



# MONGOLIA



## **PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA)**

Performance Assessment Report 2021

October 2021

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PROJECT



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## Public Expenditure and Financial Accountability (PEFA)

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July 2021

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the **'PEFA CHECK.'**

PEFA Secretariat  
July 20, 2021

# ASSESSMENT MANAGEMENT AND QUALITY ASSURANCE

## Oversight and management

This assessment was undertaken jointly by the Government of Mongolia (GoM), World Bank staff, and consultants hired by the World Bank. The Ministry of Finance (MoF) of Mongolia played the lead role on the Government's side, while the World Bank coordinated the assessment on behalf of development partners. Development partners have reviewed the draft PEFA assessment and provided feedback on the quality of the review process as well as on the overall narrative.

The core of the assessment oversight team included representatives of the World Bank, who were responsible for undertaking the PEFA assessment and its quality assurance. The oversight team of the GoM was chaired by Mr. J. Ganbat, Director-General, Fiscal Policy and Planning Department of the MoF, who worked closely with the World Bank assessment team.

The MoF coordinated the data collection on the government's side, advised the World Bank on key counterparts for the individual indicators, and facilitated the arrangement of meetings between the World Bank and government counterparts. In addition, the MoF facilitated the provision of data by other government institutions involved in the assessment and coordinated the reviews of the Concept Note and draft assessment report by the government members of the Oversight Team (the compositions of the oversight team and the assessment team are provided in Table 1 and Table 2, respectively).

The PEFA Secretariat provided training to GoM officials in December 2020 prior to the commencement of the assessment.

This PEFA was delivered and funded within the context of the World Bank's Strengthening Governance in Mongolia Project (P166443) financed by the European Union Trust Fund.



Table 1. Oversight team

Name, position, and organization	Role
Mr. J. Ganbat, Director-General, Fiscal Policy and Planning Department, MoF	Chairman
Ms. G. Zolboo, Head of the Budget Consolidation Division, FPPD, MoF	Team Member (credibility of the budget; comprehensiveness and transparency; and policy-based budgeting)
Mr. M. Sanjaadorj, Head of the Budget Expenditure Division, FPPD, MoF	Team Member (credibility of the budget; policy-based budgeting, predictability and control in budget execution)
Mr. B. Telmuun, Head of the Budget Revenue Division, FPPD, MoF	Team Member (credibility of the budget; predictability and control in budget execution)
Mr. J. Ganbayar, Macroeconomic Policy Division of the Economic Policy Department, MoF	Team Member (credibility of the budget; predictability and control in budget execution)
Mr. M. Batkhuyag, Director-General, Treasury Department, MoF	Team Member (predictability and control in budget execution; and accounting and reporting)
Mr. G. Tuvdendorj, Director-General, Public Investment Department, MoF	Team Member (management of assets and liabilities)
Mr. B. Sukh-Ochir, Head of the Debt Management Division, Financial Policy Department, MoF	Team Member (management of assets and liabilities)
Mr. Ts. Batzul, Head of the Procurement Policy Division, Legal Policy Department, MoF	Team Member (predictability and control in budget execution)
Ms. D. Degd, Head of the Internal Audit and M&E Division, Financial Control and Risk Management Department, MoF	Team Member (predictability and control in budget execution)
Mr. I. Batkhuu, Director-General, Development Financing Department, MoF	Team Member (donor practices)
Ms. B. Bolormaa, Senior Specialist, Accounting Policy Department, MoF	Team Member (accounting and reporting)

**Table 2. Assessment team**

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Oleksii Balabushki, Senior Public Sector Specialist, World Bank	Team Member and Assessor
Naranzul Ganzorig, Consultant, World Bank	Team Member
Khaliun Myanganbayar, Consultant, World Bank	Team Member

## Methodology

### ***Type of assessment***

The assessment was conducted based on a modified version of the “agile” approach<sup>1</sup> to applying the 2016 PEFA framework (described in detail in the Introduction). The “agile” approach was applied in terms of the conduct of the assessment and the format of reporting; however, because of COVID-19 restrictions on travel and need for remote engagement, the timeframes applied to the process and associated engagement have been more akin to a traditional PEFA.

Because of COVID-19, the assessment was partially undertaken remotely, utilizing a combination of in-country World Bank staff and also World Bank staff and consultants who engaged remotely. To facilitate the remote aspects of the assessment, two local consultants worked alongside the World Bank country office staff to coordinate the collection of evidence and facilitate engagement.

