<p><b>Qualifying conditions:</b> A citizen who adopted or took legal guardianship of double orphan child. <b>Benefits:</b> MNT48,000 per month until age 16 (age 18 if the child is a student in high school). Training on caretaking and nursing skills</p>	<p>1,700 in 2013</p>

Non-contributory Social Welfare Allowances (permanent care) <sup>5</sup> (Law on Social Welfare (19 Jan. 2012) Art. 13.5.6)	Qualifying conditions: A child under age 16 who needs permanent care Benefits: MNT60,000 per month.	NA
Non-contributory Social Welfare Allowances (child care) <sup>5</sup> (Law on Social Welfare (19 Jan. 2012) Art. 13.2.2)	Qualifying conditions: A citizen providing family care, specified in Art. 25.5 of the Family Law, to a child victim of physiological and physical violence, who is in need for protection according to the Art. 74 of the Family Law. Benefits: MNT48,000 per month until age 16 (age 18 if the child is a student in high school). Training on caretaking and nursing skills	88 people
Non-contributory Social Welfare Allowances (disabled child care) <sup>5</sup> (Law on Social Welfare (19 Jan. 2012) Art. 13.2.4)	Qualifying conditions: A citizen taking care of disabled child under medical control, requiring permanent care, and such Benefits: MNT48,000 per month. Training on caretaking and nursing skills	6,300 children in 2012
Non-contributory Social Welfare Allowances (allowances and assistance) <sup>5</sup> (Law on Social Security of People with Disability (8 Dec. 2005), Art. 5.1.2 and 5.1.4; Government Resolution No. 153, 2012)	Qualifying conditions: Reimbursement of prosthetic correction and rehabilitation cost for children with disabilities, up to age 18 Benefits: 100% cost of prosthetic correction in the country, once in a three years;	1,800 children in 2013
Social Welfare Service (community based service for children) <sup>5</sup> (Law on Social Welfare (19 Jan. 2012) Articles 17.1.1, 18.1 and 18.2.3)	Qualifying conditions: Financial support for children with disabilities up to age 18, who is not entitled to receive allowance from the social insurance Fund, Benefits: 100% cost of purchased or made special care instruments like orthopaedic tools, wheelchairs and other equipment made in the country, once in three years	9,000 children in 2013
Social Welfare Service (institutional care service) <sup>5</sup> (Law on Social Welfare (19 Jan. 2012) Art. 17.1.2)	Target group: Children with chronic condition Services: Counselling; Rehabilitation; Temporary accommodation and care; Day care service; Home based care and service; Financing: Local Government budget (since 2013) Funding process: Service costs are estimated by Social welfare unit of aimag, district and capital city on the basis of proposal issued by Livelihood Support Council of respective soum and khoroo and be submitted to the Local Governor Office.	830 children
Cash allowance for livelihood improvement (Presidential decree No. 42 (29 March 2013); Government resolution No. 168 (11 May 2013))	Scope: Children with chronic condition, a child specified in paragraph 25.5 of Family Law, and a disabled child under age 18 requiring permanent care and; Triplets and quadruplets (etc.) up to age 4, with a parental permission to be cared in specialized care home at the state expenses; Financing: Local Government budget (since 2013) The Governor of the aimag, district and capital city makes a decision to enrol a child in care service.	NA
Kindergarten with free meal <sup>6</sup> (Law on Education (6 June 2002); Law on Preschool Education (23 May 2008))	Target group: Members of reindeer herding families living in Taiga (ethnic minority community) Benefit: Monthly allowance at 50% of the minimum subsistence level (MSL) to a child, at 100% to an adult (starting from 1 June 2013) Target group: Children age 2–5 years. In 2013/14 193,700 children were involved in preschool education, 90.1% of whom are in public free of charge kindergartens. Preschool coverage increased by 4.5% in 2012 and by 5.5% in 2013. Meal: The Government provides a meal allowance of MNT1,650 (\$0.90) for day care and MNT2,400 (\$1.40) for full board child per day in public kindergartens.	339 people (both children and adults ) of 94 families in 2013  Preschool coverage 77.7% in 2013/14 school year. In 2013/14 school year 193,700 children of whom 174,600 covered by 764 state-owned kindergartens

Free education, primary and secondary <sup>6</sup> (Constitution of Mongolia (13 Jan 1992) Art. 16.7; Law on Education (6 June 2002) Art. 6.2)	<b>Target group:</b> Primary and secondary education and boarding for all children. Primary education-5 years, basic education-9 years and basic general-12 years, and the state provide it free of charge	In 2013/14 school year 510,200 students in 756 secondary schools, 481,500 of whom were in 628 public free schools.
.Equivalency education programme <sup>7</sup> Law on Education (6 June 2002) Art. 3.1.7; Non-formal Education National Programme (Government resolution No. 116, 1997) Ministerial order No. 362 (9 Oct. 2007)	<b>Target group:</b> Children over age 10 and adults who never had schooling or dropped out of school , <b>Benefits:</b> Free primary and secondary education, with curriculum adapted to needs of target groups	1,800 children dropped out of school in 2013-14 (drop-out rate is 0.4 ) In 2014, 10,020 covered (3,600 primary, 4,200 basic and 2,300 complete secondary education)
Allowance for parents residing at soum center <sup>8</sup> E-education "One Laptop per Child" 2008-2015 Programme <sup>7</sup> (Government resolution No. 92, 2008)	Parents can receive an allowance for residing at the soum centre to stay next to their children at the kindergarten or school. <b>Target group:</b> all Students of grades 2-5 of secondary school will have a connected laptop by end of 2015	15 000 students
School dormitory <sup>9</sup> (Law on Education (6 June 2002) Art. 43.2.1)	<b>Target group:</b> Orphans, poor students or students unable to attend school because of the distance issue (public schools) (for primary and secondary). <b>Benefits:</b> Students provided with support to reside in the dormitories of secondary school or vocational training centre free of charge. In 2013, 514 dormitories. <b>Food:</b> The Government is responsible for meal expenses of MNT2,315 per child per day	34,704 children in 2013-14 school year; Dormitory coverage index: 94.8 per cent of the submitted requests are fulfilled; All children in rural and peri-urban areas.
School lunch programme <sup>9</sup> (Government resolution No. 194, 2006)	<b>Target Group:</b> Students of grades 1-5 of public general secondary schools, MNT1,500 for daily cost of lunch	239,300 children in 2013-14
School textbooks Government resolution No. 192 on Master plan to develop Education of Mongolia for 2006-15 (16 August 2006); Ministerial Order (MECS) No. 131 (2009), Cabinet Meeting Minute No. 28 (2009)	<b>Target group:</b> Vulnerable children of general secondary schools. <b>Benefit:</b> free textbooks for all children in primary education; and vulnerable children in secondary and upper secondary education.	343,700 children in 2013
Compensations for transportation (Law on Education (6 June 2002) Art. 43.2.3; Government Resolution	<b>Target group:</b> The transportation tariff for students who study in different aimag and city, compensate both side tariff twice a year. College and university students can use free of charge public transportation with their student visa card during working days of study session.	103,000 children and students in 2013
Social Development Service <sup>10</sup> (Law on Social Welfare (29 Jan. 2012), Art. 20)	<b>Target group:</b> Child of a poor household; child of a disabled person; disabled child; double or half orphan; a child of homeless; child in a foster care home; child released from prison. <b>Education Support Services</b> approved jointly by the MOE and MPDSP and its funding allocated in the budget portfolio of the relevant line ministries. <b>Service deliverable:</b> Concessional rate for stationery, text books and school uniform, if the child is enrolled in preschool or secondary school;	

