THE CASE OF MONGOLIA

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CONTENT

- The current social protection system
- Developing a policy to close the gaps
- Costing of the policy
- Development of a financing strategy
- Conclusions

- Main objective is to look at the challenges of the SDGs considering the specific circumstances of Mongolia

1. Current social protection system

- Mongolia has made huge progress in the last 25 years: threefold increase in GDP in real terms, child mortality rate 1 fifth of that observed in 1990

- In the last 5 years poverty declined from 38.8% in 2010 to 21.6 in 2014

- As suggested in the general approach, to support the SDGs social protection agenda we look at four aspects:
  - Social transfers: insurance and social assistance;
  - Health;
  - Education;
  - and other essential services

Expenditure for social insurance and social assistance (% of GDP)
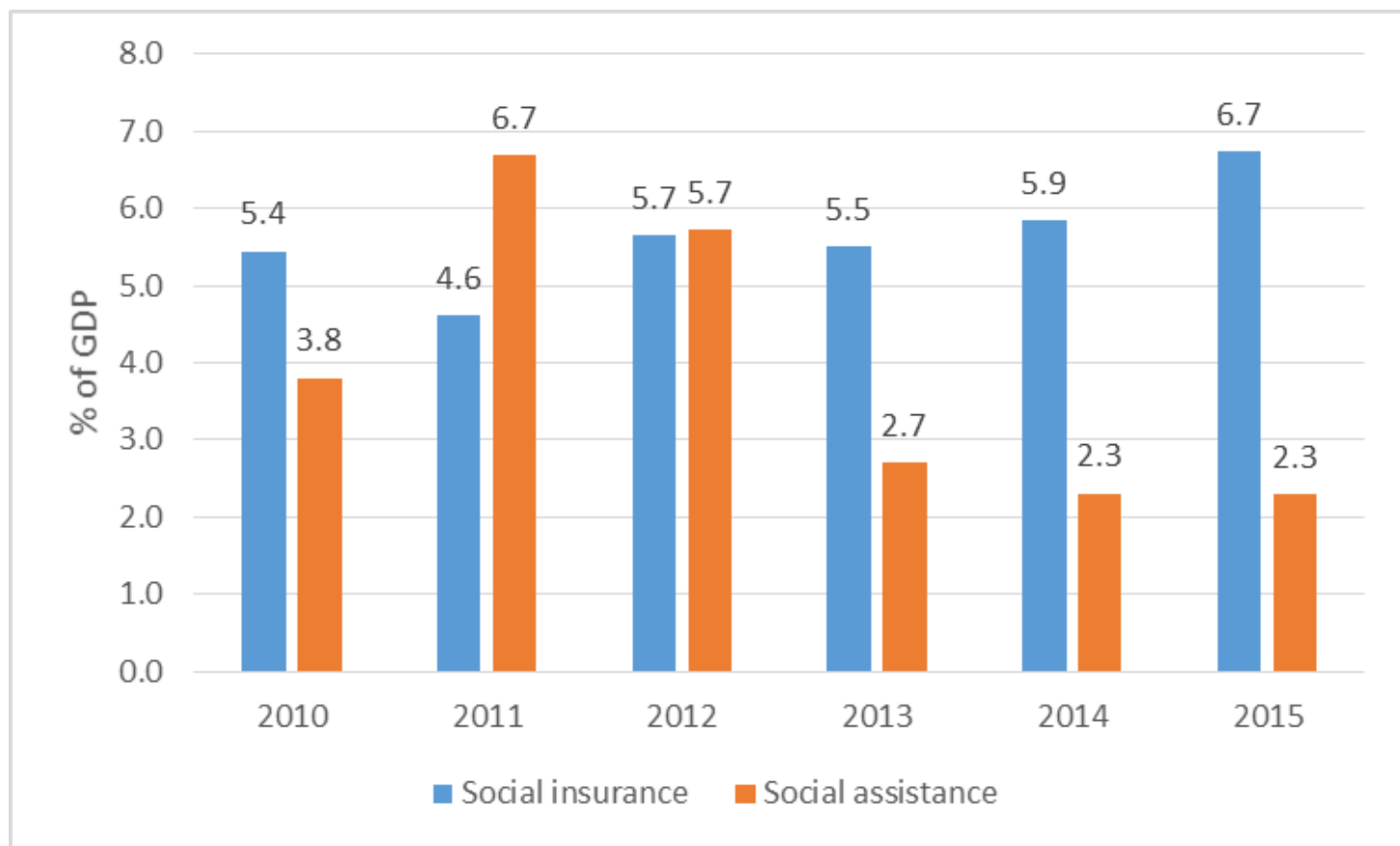
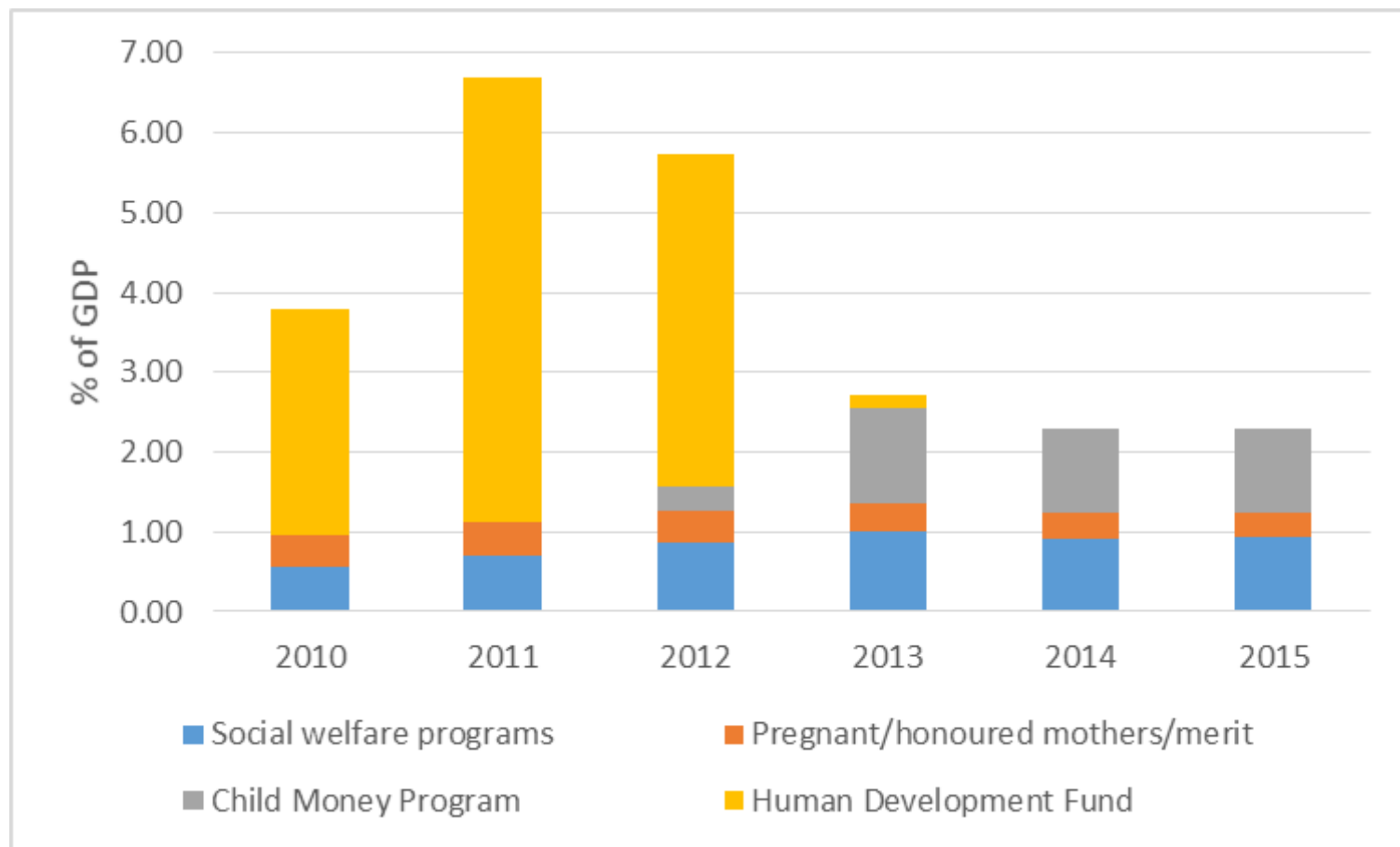# Disaggregated expenditure for social insurance
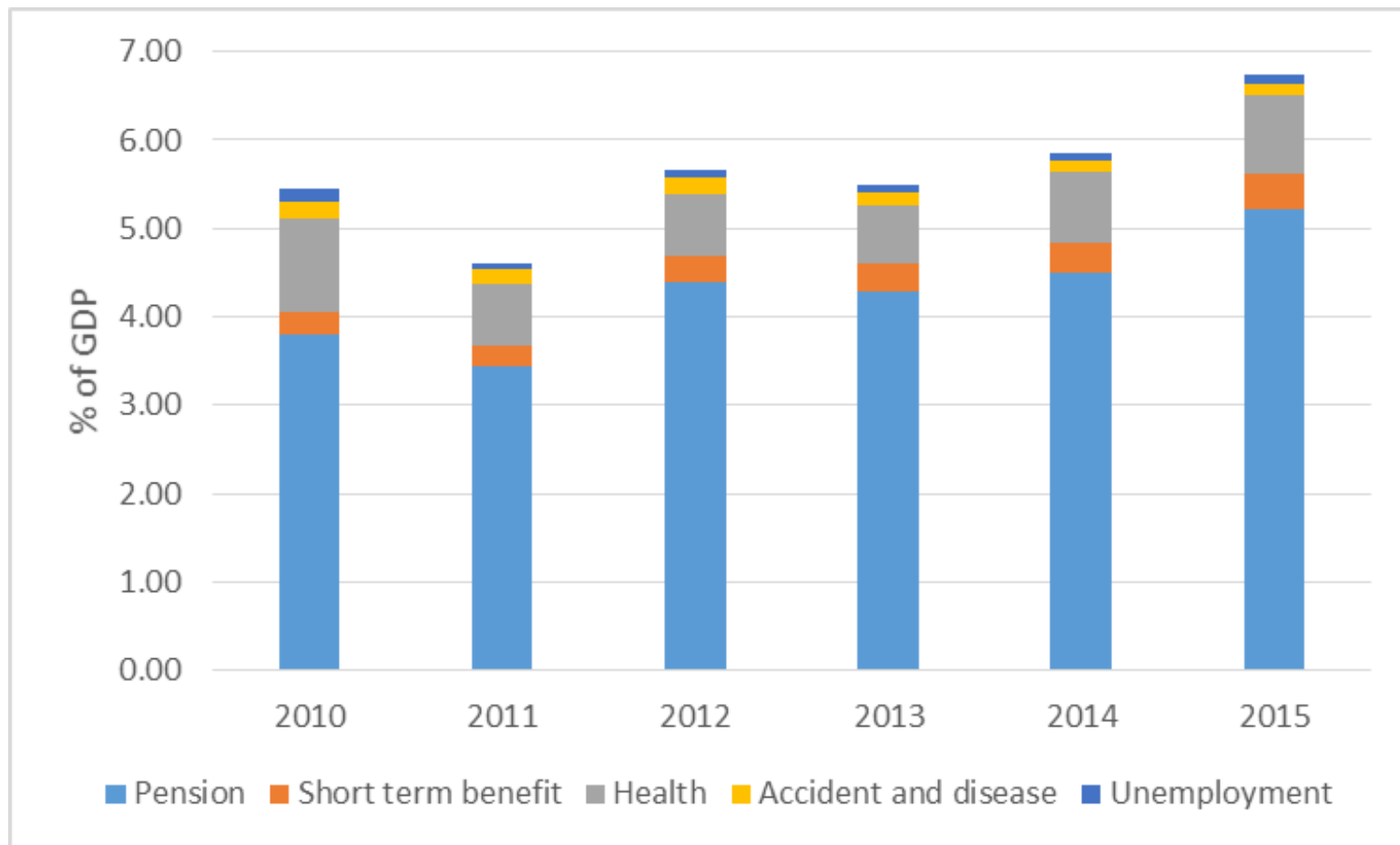
Disaggregated expenditure for social assistance