### ***Scope and coverage***

The assessment was conducted using the 2016 PEFA framework, applying the “agile” approach. It includes all indicators and dimensions of the 2016 framework. The 2016 framework and Volume II PEFA Assessment Field Guide 2nd edition were used together with guidance regarding the “agile” approach and other guidance material from the PEFA website.

<sup>1</sup> An *Agile* PEFA includes a revised timeframe for PEFA assessments, a simplified Concept Note, a revised data collection template (and collation of key data prior to the field work), and a simplified, evidence-based, PEFA report template. It does not involve changes to the current PEFA 2016 framework, methodology, indicators, calibration, and scoring but rather streamlines planning and preparation, data collection, report writing, and approval.





This is the second PEFA conducted for Mongolia, which has enabled a comparison between current practice against the situation in 2015 - the timing of the first PEFA (see Annex 7).

This assessment focuses on the Central Government, with PI-7 addressing intergovernmental financing.

Gender Responsive Public Financial Management and other supplementary modules of the PEFA framework have not been applied at this time but are contemplated as future activities to complement this assessment.

### **Timelines**

In-country field work	December 22, 2020 - June 30, 2021
Country fiscal year	January 1 - December 31
Last three fiscal years covered	2018, 2019, and 2020
Latest budget submitted to Legislature	2021
Time of assessment (planned cut-off)	May 31, 2021

While the Concept Note envisaged 2019 being the most recently completed fiscal year for which data would be available, the assessment team was able to obtain reliable 2020 data sets and thus, in the interests of having the most recently available evidence, adopted 2020 as the most recently completed fiscal year.

### **Sources of information**

The key sources of data for this assessment are the budget and associated documents, budget execution reports, annual reports of government entities, data obtained from the Government Financial Management Information System (GFMIS) and associated reporting modules, annual financial statements, and the Glass Account Portal.

A consolidated list of documents used for this assessment, including by indicator, is presented in Annex 3. The names of all persons interviewed are listed in Annex 4.

**Exchange rate** (effective as of June 30, 2021)

Currency unit = Mongolian National Tugrik

USD 1 = MNT 2,849

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## Frequently Used Abbreviations and Acronyms

BCG	Budgetary Central Government
CSC	Civil Service Council
CSO	Civil Society Organization
COFOG	Classification of Functions of Government
DBM	Development Bank of Mongolia
DMD	Debt Management Division
FPPD	Fiscal Policy and Planning Department
FSC	Fiscal Stability Council
FSL	Fiscal Stability Law
FY	Fiscal Year
GAL	Glass Account Law
GAP	Glass Account Portal
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GFMIS	Government Financial Management Information System
IBL	Integrated Budget Law of Mongolia
IPSAS	International Public Sector Accounting Standards
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IT	Information Technology
KPI	Key Performance Indicator
MNAO	Mongolian National Audit Office
MNT	Mongolian National Tugrik
MoF	Ministry of Finance
MTA	Mongolian Tax Authority
MTFF	Medium-Term Fiscal Framework
NDA	National Development Agency
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PID	Public Investment Department
PPLM	Public Procurement Law of Mongolia
PPP	Public-Private Partnership
SAI	Supreme Audit Institution
SGK	State Great Khural
SNG	Subnational Government
SOE	State-Owned Enterprise
TSA	Treasury Single Account
VAT	Value Added Tax

1



# INTRODUCTION

# 1. INTRODUCTION

Mongolia is a resource-rich country that has tripled its per capita gross domestic product (GDP) since 1991. Prior to the COVID-19 global health crisis, was recovering from a recent economic downturn, aided by meaningful fiscal management reforms.

The country's economic performance has been volatile from 2011, when the economy grew by 17.3 percent, with periods of growth and contraction in GDP. In 2016, the country's GDP expanded only by 1 percent, but then accelerated in subsequent years to 6 percent on average in 2017-19. During this period, the fiscal balance was in surplus in two of the three years, while the public debt to-GDP ratio also declined for three consecutive years, and more than 2.5 percent of GDP were annually being transferred to the Stabilization and Future Heritage Funds. The outbreak of COVID-19 and its consequences on the demand for commodities and capital flows have resulted in a contraction that aggravates existing macroeconomic vulnerabilities.

The country's fiscal position in 2020 deteriorated substantially triggered by the combination of rising spending demands (health care costs and fiscal measures set in place by the government to counteract the economic downturn caused by COVID-19) and revenue shortfalls following the economic contraction.