<p>National student grant<sup>9</sup> (Law on Financing Higher education and Students Social guarantee (9 July 2011), Art. 8.1 Government Resolution No. 71 (7 March 2014))</p>	<p><b>Target group:</b> All regular course students of colleges and universities of all ownership, provided that both applying students and universities have satisfied the specified criteria by the Government resolution No. 71 of 2014. Stipend was universal until the second half of 2014. The change was introduced by an amendment to the Law on Financing Higher Education and Students Social guarantee in November 2013. <b>Benefit:</b> MNT70 000 per month for 10 months <b>Qualifying conditions:</b> Apart from being a regular course student of any type of university or college (both public and private) other criteria are having completed at least 10–12 credit hours with a grade point average at least 3.0–3.5. Universities also must meet accreditation and other criteria.</p>	<p>122,000 in 2014</p>
<p>Vocational education (Law on Education (3 May 2002) Art. 43.2.2 and Art.43.2.10; Law on Vocational Education and Training (13 Feb. 2009)) Food Stamp Programme<sup>10</sup> (Law on Social Welfare (19 Jan. 2012) Art. 22, Ministerial Order (MOF and MPDSP) No. A/95/2012) Other programmes: Free vitamin A and D Supplement, Foster care and Child protection NP etc.<sup>11</sup></p>	<p><b>Target group:</b> Children and young people who completed basic education <b>Benefit:</b> Free vocational education with monthly stipend of MNT 70,000 for all students (both public and private) and free boarding for those in need (private)</p>	<p>42,798 students</p>
<p><b>Anticipated policy changes/law reforms</b></p>	<p><b>Target group:</b> Children living in poor and very poor households <b>Benefit:</b> MNT5,000 per month per child. From 1 Jan. 2015 the amount was increased to MNT6,500 per month <b>Qualifying conditions:</b> Being a member of poor households identified as living standard score of PMT based database. Around the lowest 10% of households in terms of consumption will be covered in 2015. Targeted, but coverage is limited, mostly implemented in an ad hoc manner</p>	<p>50,371 children age 0–18 in 2013</p>
<p><b>Implementation issues</b></p>	<p><b>MPDSP has drafted a new law for improving child social protection:</b> 1. MNT80,000 per month to mother/father who looks after children up to age 2, or if twins up to age 3 (110,000 parents will be covered at a cost of MNT105.6 billion annually) 2. MNT120,000 per month to mother/father who looks after his/her third baby up to age 2 (25,000 parents). 3. Tax relief for MNT500,000 once a year for those parents; 4. 50% of the social insurance contribution for mothers; and 5. Food coupon for MNT15,000 <b>Draft Child care law:</b> The draft law on Child care is being discussed at the Parliament. It is intended to target children age 2–6 who are out of kindergartens (Currently 56,000 children). Child care centres up to 20 children meeting the standards specified by the law can have variable cost for every child, at the level of public kindergartens, from the public budget. It is assumed that over 6,000 centres will be established.</p>	<p>1. Required supporting documents to apply the CMP (loss birth certification and parents ID) is the main complication issue in rural area. 2. Application at the aimag centre. Need to introduce e-file. 3. There are good infrastructure standards for people with disabilities, but implementation of standards is weak. 4. Lack of services for children's spare time or vacancy. 5. Budget allocation for community based welfare is not delivering to the targeted groups nor is it delivering proper services. 6. There is no coherent information delivery system. 7. School social workers are not working closely with or attending to students' needs. 8. Dormitory services are of poor quality. 9. Not sufficient professional social care and psychological services.</p>
<p><b>Policy gaps</b></p>	<p>1. CMP initiatives are often based on political decisions, not evidence-based 2. Level of benefit is not adequate for school attendance: uniform and textbooks 3. The level of social insurance pension benefits adjusted in ad-hoc manner, without indexation on inflation. 4. Accessibility: Enrolment increased across the kindergartens but these enrolment increases generally not among children from low-income households those who presumably would benefit the most from kindergarten meal provided free of cost. 5. Kindergarten meal quality is still low 6. Children cannot access basic social services, and service delivery is insufficient, for instance, lack of schools and kindergartens, and poor infrastructure and services for children with special needs. 7. The definition of invalid children does not meet the requirement of inclusions (medical, social, and so on) where children cannot access services and benefits entitled by social protection legislations. 8. Children disciple at the monasteries are not following formal education curriculums. 9. Water sanitation and hygiene (WASH) and sufficient sanitary installation for children also being considerable issue. Most parents lack knowledge and skills for accessing to services and work with their children. 10. Penal of the lack responsibilities are very low when parents discharge their parental obligations. 11. Limited employment policies focused on families and child-friendly workplaces. 12. Children without parental control (parents working abroad) need to be covered by the social protection scheme as well.</p>	

Recommendations/ Key recommendations	Costing Scenarios
<p>C1: Assessment of the programme impact is needed, to ensure that it does contribute to poverty reduction.</p> <p><b>C2: Keep Child Money Programme as it is (ensure its universality by law), and index the benefit (MNT20,000 per month) on the consumption price index (CPI).</b></p> <p>C3: Increase the level of benefits for small children.</p> <p>C4: Increase the social insurance survivor benefit level and index on the CPI.</p> <p>C5: Reduce the qualifications for benefits focused on single mothers or fathers with many children.</p> <p>C6: Pay more attention to children and youth with disabilities. The Government recognizes the need to ensure an enabling environment guaranteeing children with disabilities the equal right to development and protection.</p> <p>C7: Combine and improve income support and social inclusion programmes for children with disabilities, through the development of activities and services adapted to them, in particular ensure access to kindergarten and pre-school education.</p> <p><b>C8: Improve social inclusion objectives of programmes for children with disability, for instance such as renovation of facilities to ensure access to social services in particular kindergarten and school education.</b></p> <p>C9: Expand alternative preschool programmes for children with disabilities and children living and working on the street.</p> <p>C10: Introduce an additional income guarantee for teachers who working with children with disabilities.</p> <p>C11: Establish rehabilitation cabinets in schools which are studying children with specific needs.</p> <p>C12: Create new work position in school as an assistance teacher who able to work with children with disabilities.</p> <p>C13: Expand services mainly focused on children with chronic conditions.</p> <p>C14: For youth in working age (above age 16) need to establish programmes that until weak incentive to integrate labour market and be socially and economically included, while continuing receiving governments support (see recommendations under Guarantee 3).</p> <p>C15: Provide jobs to parents whose children involved in worst forms of child labour.</p> <p>C16: Improve and ensure environments for development and right to education of the herder-families children.</p> <p><b>C17: Increase and index the meal allowance in kindergarten and pre-school to the CPI.</b></p> <p><b>A new government policy recommends to subsidize it only at 50%.</b></p> <p><b>C18: Introduce supervisory mechanisms for better safety and quality of meals in kindergarten and schools.</b></p> <p><b>C19: Increase the number of kindergartens to ensure that the remaining 25% (among vulnerable groups) can also access to these education services.</b></p> <p>C20: Provide textbook and school uniform compensations to children of low-income families.</p> <p>C21: Introduce different meal tariff for dormitory students depending on their age specific.</p>	<p>Sc. 1.1: Indexed CMP on inflation</p> <p>Sc. 1_1 (ADB): CMP only for the 15% households identified as poor through the PMT</p> <p>C3_1: Status-quo</p> <p>C3_2: Food tariff MNT1,640 and MNT2,400 indexed on inflation</p> <p>C3_3: Food tariff increased to MNT2,000 for day care and MNT4,000 for full board (and indexed)</p> <p>C3_4: Food tariff increased to MNT2,000 for day care and MNT4,000 for full board, and subsidized only at 50%</p>

1 Actors involved include MPDSP, MOF, National Registration Authority and General Office for Social Welfare Services (GOSWS).

2 Note: Law on 2014 Human Development Fund Budget, total expenditure is 312.0 billion MNT of which: Child money 240.0 billion MNT, Health insurance contribution 12.0 billion MNT, and investment for new building of Children' Development Centre for 5 district namely, in Songinokhairkhan, Bayangol, Khan-Uul, Chingeltei and Bayanzurkh.

3 Involves SIGO, MPDSP.

4 Involves Social Welfare Agency, MPDSP.

5 Involves GOSWS, MPDSP.

6 Involves the Ministry of Education.

7 Involves the Ministry of Education, National Center Literacy Education.

8 Involves the Social Welfare Department, MPDSP. 9 Involves the Ministry of Education.

9 Involves the Ministry of Education.

10 Involves MOE and MPDSP. 10 Involves MPDSP, MOF, GOSWS and Food & Nutrition Programme (ADB). 11 Involves MPDSP, MOH, MOE.

## Social protection floor Assessment matrix: Guarantee 3a- Working age (Social security)

Scheme/programme (Legal framework)	Overview of existing provisions	Anticipated policy changes/law reforms	Existing coverage
<p>Mandatory contributory working injury and occupational disease insurance</p> <p>(Law on Social Insurance (31 May 1994) Art. 4; Law on Working injury, occupational disease Pension, Benefits and Payments provided by Insurance, 7 June 1994)</p>	<p><b>Target group Art. 4.2:</b> Workers (both Mongolians and foreigners or stateless person) in Mongolian business entities, NGOs and other organizations (Art. 4.2.1); workers (both Mongolians and foreigners or stateless person) in foreign business entities, NGOs, PMUs and international organizations in Mongolian territory (Art. 4.2.2); civil servants and public workers (Art. 4.2.3); and labour contracted Mongolian workers abroad (Art. 4.2.4)</p> <p><b>Contribution:</b> covered only by employers by 1%, 2% and 3% (depending on working condition) of payroll salary (between minimum wage and ten times the minimum wage)</p> <p><b>Benefits:</b> disability pension (replacement rate is equal to percentage of capacity lost), survivor pension (replacement rate is 50%-100% related to the number of dependents), sickness benefits (100% for maximum 180 working days a year) and compensation for rehabilitation (if insured lost capacity of 30% and above, entitled to compensations as follows: 1) prosthetic facilities 100% first time, 50% second case; 2) sanatorium treatment; and 3) social insurance pension fund contribution);</p> <p><b>Criteria:</b> No minimum required of years of service</p>	<p>MPDSP is planning to reform the Social Insurance Package Law in 2015-2016</p>	<p>766,815 people insured in 2013; In 2013, under both mandatory and voluntary schemes: 5,800 people received a disability pension, 600 received a survivor pension while 1,000 received sickness benefits for temporary loss of working capacity</p> <p>147,100 people insured in 2013</p>
<p>Voluntary contributory working injury and occupational disease insurance</p> <p>(Law on Social Insurance (31 May 1994) Art. 4; Law on Working injury, occupational disease Pension, Benefits and Payments provided by Insurance (7 June 1994))</p>	<p><b>Target group Art. 4.3:</b> Individuals other than Art. 4.2 not working in the formal sector and unemployed people.</p> <p><b>Contribution:</b> 1% of the reference income, by insured only. Reference income is declared on a voluntary basis: between minimum wage and ten times the minimum wage. Replacement rate depends on level of incapacity: 10% incapacity, 10% income replacement.</p> <p><b>Benefits:</b> Disability pension, survivor pension, compensation due to working accident and occupational diseases.</p> <p><b>Criteria:</b> Not dependent on years of service.</p>		
<p>Mandatory contributory allowance insurance: Maternity, sickness and funeral</p> <p>(Law on Pension and Benefits provided by Social Insurance (7 June 1994))</p>	<p><b>Target group:</b> Art. 4.2 (Contracted employment and civil service workers)</p> <p><b>Contribution:</b> Employer 0.5% and employee 0.5% of the payroll salary.</p> <p><b>Maternity:</b></p> <p><b>Qualifying conditions:</b> At least 12 months of contributions, of which six continuously prior to take maternity leave.</p> <p><b>Replacement rate:</b> 100% of last 12 month average wage for a period of four months. The allowance shall calculated based on the working days of a calendar year. For example, before birth MNT280,000 and MNT280,000 after birth (in case of minimum wage);</p> <p><b>Sickness:</b></p> <p><b>Qualifying conditions:</b> At least three months of contribution prior to take a sickness leave due to ordinary disease and non-occupational accidents.</p> <p><b>Replacement rate:</b> the benefit is calculated on the basis of the average wage of last three month continuing employment, depending on years of service: up to 5 years, 50%; 5–14 years, 55%; and more than 15 years, 75% for maximum 66 working days in case of ordinary disease (but in case of cancer or tuberculosis for max. 136 days ). For example, in case of 5 years of contribution at minimum wage and 66 days of a sickness= MNT232,957 or 132 days of a sickness equal to MNT465,915;</p> <p><b>Funeral grant:</b> MNT620,000</p>	<p>MPDSP is planning to reform the Social Insurance Package Law in 2015-2016</p>	<p>766,815 people insured in 2013; In 2013; for both mandatory and voluntary: 45,700 mothers received maternity benefits and 104,400 workers received sickness benefits, funeral grants were paid to 12,400 people in 2013</p>
<p>Voluntary contributory allowance insurance: Maternity, sickness and funeral</p> <p>(Law on Pension and Benefits provided by the Social Insurance (7 June 1994))</p>	<p><b>Target group:</b> Art. 4.3 Contribution: 1% of the reference income (but income must not be below minimum wage).</p> <p><b>Maternity</b></p> <p><b>Qualifying conditions:</b> Same as Art. 4.2 as above.</p> <p><b>Replacement rate:</b> 70% of last 12 month average income for a period of four months;</p> <p><b>Benefit:</b> For example, before birth: MNT198,000, and after birth: MNT198,000. In case of minimum wage the benefit provided for each day of work.</p> <p><b>Sickness benefit and funeral grant:</b> Same as Art. 4.2 as above</p>		<p>147,100 people insured in 2013</p>