Health

- Basic universal services guaranteed to all: pregnancy and delivery care, routine immunization, primary health care, TB treatment

- Health insurance package: in-patient and out-patient care services, diagnostic tests, prescription drugs, rehabilitation services

- Relatively good health indicators (MMR 44, U5MR 22, IMR 19, high immunization coverage), but
  - High out of pocket expenditure (41.6%), largely medicines
  - Challenges in health insurance coverage in certain pop. subgroups
  - Need to increase standards of quality of services provided

Education

- High levels of enrolment, especially for primary and secondary education

- Challenges exist for pre-primary school, especially in Ulaanbaatar and countryside and for children with disabilities

- Little is known about quality of education (no standardized school tests), but indirect proxies from pupil-teacher ratios are not re-assuring, especially in primary school (27.2)

Other services
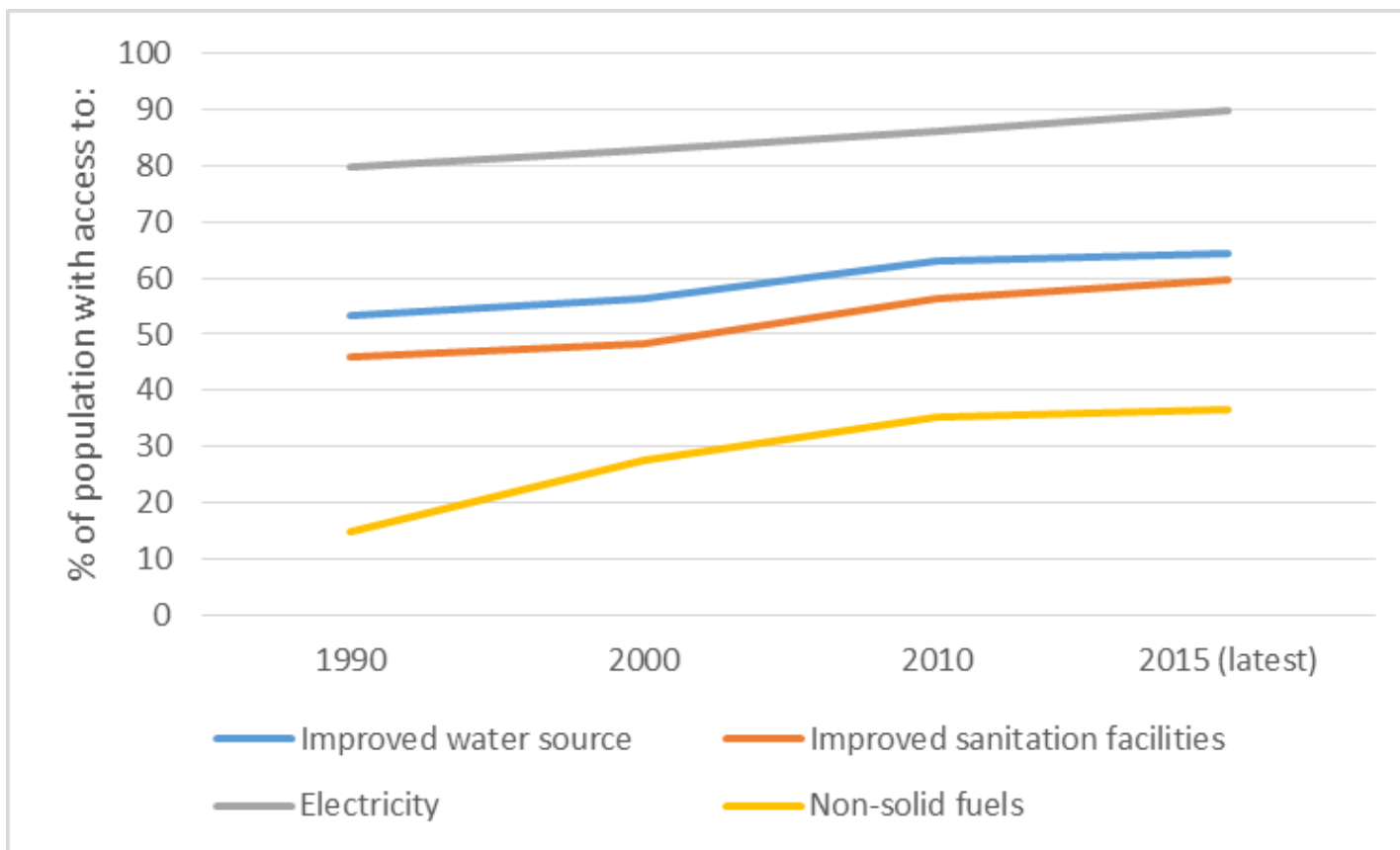
2. Policy to close the gaps