The objective of this PEFA assessment<sup>2</sup> is to provide the Government of Mongolia (GoM) and its development partners with an objective, up-to-date diagnostic of the national-level public financial management (PFM) performance based on the latest PEFA methodology. The 2021 PEFA assessment is intended to provide an update of progress in PFM reforms since the last PEFA in 2015, and to establish a new PEFA baseline using the 2016 PEFA methodology.

More specifically, this PEFA assessment (i) provides a clear and updated picture of Mongolia's public finance systems and (ii) measures PFM systems, processes, and institutions that contribute to the achievement of desirable budget outcomes, aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery. The PEFA assessment will (i) inform the government on areas of PFM strengths and weaknesses; (ii) facilitate and update the dialogue on the PFM action plan between the Government and development partners; (iii) support monitoring and evaluation of the Government's PFM reform action plan by providing an updated performance baseline and relevant performance measures, and (iv) help development partners build budget support programs.

<sup>2</sup> PEFA is a methodology for assessing public financial management performance (PFM). The PEFA Performance Measurement Framework is an integrated monitoring system that allows measurement of PFM performance over a specific time period. The Performance Measurement Framework covers 31 performance indicators (PIs), with 94 dimensions. The PEFA framework applies a scoring system to the PIs (and to each of their dimensions) on a scale from A to D (high to low) using methodologies, guidance, and practical tools prescribed or issued by the PEFA Secretariat and available at the PEFA Secretariat website: [www.pefa.org](http://www.pefa.org). In the PEFA methodology the indicator scores with multiple dimensions are combined into an overall indicator score using either the Weakest Link (M1) method or the Averaging (M2) method. The PEFA methodological framework specifies which method is to be used for each indicator. Under the M1 method, the aggregate score for the indicator is the lowest score given for any dimension, and where any of the other dimensions score higher, a "+" is added to the indicator score. The M2 method is based on an approximate average of the scores for the individual dimensions of an indicator, as specified in a conversion table provided by the methodology. When there is no information available, it is calibrated as a "D" with an "\*" to show there was not sufficient evidence to score the dimension.



**Economic context****Table 1.1 Selected key economic indicators**

	FY 2020	FY 2019	FY 2018	FY 2017
GDP (billion USD)	13.3	14.0	13.1	11.4
GDP per capita (USD)	4,048	4,353	4,135	3,647
Real GDP growth (%)	-5.4%	5%	7%	5.4%
Consumer Price Index (annual average change) (%)	3.7%	7.3%	6.8%	4.3%
External terms of trade (annual % change)	7.5%	4.5%	13%	30.5%
Current account balance (% of GDP)	-5%	-15.4%	-16.8%	-10.1%
Total external debt (% of GDP)	244%	219%	219%	242%
Gross official reserves (million USD)	4,526.4	4,341.1	3,542.1	3,008.2

Data source: National Statistics Office website: <https://www.1212.mn/>.

**Fiscal trends**

Mongolia has faced fiscal challenges arising from some periods of weaknesses in fiscal discipline and PFM. Prior to recent efforts to enhance fiscal discipline, fiscal policy had been significantly loose, forcing the government to implement important adjustments in expenditure, a stronger focus on revenue mobilization, and integration of off-budget expenditures into the budget.

Moreover, during the last few years, the government has faced a challenging fiscal environment (even more so during the outbreak of COVID-19) and its fiscal policy has not been completely in line with deficit targets included in the Fiscal Stability Law (FSL). As a result, Mongolia has experienced large fluctuations in the consolidated overall budget position, ranging from a deficit of 8.5 percent of GDP in 2015 and 17 percent in 2016 to a surplus of 1.5% in 2018 prior to a return to deficit in 2020 concurrent with the COVID-19 global health crisis.

The establishment of a Medium-Term Fiscal Framework (MTFF) has embedded a set of fiscal targets; however, the government has not always been able to follow them given recurrent challenges. Even before the COVID-19 crisis, Mongolia's expenditure level had grown faster than the average of its peers over the last decade, with primary expenditure and net lending reaching 35.5 percent of GDP in 2016, before declining to 25.5 percent in 2018 and then increasing to 28 percent in 2019. After a sharp drop in revenue following declines in commodity prices leading into 2016, revenue increased from 21 percent of GDP (2017) to 24.4 percent in 2019.