<p>Mandatory contributory <b>unemployment</b> insurance (Law on Social Insurance (31 May 1994), Article 4.2; Law on Unemployment Benefits Provided by the Social Insurance Fund (5 July 1994))</p>	<p><b>Target group:</b> Art. 4.2  <b>Contribution:</b> Employers 0.5% and employee 0.5% of the payroll salary.  <b>Replacement rate:</b> For a duration of 76 working days, benefit is calculated based on the average wage of last three month continuing employment, and replacement rate varies with the years of service: up to 5 years, 45%; 5-10 years, 50%; 10-15 years, 60%; and more than 15 years, 70%.  <b>Minimum benefit:</b> not less than 75% of the minimum wage;  <b>Criteria:</b> At least 24 months of contributions, of which nine continuously prior to the unemployed;  <b>Reduced benefit:</b> if employee terminated his/her labour contract on own initiative and dismissed from job due to breaking the labour discipline many times or severely then benefit would be provided for 36 working days;  <b>Contribution discount:</b> When employer and an employee did not take benefits from unemployment insurance fund for five years consistently, the unemployment insurance contribution is decreased by 10% in the next year.  <b>Target group:</b> Art. 4.2 (Contracted employment and civil service workers)</p>	<p>766,815 people insured in 2013; In 2013, 15,800 employees received unemployment insurance benefits.</p>
<p>Mandatory contributory <b>disability</b> benefit insurance (DB) (Law on Pension and Benefits provided by the Social insurance (7 June 1994))</p>	<p><b>Contribution:</b> Employer 7% and employee 7% of the payroll salary as part of the SI Pension fund.  <b>Qualifying conditions:</b> The insured person who has lost not less than 50% of his capacity for work permanently for not less than 20 years of service or at least 3 years out of five, immediately preceding the date of commencement of invalid.  <b>Replacement rate:</b> if insured person lost his capacity for 75% or more, replacement rate would be 45% (same as OA pension) of payroll salary and increased by 1.5% of wages for each year additional to 20 years. If insured lost his capacity not less than 50%, pension would be calculated at the rate of proportion to his wages as 45% or more. But both fully and partially disability pensions should not be less than social insurance old age minimum pension (as MNT195,000 or MNT230,000);  <b>Determination of invalidity:</b> The percentage of an insured person's loss of capacity and its length are determined by the Medical labour Accreditation Commission</p>	<p>766,815 people insured in 2013</p>
<p>Voluntary contributory <b>disability</b> benefit insurance (DB) (Law on Pension and Benefits provided by the Social insurance (7 June 1994))</p>	<p><b>Target group:</b> Art. 4.3 (herders and informal economy workers and unemployed person)  <b>Contribution:</b> included in 10% of the individual's reference income going to the social insurance pension fund.  <b>Qualifying conditions and Benefits:</b> Same as above as Art. 4.2</p>	<p>77,800 people insured in 2013</p>
<p>Mandatory contributory <b>survivor</b> benefit insurance (DB) (Law on Pension and Benefits provided by the Social insurance, 7 June 1994)</p>	<p><b>Target group:</b> Art. 4.2 (Contracted employment and civil service workers)  <b>Contribution:</b> Employer 7% and employee 7% of the payroll salary as part of the SI Pension fund.  <b>Benefits:</b> if three or more dependents, 100% of reference income; two dependents = 75%, and one dependent = 50% but minimum pension must be equals to minimum old age pension  <b>Criteria:</b> Not less than 20 years for the service or insured at least three years out of five</p>	<p>77,800 people insured in 2013</p>
<p>Voluntary contributory <b>survivor</b> benefit insurance (DB) (Law on Pension and Benefits provided by the Social insurance (7 June 1994))</p>	<p><b>Target group:</b> Art. 4.3 (herders and informal economy workers or unemployed person)  <b>Contribution:</b> 10% of the reference income as part of the SI Pension fund.  <b>Benefits:</b> same as above; Minimum pension: fully 230,000 MNT, partially 195,000 MNT;  <b>Criteria:</b> same above and at least 3 years out of five.</p>	<p>77,800 people insured in 2013</p>

<p>Mandatory and voluntary contributory survivor and disability benefit insurance (NDC) (Law On Individual Pension Insurance Contribution Account (1 July 1999))</p>	<p><b>Survivor pension:</b> <b>Scope:</b> All contract employees born after January 1, 1960. Years of service: 15 years of service and contributions <b>Rate:</b> 40% monthly average wage in the last three years for one dependent increased by 10% per each member over two and more. But pension should not exceed 60% monthly average wage. <b>Financing:</b> Included in the 14% of contribution to the social insurance pension fund.</p> <p><b>Disability pension:</b> <b>Scope:</b> same as above <b>Rate:</b> Total invalidity = monthly average wage in the last three years*60%; Partial invalidity = (monthly average wage in the last three years*60%) * (% of loss of capacity for work)</p> <p><b>Scope:</b> Art. 4.1 cadet, private, soldier, sergeant, first-sergeant, officer, commissary, general of Armed forces, Defense, Police, Border Security, Correctional service, Intelligence, Emergency service and Criminalistics</p> <p><b>Qualifying conditions:</b> 1) if personnel lost his capacity in a battle field, peacekeeping operation, attending special or emergency operations etc.; 2) activities other than 1); 3) illness not related to work duties; and 4) lost capacity during demobilizing from army</p> <p><b>Replacement rate:</b> Cases 1 and 2) 10% loss of capacity, 10% income replacement; if over 10% loss of capacity, proportion to the degree of the loss of working ability and plus 10%-15% additional benefit calculated of payroll salary; Case 3) if 75% and more lost capacity, benefit would be 60% of reference income and increased by 1.5% of wages for each year additional to 20 years. If partial loss of capacity, replacement rate would be 60% of income; and Case 4) Replacement rate 10%-60% of prior income of an army or minimum wage.</p> <p><b>Financing:</b> State budget but delivered through social insurance facilities <b>Guarantee:</b> The pension should not be less than 75% of minimum wage</p>	<p>767,000 contributors to the mandatory scheme; 147,000 contributors to the voluntary scheme, in 2013.</p>
<p>Non-contributory Military Pension Benefit Scheme: old-age, disability and survivors<sup>1</sup> (Law on Pension and Benefits of Military Service Personnel (13 June 1994) Art. 4.1)</p>	<p><b>Scope:</b> Art. 4.1.  <b>Qualifying conditions:</b> Bread-winner died same above 1, 2, 3 and 4 <b>Rate:</b> Three or more dependents-100% of reference income; 2 =75%, and 1 = 50% and plus 10-15% additional benefit.</p> <p><b>Scope:</b> Art. 4.1. <b>Benefits:</b> <u>Maternity:</u> 100% of last 12 month average wage for a period of 4 months. <u>Sickness:</u> depending on years of service- up to five years-50% of wage, 5-14 years 60% and more than 15 is 80%; <u>Funeral grant:</u> MNT620,000</p> <p><b>Qualifying conditions:</b> Residents aged years of 16 and more who lost his/her working capacity for 50% and over and who has never contributed to the social insurance scheme. <b>Benefits:</b> MNT126,500 per month.</p>	<p>44,209 people in 2013</p>
<p>Military Pension Benefit Scheme: old-age, disability and survivors (Law on Pension and Benefits of Military Service Personnel (13 June 1994) Art. 4.1)</p> <p>Military Benefit scheme: Sickness, Maternity and Funeral (Law on Pension and Benefits of Military Service Personnel (13 June 1994) Art. 4.1)</p> <p>Non-contributory Social Welfare Benefit: Disability<sup>2</sup> (Law on Social Welfare (19 January 2012) Art. 12.1.3 and Government resolution No. 81, 2012)</p>		