- Social transfers:
  - Mongolia has already in place a universal benefit system for certain groups (children and elderly), a tailored approach is needed to address residual poverty
  - New social protection transfers for the poor and vulnerable groups using already existing mechanisms
  - Increase benefit for caregivers of CWD and PWD
  - Pension reform: further improve coverage, equate women's pension age to that of men and gradually increase pension age
  - Need of indexing transfers to maintain purchasing power
- Health: increased government subsidized contributions in health insurance for vulnerable groups:
  - Contributions expressed as a % of minimum wage: increase more than 5 times for certain groups
  - Expand package
  - New efforts for enforcement and M&E
- Education: reduce 'school-shifts', increase teacher to pupil ratios
- Other: required interventions in water access, sanitation, heating, and housing

3. Costing the strategy

- Cost of 'eradicating poverty' with transfers provided to the percentage of people in poverty in 2030:
    - Poverty is projected to be just below 10% (poverty line increases with GDP per capita, reduction comes from employment in formal sector)
    - We assume that the income distribution is similar to that observed in 2014 household survey => set of transfers to eradicate poverty for the poorest 10%
    - 1.62% of GDP (conservative estimates based on imprecise proxy means test by allowing a coverage of the population higher than the one we really want to reach)
- Increased caregiver allowances: 0.54% of GDP
- Health extra cost: 0.28-0.6% of GDP
- Education cost: 2.2% of GDP (methodology used in chapter 1)
- Other services: 1% of GDP (increased set of cost drivers)

4. Financing strategy

- Last 10 years, very volatile economy: 90% of exports are minerals and 90% of these go to China
- Large FDI, one mine alone brought investment worth 50% of GDP
- Prospects are good, mineral wealth is 80 times the GDP, room to support SDGs expenditure needs

4. Financing strategy

- Three main strategies are required:
- Creation of stabilization fund from mining revenues (need of medium to long term financial planning frameworks)
- Some expenditure consolidation and more fiscal discipline
- Improving revenue collection (VAT, corporate and personal income tax, housing tax in urban areas)

5. Conclusions

- Since independence Mongolia made considerable progress in poverty reduction
- However meeting the social protection SDGs would require extra efforts
  - Pension reform, social transfers to address residual poverty, indexation of benefits
  - Improved health insurance package, interventions in education and other essential services
- We estimated Mongolia would need to spend an extra 6% of GDP
- Mining resources can be the answer to the financing needs, but this requires proper management of a mining revenues stabilization fund