The International Monetary Fund (IMF) program that started in 2017, jointly with a coalition of other donors comprising the Asian Development Bank (ADB), China, Japan, the Republic of Korea, and the World Bank Group (WBG), helped address these fiscal challenges under the country's Economic Recovery Program (ERP). This support from development partners aimed to ensure the country's fiscal stability and contribute to promoting a renewed focus on broader public sector management issues, including a rational approach to public investments. Aggregate capital investment expenditure in Mongolia is comparable with peers but its quality has room for improvement. According to the public investment output index, developed by the IMF, Mongolia scored lower than peer countries with comparable per

capita capital stock. Capital spending is also cyclical and presents a high level of volatility, which in the context of a portfolio that still requires rationalization, results in large inefficiencies caused by project delays and cancellations.

**Table 1.2 Key fiscal indicators**

Element (million MNT)	2017	2018	2019	2020
Total revenue	5,857,086	7,656,054	9,112,417	7,809,355
• Own revenue	5,173,683	6,828,374	7,977,601	980,329
• Grants	683,403	827,680	1,134,817	6,829,026
Total expenditure	7,139,638	7,181,903	9,295,080	10,735,611
• Noninterest expenditure	5,983,173	6,135,483	8,040,648	9,802,791
• Interest expenditure	1,156,465	1,046,420	860,981	932,820
Aggregate balance (incl. grants)	-1,282,552	474,151	-182,663	-2,926,256
Primary balance	-126,087	1,520,571	1,071,769	-1,993,436
Net financing	-126,087	1,520,571	1,071,769	-1,993,436

Data source: Budget execution reports 2017-2020, MoF.

Element (% GDP)	2017	2018	2019	2020
Total revenue	21.0%	23.6%	24.4%	21.1%
• Own revenue	18.6%	21.1%	21.4%	2.7%
• Grants	2.5%	2.6%	3.0%	18.5%
Total expenditure	25.6%	22.2%	24.9%	29.0%
• Noninterest expenditure	21.5%	18.9%	21.6%	26.5%
• Interest expenditure	4.1%	3.2%	2.3%	2.5%
Aggregate balance (incl. grants)	-4.6%	1.5%	-0.5%	-7.9%
Primary balance	-0.5%	4.7%	2.9%	-5.4%
Net financing	-0.5%	4.7%	2.9%	-5.4%

Data source: Budget execution reports 2017-2020, MoF; National Statistics Office.

## PFM Institutions

Mongolia is a sovereign state with a constitutional democracy. In relation to the governance of public financial management in Mongolia, the key institutions include the following.

The **State Great Khural** (SGK) is a unicameral Parliament established by the constitution. There are 76 seats in Parliament, which are filled by elections throughout Mongolia's 21 provinces and the national capital. The governor of each province is appointed by the Prime Minister. The Parliament is responsible for approving all legislative acts and laws, including the MTF, the medium-term and annual strategic plans, the annual budget, audited budget execution reports, tax laws, and for overseeing spending and results from public funds. The Parliament also has an authority to amend the proposed draft annual budget law and endorse any tax rate-related changes.



The **President** is the directly elected head of state, while the Prime Minister is the head of the government. The latter is proposed by the majority party in the SGK and appointed by the Parliament upon consultation with the President. Presidential elections are to be held every six years, as per the latest amendments to the Constitution, and the candidates are nominated by those with seats in the SGK. The President may veto legislation, but this veto may be overridden by a two-thirds vote of the SGK. The government is formed by the Prime Minister in consultation with the President and with the approval of the SGK.

The **Ministry of Finance** (MoF) is the main central government agency in charge of formulating fiscal policy; preparing, implementing, and reporting on the annual budget; and ensuring timely financing of public funds and the revenue-generation process. The Fiscal Policy and Planning Department (FPPD) is responsible for drafting the annual budget, preparing the MTF, and implementing the annual budget law; the Department of Financial Policy and its Debt Management Division are in charge of management and reporting on the state debt. In terms of fiscal revenue, the MoF is the institution that proposes any changes in tax rates, exemptions, and tax holidays on behalf of the government. Tax revenue is collected through two main MoF departments - the General Department of Taxation and the General Department of Customs. Through its Treasury Department, the MoF handles expenditure transactions for the other central government line ministries, agencies, local governments, and special government funds (such as Social Insurance Fund and the Human Development Fund).

The **General Department of Taxation** is the major arm of the MoF for collecting tax revenues. Through its local offices located in each administrative district, this general executing agency collects tax payments to the department's account, which is swept into the Treasury Single Account (TSA) daily.

The **General Customs Office** is the government executing agency for collecting customs tax and duties on exports and imports. The department directly reports to the MoF.