Non-contributory Social Welfare Benefit: Dwarf individual <sup>2</sup> (Law on Social Welfare (19 Jan. 2012) Art. 12.1.2 and Government resolution No. 81, 2012)	Qualifying conditions: A dwarf individual aged 16 years and more Benefits: MNT126,500 per month.	164 people in 2013
Non-contributory Social welfare Allowance: Individual member of household <sup>2</sup> (Law on Social Welfare (19 January 2012) Art. 13.3)	Qualifying conditions: a citizen-member of household selected from households with living standard lower than the poverty line then and that are entered into a central database of households Benefits: MNT48,000 per month.	Proxy means testing programme. Not yet implemented
Non-contributory Social welfare Allowance: Emergency assistance <sup>2</sup> (Law on Social Welfare (19 Jan. 2012) Art. 13.5.1)	Qualifying conditions: households became homeless or whose home became unsuitable for living or lost livelihood due to sudden accident, disaster-dzuds (harsh winters) or other unforeseen reasons; Benefits: MNT1,200,000 one time.	815 people of 602 households in 2013
Non-contributory Social welfare Allowance: Livelihood support <sup>2</sup> (Law on Social Welfare (19 January 2012) Articles 13.5.2–13.5.5)	Qualifying conditions: citizen of 18-24 years old who became a double orphan before he/she turned 18; homeless citizen released from prison; homeless and wandering citizen or household; Benefits: MNT1,200,000 one time.	403 persons in 2013
Non-contributory Social welfare Allowance: Allowances and assistance <sup>2</sup> (Law on Social Security of People with Disability (8 December 2005) Articles 5.1.3 and 5.1.4; Government resolution No. 153, 2012)	Target: Disabled people; Benefits: Cost reimbursement of 80 types of prosthetic and orthopaedic devices	3,737 persons including older persons. MNT7.6 billion spent in 2013
Non-contributory Social welfare Allowance <sup>2</sup> (Law on Social Welfare (19 January 2012) Art. 13.2.4)	Target: A citizen taking care of elder or disabled person under medical control, requiring permanent care, and such; Benefits: MNT58,000 per month. Plus training on caretaking and nursing skills	16,800 older people and 16,800 people with disabilities in 2013
Non-contributory Social welfare Allowance <sup>2</sup> (Law on Social Welfare (19 January 2012) Art. 13.2.3)	Target: A citizen taking care of single elder or disabled person in their family, who has no children or relatives to take care of him/her; Benefits: MNT58,000 per month. Plus training on caretaking and nursing skills	Caregivers of 154 older people and 239 people with disabilities in 2013
Non-contributory Social welfare Allowance <sup>2</sup> (Maternity ) (Law on Social Welfare (19 January 2012) Articles 13.1.4, 13.7 and 13.8; Parliamentary Decree No. 19, 2012)	Qualifying conditions: Pregnant women and mothers with infants starting from the 5th month of pregnancy who have never contributed (or less than 10 years) to the Social insurance scheme; Benefits: MNT40,000 per month for 12 months. If a mother died after giving a birth to a child, father of the child or legally authorized person, or adopted mother/father can be entitled to receive the allowance	94,900 people covered and MNT38.0 billion spent in 2013

<p>Social Welfare Service<sup>2</sup> (Community Based Service for Working age)</p> <p>(Law on Social Welfare Articles 17.1.1., 18.1., 18.2.2 and 18.2.4–18.2.10)</p>	<p><b>Target group:</b> Disabled person; Victims of violence; citizens released from a prison; Alcohol and drug addicted citizen; citizens with incurable disease; Homeless and wandering household and citizen; migrated citizen or citizen-member of poor household; Single mother or father.</p> <p><b>Services:</b> Support to homeless citizen and her/his family member in socializing, civil registration, and accommodating in a temporary shelter; Socialize citizen and household requiring social welfare assistance, to help in forming of a community group, implementing income generation project and provide life skills training ; Counselling; Rehabilitation; Temporary accommodation and care; Day care service; Home based care and service</p> <p><b>Financing:</b> since 2013 Local Government budget</p> <p><b>Funding process:</b> Service costs are estimated by Social welfare unit of aimag, district and capital city on the basis of proposal issued by Livelihood Support Council of respective soum and khoroo and be submitted to the Local Governor Office.</p>	<p>8,700 people in 2014</p>
<p>Social Welfare Service<sup>3</sup> (Institutional Care Service)</p> <p>(Law on Social Welfare (19 January 2012) Art. 17.1.2)</p> <p>Social Welfare Service<sup>2</sup> (Food and Nutrition Support Service)</p> <p>(Law on Social Welfare (19 January 2012) Art. 22)</p>	<p><b>Scope:</b> Single disabled citizen incapable to live independently, with no child to support, and requiring professional service and special conditions</p> <p><b>Financing:</b> Local government budget since 2013</p> <p>The governor of the aimag, district and capital city make a decision to enrol an elder in the care service</p> <p><b>Target group:</b> A member of poor household as requiring necessary food supply; Homelessness. Targeted households identified as living standard score of PMT based database. Around the lowest 10% of households in terms of consumption will be covered in 2015.</p> <p><b>Service deliverable:</b> Provision of food products or provision of vouchers/food stamps to purchase food products; and provision of hot meal or tea.</p> <p><b>Benefit:</b> monthly MNT10,000 per adult. From 1 Jan. 2015 the amount was increased to MNT13,000 per month</p>	<p>320 people were living in nine care centres in 2013</p> <p>47,548 adults, and 97,919 total beneficiaries (of 16,410 households) covered in 2013</p>
<p><b>Policy gaps</b></p> <ol style="list-style-type: none"> <li>1. Insurance Policy: Contribution collected on a monthly basis, which is not adapted to the seasonality of herders' incomes.</li> <li>2. Benefits: Relatively low-level of benefits, short duration and restrictive eligibility criteria create disincentive to enrol in social insurance scheme.</li> <li>3. Occupational disease and Working injury: <ul style="list-style-type: none"> <li>-No investigation mechanism and criteria to assess whether the disease is work related;</li> <li>-No clear policy on whether accident during coming to/from work is covered; and,</li> <li>-No penalties or reducing of benefits if working accident is due to worker's own fault</li> </ul> </li> <li>4. Employment injury and occupational disease rates still high due to lack of effective prevention activities.</li> <li>5. Maternity: Voluntary social insurance offers lower benefits although contribution rate is the same as mandatory rate. Maternity benefits period is four months, compared to social assistance benefit of ten months. If the insured does not qualify for maternity benefits (12 months contribution), she may seek social welfare benefits.</li> <li>6. Unemployment benefits: the requirement that workers have contributed for at least two years (including the 9 continuously months immediately preceding their job loss) to be eligible for benefits is too strict and causes many who lose their jobs to fail to qualify for any unemployment insurance benefit, and poor linkages with employment promotion programmes</li> <li>7. Disability pension <ul style="list-style-type: none"> <li>- Shortcoming in the level of benefits (level adjusted in ad-hoc manner, no indexation), however duration is generous enough</li> <li>- Too much focus on cash benefits rather than focusing on employment support (turning them into employable and employed citizens)</li> <li>-Should be more emphasized on rehabilitation programmes.</li> </ul> </li> <li>8. Coverage is very limited due to restrictive qualifying conditions and to cumbersome application procedures: application at the social welfare office of the aimag centre (cost of bus ticket: around MNT10,000).</li> </ol>		<p><b>Implementation issues</b></p> <ol style="list-style-type: none"> <li>1. <b>Delivery:</b> Social welfare benefits cannot deliver on time due to new Budget process Law in Uvurkhangaï aimag.</li> <li>2. This programme may be effective after conducting the household survey that currently ongoing</li> <li>3. <b>Targeting:</b> There is no clear definition which who is the homeless person either unclear procedure provide a shelter (<i>ger</i>) to them.</li> <li>4. <b>Adequacy:</b> Disabled people cannot access service because inadequate facilities of prostheses and orthopaedics and even there is not service provider especially in rural area.</li> </ol>

Recommendations/Key recommendations	Costing scenarios
<p><b>WA1: Develop an incentive mechanism for increasing SI coverage among herders and self-employed.</b> Therefore, need to carry out a study to determine a suitable contribution level for herders and potential share of contribution subsidized by the Government.</p> <p><b>WA2: Open option to pay the voluntary social insurance contribution twice a year to follow seasonality of herders' income (or to pay once a year); provide more flexibility in paying back unpaid contributions (applies also to social insurance pension fund and SHI contributions). Linked to recommendation H4).</b></p> <p><b>WA3:</b> Use some information technology system connecting cell phone providers and banks should be put in place. Thereby, develop mobile based-contribution taking service during the potential income seasons.</p> <p><b>WA4:</b> Mobilizing social insurance service may give a broader and effective base, and permits them to expand their outreach. Social insurance institutions should have to develop new ways of working with herders, possibly involving mobile offices in some cases, and insurance products linked to herders' seasonal cash flows. The management capability of social insurance institutions need to be improved.</p> <p><b>WA5: Increase replacement rate for maternity benefits under voluntary social insurance scheme to 100%, at the same level as maternity benefits under mandatory social insurance scheme.</b></p> <p><b>WA6:</b> Increase duration of maternity benefits (six months).</p> <p><b>WA7: Establish systemic linkages between social insurance and active labour market programmes.</b> New employment insurance scheme for informal sector workers/herders may be one of good link between employment service and social security which consist of common types of insurance products.</p> <p><b>WA8:</b> Increase resources allocated to public awareness and campaigns on social insurance benefits and worthiness.</p> <p><b>WA9:</b> Improve coordination between the social insurance and tax authorities, including information exchange about payment declarations to the two agencies.</p> <p><b>WA10:</b> Streamline the process for registration and social insurance benefits claims. Introduce e-file and information technology connectivity between aimag and soum centres.</p> <p><b>WA11:</b> Unemployment benefits for those with less than five years of contribution should be increased to 50% (or at least 45%) of prior wages and benefits also should be available for up to six months (126 working day or 182 calendar days). These changes will bring the Mongolian program in agreement with the relevant ILO conventions.</p> <p><b>WA12: Unemployment benefits: Bring more flexibility in qualifying conditions: 9 months in the last 24 months, to improve protection of workers holding short term contracts; increase the duration of benefits up to 6 months in the last 18 months; improve linkages with employment promotion programmes (EPP).</b></p> <p><b>WA13:</b> Finance workplace improvement and injury prevention activities from the Work Injury and Occupational Disease Fund, e.g. public awareness aimed at both workers and employers, arranging consulting services and dissemination of good experiences.</p> <p><b>WA14:</b> Adjust the formula used in the calculation of disability and survivor benefits under the NDC scheme. If the formula is not changed, disability and survivor benefits would be out of line with Old age pension benefits.</p> <p><b>WA15: Introduce social insurance registration as a condition to benefit from the eight EPP.</b></p> <p><b>WA16:</b> Carry out a study for the possibilities to select the type of social insurance by mandatory based insured person.</p> <p><b>WA17:</b> Government (or employer) should pay social insurance contributions (excluding HI) for mothers those who looking after her baby until 3 years old.</p> <p><b>WA18:</b> The compensations by employers to the employees' damage caused by work injury and occupational diseases in accordance to the Labour Code (Art. 97) should be allowed every year (current law says one or more times that is not clear).</p> <p><b>WA19:</b> Modify current unemployment application procedure. Unemployment benefit application period should be maximum one month (currently, 14 working days).</p> <p><b>WA20:</b> If business entities and organizations do not employ disabled persons at the level specified in Labour Code (Art. 111: disabled persons shall be employed not less than 3% of its total staff by companies having more than 50 employees), they should pay a monthly payment not less than equal to three times of minimum wage standard for each vacancy they should have employed.</p>	<p><b>WA1-1:</b> Increase the replacement rate for maternity benefits of women registered under voluntary social insurance scheme to 100%.</p> <p><b>WA1-2:</b> Status quo</p> <p><b>WA2:</b> Increase unemployment insurance replacement rate to 50% (insured less than five years).</p> <p><b>WA3-1:</b> Subsidize voluntary contribution (injury + sickness + maternity = 2%) at 50% of its level (contribution paid by worker = 1% or MNT1,920 if at minimum wage).</p> <p><b>WA3-2:</b> Subsidize voluntary contribution (injury + sickness + maternity = 2%) at 70% of its level (contribution paid by worker = 0.6% or MNT1,152 if at minimum wage).</p>

- 1 Involves SIGO, MPDSP.
- 2 Involves Social Welfare Department, MPDSP

## Social protection floor assessment matrix: Guarantee 3b- Working age (Active Labour Market Policies)

Scheme/Programme	Overview of existing provisions	Anticipated policy changes/law reforms	Existing coverage
<p>Programme on preparation of professional workers</p>	<p><b>Key activity:</b> Registration of trainees (a four-way contract is established between the unemployed person, Government, training provider and employer); vocational training at vocational training centres and production centres, 20 per cent of training shall cover the theory and 80 per cent shall be the practical appliance of theoretical knowledge; and evaluation and assessment of graduates and job placements.</p> <p><b>Financing:</b> Employment Promotion Fund (EPF)</p> <p><b>Process:</b> Fund to develop vocational training curricula on job-seekers' demand. A minimum number participants of forms a group for training in e.g. electricity, kindergarten care givers, bus ticket sellers. Some 40% of training is based on employers' request, 60% on personal interest.</p> <p><b>Cost:</b> Trainee is provided with:</p> <ul style="list-style-type: none"> <li>• a monthly fellowship of MNT190,000;</li> <li>• monthly accommodation cost of MNT75,000;</li> <li>• working cloths of MNT60,000.</li> </ul> <p>Additional cost for a practical session MNT312,000 per a mentor (mentor and trainee ratio 1:15) for 3 months. Employer that provided a job place receives MNT65,000 per trainee. In total MNT7.215 billion spent in 2014.</p> <p><b>Financing:</b> EPF</p>		<p>4,182 people trained; 3,085 jobs created, of which 2,695 regular and 390 temporary</p>
<p>Programmes on employment preparation <sup>1</sup></p>	<p><b>Key activities:</b> Counselling and orientation: review of career, preparation for interviews (Reimbursement of costs for obtaining necessary documents and medical check-up. Maximum of reimbursement cost per person is fixed by Minister of Labour; MNT144.2 million in 2014); Employment training (MNT1.6182 billion spent in 2014); measures to support employers; reimbursement of practical training cost of up to three months per fulltime worker trained through on job training (12 times the minimum wage for each newly created job that qualifies for benefits under the programme. The employee must have worked for more than 12 months; salary support: 1) One year's salary to an employer if the employee reached working age while in the children's welfare campus or was released from a prison and was placed in a full-time job through on-the-job training. The employee must have worked for more than one year; 2) 50 per cent of one year's salary to an employer if the employee reached working age while in the children's welfare campus or was released from prison and placed; MNT1.1491 billion in 2014)</p>		<p>5,695 people benefitted from counselling services; 6,399 from employment training; and 487 employers from the employers' support.</p>
<p>Employment promotion programme for herders (EPP+Herders) <sup>2</sup></p>	<p><b>Qualifying conditions:</b> herder family at least with 2 members aged under 40 years old having 50-150 heads of stock and facilities as fences or barns and grassland. Families also should have their Family development plan (FDP) and Agreement of probationer to the qualified herders</p> <p><b>Key activities:</b> restocking of animals for young herders (MNT5 million, one time per household; 50 per cent of the loan shall be paid back within three years; MNT2.906 billion spent in 2014); financial support to herders-employers (Herder-employer who hire probationer-herders with few animals or those herders who lost their animals because of natural disasters; employers must pay at least for 12 months not less than the national minimum wage and must teach them herding techniques; employers receive up to ten livestock annually, Up to MNT1 million grant, for one time; MNT40 million spent in 2014); training and study tours on herding, fair exhibition (MNT442.4 million spent in 2014); ,</p> <p><b>Management:</b> programme managed in collaboration with the Agriculture Extension Centre at soum levels and soum herders training centres for the training (training centres receive MNT300,000 per beneficiary trained). Funds allocated by aimag government to soums. Fund managed by the aimag employment division. Soum centres identifies good proposals, Employment division selects beneficiaries (criteria: reason for losing animals), then buys livestock from a soum known for having good animals and grant these animals to the beneficiaries.</p>		<p>1,492 young herders; 40 herders-employers; 1,101 herders benefitted from the trainings.</p>
<p>Employment promotion programme for workers over 40 and seniors (EPP-over 40) <sup>2</sup></p>	<p><b>Target group:</b> persons who are having difficulty finding a job aged over 40 and elderly persons</p> <p><b>Scope:</b> training and retraining, counselling job mediation and financial supporting to employers who recruit for work for aged over 40.</p> <p><b>Key activities:</b> Project on planting potato, vegetables and fruits (MNT527.1 million spent in 2014); Projects on group work to protect and rehabilitate the environment and prevent injuries and accidents (A group with 1-3 people, duration 4 months per group, incentive is MNT200,000 per month per group; MNT539.6 million spent in 2014); and Project on regulating traffic crosses around primary and secondary schools (MNT5 million, one time per household; 50 per cent of the loan shall be paid back within three years; MNT2.906 billion spent in 2014).</p>		<p>1,286 people for the plantation programme; 2,097 people for the working injury prevention project; 458 people for road safety around schools.</p>