The **Mongolian National Audit Office** (MNAO) is the supreme audit institution that conducts audits for public financial operations, including annual budget, government financial statements, and effectiveness and efficiency in the use of public funds for the various stated purposes. According to the 2016 Integrated Budget Law of Mongolia (IBL), the annual government financial statements must be audited and the audited statements presented to Parliament.

The **National Development Agency** is a government regulatory agency primarily responsible for coordinating development policies and prioritizing development projects. This agency directly reports to the Prime Minister's Office and oversees coordinating development and investment policies across ministries, including formulating regional development policy as well as Public-Private Partnership (PPP) policies.

A **Fiscal Stability Council** (FSC), established in December 2017 under the Budget Standing Committee of the Parliament, is mandated to provide independent advice to the Parliament on modelling of key fiscal variables and other relevant aspects of fiscal policy setting.

## PFM legal framework

The Integrated Budget Law is the primary legislation governing public financial management in Mongolia. The main objectives of the IBL are to (i) strengthen the medium-term fiscal framework (MTFF) and ensure fiscal stability; (ii) improve the comprehensiveness of the budget; (iii) strengthen the public investment planning and capital budgeting process; (iv) ensure efficient financial management; (v) significantly increase the authority and financial resources of local governments; and (vi) strengthen accountability through establishment of an internal audit function and participatory budgeting.

The IBL complements the Fiscal Stability Law 2010 (FSL), which introduced fiscal rules, including mandated limits on expenditure growth and deficit that are linked to mineral prices as well as a debt-to-GDP ceiling of 60 percent (per amendments in 2015 and 2016).

A suite of new tax laws was enacted in 2019, within the framework of the General Tax Law (2008), including revised laws on Corporate Income Tax and Personal Income Tax.

The Public Procurement Law of Mongolia 2013 (PPLM), with latest amendments made in 2020, established the Government Procurement Agency responsible for large procurements and created a role for civil society organizations (CSOs) in monitoring procurement activities.

External audit functions are governed by the Law on State Audit enacted in 2003 and amended in 2020.

The Glass Accounts Law 2014 (GAL) requires all public agencies to publish data on a common publicly accessible Glass Account Portal (GAP). Amendments to the GAL are currently under consideration while the GAP is being improved.



2

# SUMMARY OF FINDINGS



## 2. SUMMARY OF FINDINGS

### 2.1 PFM strengths and weaknesses

Mongolia has achieved better than basic levels of performance in most aspects of public financial management. The budget process is evolving to enable the government to better respond to the fiscal risks associated with volatility in commodity markets through, for example, enhanced top-down fiscal strategy setting. This is reflected in budget outturn data which, prior to the COVID-19 pandemic, were close to original budget estimates. Enhancing this capability will in future be facilitated by planned improvement in medium-term-performance-oriented approaches to budgeting, enhanced revenue forecasting (which at this time does not accurately project the composition of receipts), and full integration of capital and recurrent budgeting processes (which are identified as weaknesses in this report).