<p>Support for Small and Medium Enterprises (Preferential Loan Procedures to the SM business)</p> <p>(Law on Government Special Funds (29 June 2009) Art. 5.4.6 and 14; Labour Ministerial Order No. A/44, 2013)<sup>5</sup></p>	<p>Loans to support development and/or improvement of SME (preferably improvement).</p> <p><b>Loan amount and period:</b> up to MNT1.5 billion (with national commission approval), up to MNT200.0 million (capital city commission approval) and up to MNT100.0 million (aimag and district level commission approval) for up to five years.</p> <p><b>Qualifying conditions:</b> to be in line with the aimag or soum economic and social development strategy.</p> <p>Fund managed by the employment division at aimag or soum levels, through bank for delivery and reimbursement of the loan. Interest rate: 7% (leasing 10.5%) per year. Agriculture extension center (soum or district) or employment service center (aimag) provide free-of-charge counselling services to develop the proposal, but it does not exist guidance or training services to successfully implement the project at soum level, (marketing strategy, business plan, etc.).</p> <p><b>Funding:</b> SME fund (at aimag level, but open to soum projects)</p>	<p>67 SMEs benefited, having MNT46.1 billion in 2013</p>
<p>Support for Small and Medium Enterprises (Law on Government Special Funds (29 June 2009); Government resolution No. 134, 2011, Labour Minister's order No. A/69/2012 and A/38/2013)<sup>6</sup></p>	<p>Small and medium enterprises loans; Employment promotion loans; Loans from Soum development.</p> <p>Loans for projects submitted by herders' association, cooperatives. Interest rate: 3%. Managed by soum governor according to bid regulations, no intermediaries to deliver and recover the loan.</p> <p><b>Funding:</b> Soum Development Fund</p>	<p>MOL planning to allocate additional MNT11.0 billion loan for 166 beneficiaries end of year 2013, financed by repayment of SME loan and additional source of the Development bank of Mongolia. Law on Loan Guarantee Fund (LGF) was adopted by the Mongolian Parliament in March, 2012. This fund is a joint institution between the public and private sectors, and will provide collateral for up to 60% on a loan of MNT20 million for small business.</p> <p>440 people small and medium enterprises loans; 5,729 people received employment promotion loans, MNT17.4 billion spent, 12,915 jobs created, of which 10,193 regular and 2,722 temporary jobs; 3,386 people received loans from Soum development, MNT5.8 billion spent.</p>
<p><b>Implementation issues</b></p>		
<p><b>Policy gaps</b></p> <p>1. EPP-Training: Vocational training is lacking for this programme and can reasonably promote it and also, the criteria of enrolment programme that an individual who was seek job over 6 months, should decrease to between 2-3 months".</p> <p>2. Needs of this EPP-Herders was high in the rural area but limited funding and hard constraint criteria may slow down programme implementation.</p> <p>3. Lack of information dissemination on social insurance programme and poor linkage between social security and employment programmes. Herders exempted from most taxation so they may not give weight to social insurance. We should take young herders into consideration those who growing up under this programme.</p> <p>4. MOL should consider how to improve the design of the EPP-Over 40. Vocational training and other trainings intended to change their mind may be effective.</p>	<p>1. All these programmes are still very new (since Jan 2013), so population not aware. Six of the ALMPs have satisfactory implementation (6 month review). However, there is a need to reinforce capacity of labour officers at the local level for the implementation of these new programmes.</p> <p>2. Lack of coordination and overlapping, contradiction. Funds and capacity are lacking to implement effectively the programmes. Especially employment support and employment creation in rural areas, where high level of unemployment and poverty.</p> <p>3. The periods of vocational training curriculums is too short, the trainees cannot gain professional skills that will make him or her competitive in the labour market. The selection process to obtain an authorization for opening a training institutions tend to favour Ulaanbaatar, therefore, leaving behind vocational training supply for seasonal job in the rural area. So, there is a need to create training mechanism/programme that can promote rural cooperatives and seasonal job placement.</p> <p>4. Weak implementation. The main requirements are not realistic. For instance, actually those poor people who needed social assistance are not well targeted for this programme because they do not have real aspiration for employment and mostly have relish to depend on social assistance. Other hand, the employers do not interest working age people those who released from prison, invalids and school drop-out young persons because of those job seekers often get out from other employers, and recorded as truth less jobseeker.</p> <p>5. Five of 23 soums were covered under the EPP-Herders, for a total amount of MNT110.5 million (76% of the targeted spending) reaching 25 herder households. Price of animal stock varies across regions and resulted higher costs than estimated. Herders were an indolent where business incubation service ongoing under programme. Financial grant could effectively contribute to maintain herders in long term agriculture providing good coordination and monitoring of the programme. The expectations on the programme are high among herders, however funding are limited and eligibility criteria hard to meet which slow down the programme's implementation. Herders already benefiting from this programme were reluctant to contribute to the social insurance system. Finally, the programme should give greater attention to young herders.</p> <p>6. Good progress under the EPP-Entrepreneurship, but there is too small funding for new workplace (one workplace-MNT1.0 million) creation rather than competitive capacity valuation in a market. It is risky that the new job place may lose its competitiveness after a certain time because of a dramatic day-on-day increase in the price of goods and services.</p> <p>7. Very weak implementation of the EPP-over 40. Citizens over 40 years old mostly lost their confidence due to long unemployed period, employer's tendency of age discrimination and obsoleted working experiences. Also, most of them having interest to do business by themselves, not to cooperate to same others.</p>	

<p>5. Employers may be discouraged by the difficulty of obtaining the financial grant from the EPP-Employers: Employed individuals must stay with the same employer for 12 months; or must provide new job place for jobseeker who was seeking for over 6 months</p> <p>6. The vocational training scholarship level is lower than the scholarship for University and college students. This may negatively influence active labour market programmes.</p> <p>7. Many small and medium-size business holders cannot obtain a loan from the SME Funds due to lack of guarantee collateral.</p>	<p>8. Good progress of the EPP-Disability. Feedback from people disabilities shows they prefer to start their own business rather than be employed by other companies. Total funds were inadequate and should be increased.</p> <p>9. Good progress of the EPP-PWP. Most people involved with public works complain about deduction for social insurance contribution from their Public Work salary. If Labour division did not take deduction from their salaries then aimag social insurance division would impose a penalty. Lack of information dissemination on social insurance programme and poor linkage between social security and employment programmes.</p> <p>10. Currently, poor implementation of the EPP-Employers as of 23% compared with planned in aimag level due to lack of information on this programme among the employers.</p> <p>Some vocational training centres falsify records or duplicate their student numbers to gain extra funding from the Scholarship grant for VT.</p> <p>11. Issues of the SME Funds: 1) Transparency. Many people say they cannot access SME loans because of unclear procedures and government bureaucracy; 2) Despite LGF's legal status as a non-profit legal entity, its operations started only recently; 3) Herders in the rural area even aimag entrepreneurs still have limited opportunity to take out a loan on easy terms because of the lack of information.</p>
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Recommendations/ Key recommendations	Costing scenarios
<p><b>W21: Introduce SI registration as a condition to benefit from employment promotion programmes.</b></p> <p>WA22: Focus should be given on enhancing counselling and training services rather than offering more financial grants and loans. Careful assessment of the loan and financial grant programmes impact is needed, to ensure that it does not put additional burden on herders' households.</p> <p><b>WA23: Awareness and information campaign about the new EPPs</b></p> <p><b>WA24: Develop young herders-targeted EPP, linking better with vocational training and social insurance registration (most of beneficiaries of the eight EEPs are living in urban areas).</b></p> <p><b>WA25: Reinforce employment promotion services, in particular career (employment) training counselling, vocational training and entrepreneurship counselling, notably for youth (too much focus on delivering loans and financial grants).</b></p> <p>WA26: Develop EPPs focused on more local governments' initiatives or fitting their specific needs.</p> <p>WA27: Create new scheme which could promote growth of the targeted groups (incubation) in via those EEPs civil society organizations can carry out (such as psychological counselling service for disabled persons).</p> <p>WA28: Support and encourage self-employment and entrepreneurships for persons with disabled.</p> <p><b>WA29: Develop a comprehensive programme (vocational training, support to entrepreneurship, among others) for reinsertion of people with disabilities due to working injury and occupational diseased, those receiving the disability pension from social insurance working injury fund</b></p> <p>WA30: Increase current level of VT stipend to minimum wage standard</p> <p>WA31: Improve current information and monitoring system of the SME Fund operation</p> <p>WA32: Provide EPPs and support services at the Soum level</p> <p>WA33: Loans should be included in integrated package with counselling (to run business but also alternative employment opportunities), training and registration to social insurance</p> <p>WA34: Introduce greater flexibility in guarantee rules so loan can be accessed by more applicants, especially among young herders.</p>	<p>WA5_1: Subsidize fully social insurance contribution for beneficiaries of EPP-Preparing, EPP-over 40, EPP-Disability, EPP-PWP, EPP-Herders, EPP-Entrepreneurship (subsidy covered by Social Insurance Fund, during the period of the EPP) (subsidies covered by HDF).</p> <p>WA5_2: Subsidize fully SI contribution for beneficiaries of EPP-Preparing, EPP-over 40, EPP-disability, EPP-PWP; subsidized at 70% voluntary social insurance contribution (pension and short-term benefits) for beneficiaries of EPP-Herders, EPP-Entrepreneurship (subsidy covered by Social Insurance Fund, during the period of the EPP) (subsidies covered by HDF).</p> <p>WA5_3: Subsidize fully SI contribution for beneficiaries of EPP-Preparing, EPP-over 40, EPP-disability, EPP-PWP; subsidized at 50% voluntary social insurance contribution (pension and short-term benefits) for beneficiaries of EPP-Herders, EPP-Entrepreneurship (subsidy covered by Social Insurance Fund, during the period of the EPP) (subsidies covered by HDF)</p> <p>WA6-1: Entrepreneurship support programme (average loan: MNT5 million, re-paid over ten years), CBED training programme (MNT100,000 per head per session), and subsidized SI contribution (12%) at 100% during three years; target population: age 15-24, rural areas.</p> <p>WA6-2: Vocational training programme (MNT200,000 per week; 12 weeks of training), cost living allowance (MNT4,000 per day; 12 weeks) and subsidized social insurance contribution (12%, 12 weeks); target population: age 15-24, rural areas.</p> <p>WA7: Introduce a 2 month up-skilling training programme for unemployed skilled workers of formal economy (beneficiaries of universal insurance, programme financed by social insurance fund).</p> <p>Sc. WA9: Re-skilling training for persons of disability due to working injury and occupational diseases (beneficiaries of disability pension from social insurance working injury fund)</p>

1. Involves the Ministry of Labour, employment service centre and aimag, district employment divisions. Legal framework: Law on Employment Promotion (17 June 2011) Art. 5.2 (i) occupational and vocational orientation, counselling and information; (ii) job mediation; (iii) vocational training and retraining.
2. Involves the Ministry of Labour, employment service centre and aimag, district employment divisions. Legal framework: Law on Employment Promotion (17 June 2011) Art. 5.3 (i) promotion of self-employed as well as citizens willing to run businesses in forms of partnership or cooperatives; (ii) support to employers; (iii) organize public works; Decree No. 01, 2012 of the National Board of Employment promotion 3. Involves the Ministry of Labour, employment service centre and aimag, district employment divisions
3. Involves MOL, MOF 5. Involves MSE Development Fund, Local Employment Division under the MOL, all levels of Loan commissions comprised by multi parts; 6. Involves the Employment Division.
4. Involves the Ministry of Labour, employment service centre and aimag, district employment divisions. Legal framework: Law on Employment Promotion (17 June 2011) Art. 5.3 (i) promotion of self-employed as well as citizens willing to run businesses in forms of partnership or cooperatives; (ii) support to employers; (iii) organize public works; Decree No. 01, 2012 of the National Board of Employment promotion
5. Involves the Ministry of Labour, employment service centre and aimag, district employment divisions. Legal framework: Law on Employment Promotion (17 June 2011) Art. 5.3 (i) promotion of self-employed as well as citizens willing to run businesses in forms of partnership or cooperatives; (ii) support to employers; (iii) public works; Decree No. 01, 2012 of the National Board of Employment promotion. 3. MOL, MOF 4. MSE Development Fund, Local Employment Division under the MOL, all levels of Loan commissions comprised by multi parts;
6. MSE Development Fund, Local Employment Division under the MOL, all levels of Loan commissions comprised by multi parts. 7. Involves the Ministry of Labour, employment service centre and aimag, district employment divisions.
7. MOL, MOF.

## Social Protection Floor Assessment Matrix: Guarantee 4- Old age

Scheme	Overview of existing provisions	Anticipated policy changes/law reforms	Existing coverage
<p>Redemption Pension Insurance Contribution (Law on Redemption of Service years and Pension Insurance contribution (30 September 2012); MPDSP Ministerial Order No. A57, 2012)</p>	<p><b>Target group:</b> Individuals unable to work due to reasons beyond their control or who were unable to find a job between 1990 and 1995 (before DB scheme); and, individuals who have missed social insurance contribution payment between 1995 and 2000 for the same reasons.</p> <p><b>Activity:</b> Redeem for service years between 1990 and 1995 and contribution payment between 1995 and 2000. Registration deadline: 1 Oct. 2013</p> <p>It was one time measure which aimed to preventing future income risks of working age population</p>	<p>496,500 people were registered, 60% or 296,400 bought back or redeemed 5–11 years' service</p>	
<p>Mandatory contributory old age pension (DB)<sup>1</sup> Law on Social Insurance (31 May 1994) Articles 4.2, 4.3 and 4.7; Law on Pension and Benefits provided by the Social Insurance Fund (7 June 1994) Article 4</p>	<p><b>Scope:</b> Article 4.2 (Contracted employment and public officials), Article 4.3 (informal sector and unemployed workers, and herders) born before 1 January 1960; and Article 4.7: All reindeer herders living in taiga shall be insured by the State under the pension and benefit (some say allowance) insurance schemes. For this group the contribution will be fully subsidized and they will be covered under the voluntary scheme (amended on 30 January 2015).</p> <p><b>Contribution:</b> Employer 7% and Employee 7% of pay-roll salary (between minimum wage and ten times the minimum wage) for the Pension fund, paid to the Social Insurance Fund.</p> <p><b>Replacement rate:</b> 45% of the monthly average wage of the best continuing five years' salary and increased by 1.5% of wages for each year additional to 20 years. For example, 60% replacement rate after 30 years. The minimum guarantee, if at least 20 years of contribution is 75% of minimum wage.</p> <p><b>Qualifying conditions:</b> not less than 20 years of contribution for fully old-age pension; minimum: at least from 10 years to 19 years of contribution for partially OA pension.</p> <p><b>Retirement age:</b> 55 for women (if they wish so) and 50 for men (regular labour condition). Both men and women also applicable to early retirement (from old until the age of 6; and 60 for men (regular labour condition)).</p> <p><b>Financing:</b> Social Insurance Pension Fund;</p> <p><b>Benefits:</b> Monthly Average pension benefit was MNT225,600 at the end of 2013. The minimum social insurance old-age pension varied from MNT195,000 for a partial pension to MNT230,000 for a full pension from 1 February 2015.</p>	<p>Active contributors (Pre-1960 cohorts): 52,100 or 5.5% of total insured Number of Pensioners: 232,100 in 2013</p>	
<p>Voluntary contributory old age pension (DB)<sup>1</sup> (Law on Pension and Benefits provided by the Social insurance (7 June 1994) Art. 4)</p>	<p><b>Scope:</b> Art. 4(3). <b>Contribution:</b> 10% of reference salary (between minimum wage and ten times the minimum wage) for Pension fund, paid to the Social Insurance Fund.</p> <p><b>Benefits, Replacement rate, Qualifying conditions and Retirement age:</b> Same as above</p>	<p>Active contributors (Pre-1960 cohort): 6,400 in 2013</p>	
<p>Mandatory old age pension (NDC)<sup>1</sup> (Law on Social Insurance (31 May 1994) Articles 4.2 and 4.3; Law on Individual Pension Insurance Contribution Account (1 July 1999))</p>	<p><b>Scope:</b> Article 4.2 (Contracted employment and public officials), Article 4.3 (informal sector and unemployed workers, and herders) born after 1 January 1960.</p> <p><b>Contribution rate:</b> Same as DB old-age pension scheme.</p> <p><b>Retirement age:</b> Same as DB old age scheme.</p> <p><b>Years of service:</b> 15 years of service and contributions</p> <p><b>Replacement rate:</b> Old age pension is calculated based on years of contributions to the notional account balance, accrued notional returns for each year (average growth in the last three years' average wages), and the average life expectancy after retirement.</p> <p><b>Minimum standard:</b> 20% of the national average wage, plus an additional 0.5% of the average wage for each additional service year beyond the minimum of 15 years.</p>	<p>Active contributors (Post-1960 cohort): 766,815 in 2013 First pensioner will be eligible in 2015</p>	
<p>Voluntary old age pension (NDC)<sup>1</sup> Law on Social Insurance (31 May 1994) Articles 4.2 and 4.3; Law on Individual Pension Insurance Contribution Account (1 July 1999))</p>	<p><b>Multi-tier old-age income protection will be introduced by Government by 2016:</b></p> <p>Pillar 0: Universal Old age pension (non-contributory) in place for current Social welfare Old Age and Disability Pension</p> <p>Pillar 1: Mandatory Pension Insurance Scheme (major NDC Scheme plus DB scheme); and</p> <p>Pillar 2: Voluntary Private Pension Insurance (Additional) Scheme</p> <p>- National Ageing Strategy not yet adopted (upgraded) by the Government will guarantee: (i) health; (ii) social security (income); (iii) housing; (iv) community and social work for older persons who wish to continue working after retirement</p>	<p>Active contributors (Post-1960 cohorts): 1,47,100 in 2013</p>	

State Pension Scheme: Military Pension <sup>2</sup> (Law on Pension and Benefits of Military Service Personnel (13 June 1994), Article 4.1)	<p><b>Scope: Art. 4.1:</b> Members of the Defence Forces, Police, Border Security, Correctional service, Intelligence, and Emergency Services are eligible for military old age pension.</p> <p><b>Eligibility:</b> The system requires 25 years of service for men and 20 years of service for women. There is no legal retirement age.</p> <p><b>Replacement rate:</b> The level of benefit correspond to 80% of the monthly average wage increased by 1.5% of wages for each year additional up to 20–25 years.</p> <p><b>Benefits:</b> The minimum pension is aligned with the minimum social insurance old age pension that varied from MNT195,000 for a partial pension to MNT230,000 for a full pension from 1 February 2015...</p> <p><b>Financing:</b> The military pension fund is financed by the government budget.</p>	Number of Pensioners: 15,600 and MNT72.6 billion spent in 2013
Social welfare pension (old-age and disability) <sup>3</sup> (Law on Social Welfare (19 January 2012), Art. 12.1.1)	<p><b>Target:</b> All men of age 60 and above, all women of age 55 and above; single mothers age 45 or fathers age 50 heading a family of at least four children under age 18..</p> <p><b>Eligibility:</b> The person must have never worked or have less than 10 years of contribution to the mandatory and voluntary social insurance schemes, and therefore be ineligible for a pension under the Social Insurance Pension Fund.</p> <p><b>Benefits:</b> Pension increased from MNT115,000 to MNT126,500 on 1 February 2015.</p> <p><b>Financing:</b> Social Welfare Fund financed by the government budget</p>	1,693 people in 2013
Reimbursements and assistance services for older persons (Law on Social Security of Senior Citizens (2005); Art. 5.1.1–5.1.11)	<p><b>Target:</b> Senior citizens over 55–60 years old.</p> <p><b>Benefit:</b> 11 types of reimbursements and assistance services.</p> <p><b>Budget:</b> MNT14.3 billion spent in 2013.</p>	126,000 people in 2013
Allowance for Mothers with many children Law on Social Welfare (19 January 2012); Art. 13.5.9	<p><b>Target:</b> Mothers, who was honoured first and second rank State medal of “Mother’s Glory”.</p> <p><b>Benefits:</b> 1st rank MNT200,000 and 2nd rank MNT100,000 once in a year.</p> <p><b>Budget:</b> MNT29 billion spent in 2013</p>	202,500 people in 2013
Additional allowance for senior citizens (Law on Supplementary Allowance for Honoured Senior Citizens /HSC/ (2008); Government resolution No. 70, 2012)	<p><b>Target:</b> Senior citizens who rewarded with a medal of Hero of Mongolia, Hero of Labour, holder of People’s and Honoured titles.</p> <p><b>Benefits:</b> MNT150,000–MNT200,000 per month.</p> <p><b>Budget:</b> MNT4.9 billion spent in 2013</p>	4,800 people in 2013
Social Welfare Service: Community Based Service for Older persons <sup>3</sup> (Law on Social Welfare (19 January 2012), Articles 17.1.1., 18.1 and 18.2.1)	<p><b>Target group:</b> Older persons</p> <p><b>Services:</b> Counselling, rehabilitation; temporary accommodation and care; day care service; home based care and service;</p> <p><b>Financing:</b> Local government budget since 2013.</p> <p><b>Funding process:</b> Service costs are estimated by Social welfare unit of aimag, district and capital city on the basis of proposal issued by Livelihood Support Council of respective soum and khoroog and be submitted to the Local Governor Office.</p>	28,300 people in 2014*
Social Welfare Service: Institutional Care Service for Older persons <sup>3</sup> (Law on Social Welfare (19 January 2012), Art. 17.1.2)	<p><b>Target:</b> Single older persons, identified as unable to live independently, with no child to support him or her, or with a child who became incapable of care taking due to disability or old age, and are unable to benefit from Community based welfare services</p> <p><b>Financing:</b> Local government budget since 2013.</p> <p>The Governor of the aimag, district and capital city make a decision to enrol an elder to the care service.</p>	

Policy gaps	Implementation Issues
<p>1. Coverage under the voluntary scheme: Very low coverage, mostly young people, herders and self-employed not interested</p> <p>2. Funding: The DB pension system currently operates on a PAYG basis, however the fund is currently in deficit and projections show that these deficits are likely to grow in the future, even after considering the impact of the 1999 (Individual Pension Account or NDC) reform.</p> <p>3. Indexation: The level of pension benefits adjusted in ad-hoc manner, no indexation</p> <p>4. DB vs. NDC conflict: Problems in the parameters of the DB and NDC schemes leading to a necessary pension reform: (i) workers born post-1960 will have lower retirement benefits than workers born pre 1960; and (ii) early retirement under NDC scheme those born after 1960 is also will be lower than the benefits of those who work to the normal retirement age.</p> <p>5. Level of benefits: inadequate level of pension to be paid under the individual account system, low retirement age that provides low level of benefits, in particular for women.</p> <p>6. Equity: Benefit level is higher under mandatory Social insurance than if the person has contributed at minimum wage, the minimum pension the person will get 75% of minimum wage (minimum pension is 45% of minimum wage).</p> <p>Equality of treatment: Unequal retirement age between men and women.</p> <p>7. The military personnel can easily get 100% of their post earnings is too generous</p>	<p><b>1. Contribution rate:</b> The level of contribution is affordable and minimum wage representative of herders income (minimum wage equal to at least one sheep per year for herders), but low voluntary registration owing to the following:</p> <p><b>2. Coverage:</b> Very low coverage, mostly young people, herders and self-employed workers are not interested, although it includes maternity protection.</p> <p><b>3. Evasion:</b> The average wage reported by the National Statistical Office (NSO) is significantly higher than the average wage declared for those paying mandatory contributions, showing that employers are evading their contribution responsibilities.</p> <p><b>4. Accessibility:</b> Herders hardly visit the soum centre once per month due to remoteness, animal husbandry care and income shortages.</p> <p><b>5. Contribution schedule:</b> The schedule should consider rural populations' income cycle and life style features. Herders' income streams depend on highly seasonal events like cashmere and milk or live animal sales, and their demand for cash is also highly seasonal. Herders only have opportunity to have cash only twice a year which during the spring for cashmere and early December for meat preparation.</p> <p><b>6. Lack of information</b> on procedures, especially among the young people.</p> <p><b>7. Accessibility:</b> Herders hardly visit once a month the soum centre. For those with higher income, contributing at the minimum wage will provide them only a minimum pension. First time application for pension at retirement age at the SI office of the aimag centre. Need to streamline the process and introduce e-files. Cost of bus ticket: around MNT10,000.</p> <p><b>8. Military pension:</b> The military pension (very generous) is managed by the Social Insurance fund, which creates confusion with the other pension funds, need to separate the pension funds and management</p> <p><b>9. Governance:</b> absence of periodical actuarial reviews, low administrative capacity and insufficient infrastructures.</p> <p><b>10. Quality of service:</b> The reimbursement list of social assistance services is need to update. Some prostheses and orthopaedics facilities and other goods and services are not included in that list.</p> <p><b>11. Targeting criteria:</b> Fuel compensation (coal and firewood) supply procedure is insufficient for elderly people over age 80.</p>
<p><b>Recommendations</b></p> <p><b>E1: Provide an adequate pension protection to herders and other self-employed individuals by encouraging contribution to the SI scheme. The contributions should be subsidized by the Government for those contributing to the voluntary scheme as an incentive to increase coverage.</b></p> <p><b>E2: introduce a three pillars pension system: Pillar 1: Universal minimum pension; Pillar 2: Contributory SI pension (voluntary and mandatory); Pillar 3: Complementary individual saving accounts.</b></p> <p><b>E3: Revise the social insurance pension parameters to adjust retirement age between men and women, DB pension calculation, and the inconsistency between the benefit formula of contributed NDC old-age pension and that of NDC survivors and disability pension.</b></p> <p><b>E4: introduce new scheme of supplemental benefits for insured born after 1960 in case of early retirement provisions.</b></p> <p><b>E5: index (both social insurance and social welfare) pension benefit amount to the CPI every year, not ad hoc manner.</b></p> <p><b>E6: Increase minimum pension level but at a reasonable level so it does not create disincentives to contribute to the social insurance scheme</b></p> <p><b>E7: Offer older people an integrated package of protection, covering health, income security, housing and so on.</b></p> <p><b>E8: Provide a comprehensive benefits package for poor elderly (age and means targeted): housing benefits, fuel allowance, increased health care package (see recommendation H17), and the minimum pension provide by the new old-age pension system.</b></p> <p><b>E9: Develop a long term care and support system for elderly (that might have a positive impact on youth employment creation): nursing houses and programmes promoting the participation of older people in social work (e.g. child care) and short term assignment (e.g. doctors, herders' know how).</b></p> <p><b>E10: Open option to pay the voluntary social insurance contribution twice a year to follow seasonality of herders' income (or to allow more flexibility, pay once a year); provide more flexibility in paying back unpaid contributions (applies also to Social Insurance Pension Fund and SHI contributions. Linked to recommendation H4)</b></p> <p><b>E11:</b> Create incentive mechanism for stable social insurance contributions by herders and self-employed. For example, if herder continuously paid for five years of contribution, then sixth year contribution may be lifted.</p>	<p><b>Implementation issues</b></p> <p><b>E2_1:</b> Introduce a basic pension at MNT150,000 (rural poverty line-RPL) for 60 (men)/55 (women) not covered by the social insurance pension (voluntary and mandatory) and subsidize voluntary contribution at 50%.</p> <p><b>E2_2:</b> Introduce a basic pension at MNT150,000 (poverty line) for all those over 55 not covered by the social insurance pension (voluntary and mandatory) and subsidize voluntary contribution at 50%.</p> <p><b>E2_3:</b> Introduce a basic pension at MNT115,000 (current social welfare pension) for every person above age 60 (men)/55 (women) not covered by the mandatory social insurance pension and subsidize voluntary contribution at 70%.</p> <p><b>E2_4:</b> Introduce a basic pension at MNT115,000 (current social welfare pension) for all those over age 55 and subsidize voluntary contribution at 70%.</p> <p><b>E2_5:</b> Introduce a basic pension at MNT111,600 (poverty line-20% of minimum wage) for all those over age 55 and subsidize voluntary contribution at 80%.</p>
<p>1. Involves MPDSP, SIGO, Development partners (ILO, WB, ADB).</p> <p>2. Involves SIGO, MPDSP, MOF. 3. Involves GOSWS, MPDSP.</p> <p>3. Involves GOSWS, MPDSP.</p>	

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Legal info, a resource for Mongolian law: <http://www.legalinfo.mn>



Many governments and the United Nations (UN) have recognized that improving social protection is an effective way for a country to reduce poverty and promote social and economic development, and have called for at least the establishment of social protection floors.

A social protection floor aims to provide a universal minimum level of social benefits and services, guaranteeing – at least – access to essential health-care services; education, care and nutrition for children; and income security for those of working age, and older people. The social protection floor framework also provides an opportunity for all UN agencies, development partners and international financial institutions to work together to extend social protection and improve the delivery of social benefits and services.

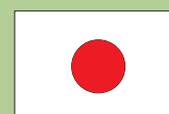
Many countries in the Asia Pacific region, including Afghanistan, Cambodia, India, Indonesia, Myanmar, Pakistan, Philippines, Solomon Islands, Thailand, Vanuatu and Viet Nam, have adopted the social protection floor concept when designing their national social protection policies and strategies.

Between June 2013 and January 2015, Mongolia conducted an assessment based national dialogue on social protection, with the support of the United Nations Country Team. This exercise aimed to set common priorities that can define and help estimate the cost of a social protection floor in Mongolia. Those results are shared in this report.

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