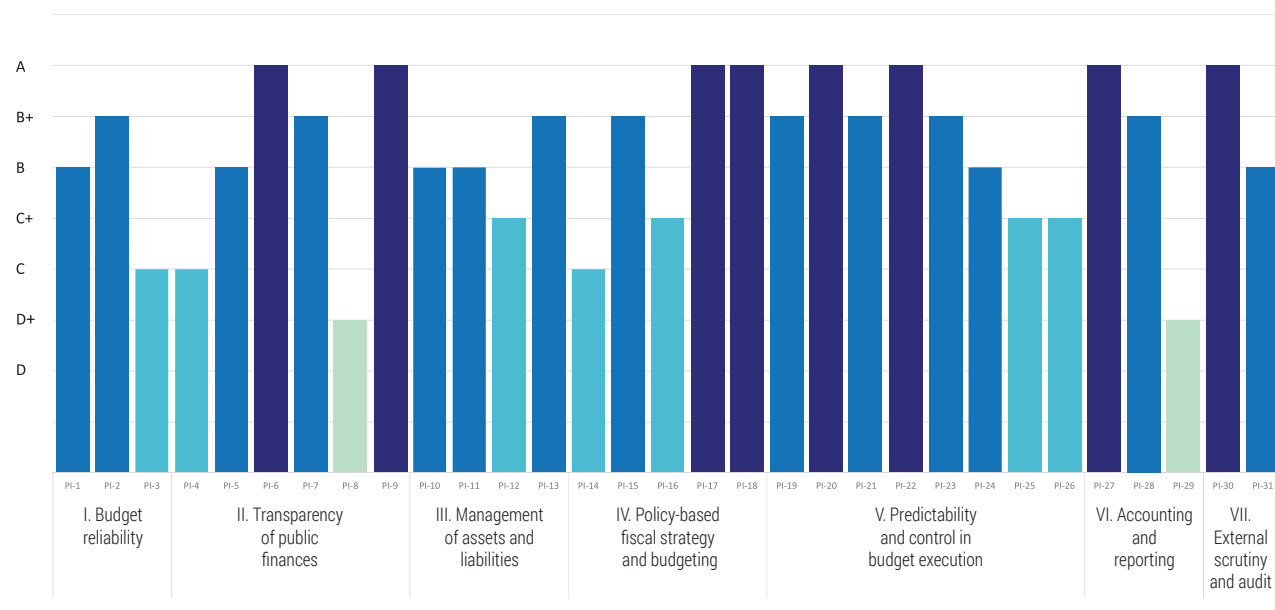
Budget execution is sound, with reliable systems for administering the collection of revenue and controlling the release of budget appropriations, including operational cash management, effective internal controls of payroll and non-payroll expenditures, and regular bank reconciliations. This is reflected in low levels of expenditure arrears. Nonetheless, the effectiveness of budget execution, and the ability to respond to any future cash shortfall, would be enhanced if commitment control were better embedded in systems and more broadly applied. Annex 5 provides a summary of observations on internal control.

There is strong external engagement and oversight of the executive government in performing public financial management. This includes strong parliamentary engagement in planning and approving the budget, and effective accountability mechanisms provided by the Auditor-General in accordance with international standards. However, internal audit is still in a transition from traditional models of financial control toward an approach based on international models of good practice.

Mongolia has realized a high degree of transparency in its budgeting, budget execution, and citizens' participation. The budget process is open, with all relevant documents published and it includes opportunities for citizen engagements. There is regular and timely reporting of budget execution by the Ministry of Finance, and this is complemented by the requirement for ministries and agencies to publish their data on the Glass Account Portal. However, this transparency relates mostly to descriptive data rather than analysis of key the areas of budget execution performance, results of service delivery, or fiscal risks - including those emanating from PPPs, ownership of public corporations, and subnational governments (SNGs). Accounting and reporting is not yet performed in accordance with the legally mandated international accounting standards, such as the International Public Sector Accounting Standards (IPSAS).

While there are no recognized off-budget activities and there is a substantial amount of data gathered from public enterprises and subnational governments (the majority of which is published), such data is not consistently consolidated and analyzed to identify the fiscal risks that - international experience demonstrates - exist in these sectors. Debt management is an area of high performance but there are some weaknesses in the availability of data regarding financial and non-financial assets and their performance.

Figure 2.1 Summary of PEFA scores by indicators - PEFA 2016 framework



## 2.2 Impact of PFM performance on three main fiscal and budgetary outcomes

The main objective of PEFA assessments and the PFM reform they underpin is to support sustainable development and better and more effective service delivery outcomes that meet citizens' needs and priorities. Progress is measured through the contribution of PFM systems and processes to the following three main fiscal and budgetary outcomes.

### 1. Aggregate fiscal discipline

Attaining aggregate fiscal discipline in Mongolia is challenged by the inherent volatility of a resource rich economy. While Mongolia has benefitted from strong growth in revenue from resource extraction and export, it has at times struggled to respond when international commodity markets cause these revenues to fall unexpectedly.

The introduction of formal medium-term fiscal strategy setting within the budget process, which is approved by Parliament, has created a context for broad dialogue regarding fiscal policy. The parameters of fiscal policy are governed by the expenditure growth, debt, and deficit rules set out in the Fiscal Stability Law.

In addition, independent oversight of revenue forecasting is provided by both the Auditor-General and the Fiscal Stability Council in the context of budget approval, which offers some assurance as to the technical validity of revenue projections. The establishment of the Future Heritage Fund creates a potential platform for ensuring that windfall gains are set aside for the benefit of future generations.

Over recent years, prior to the COVID-19 global health crisis, the budget surplus/deficit realized has been better than the original budget plan, largely because expenditures were consistently lower than planned and revenue exceeded original estimates, which provides some evidence of success toward achieving fiscal discipline.

However, there are aspects of the PFM framework that may undermine the ability of the government to respond to external shocks. Among these are weaknesses in the medium-term approach to budgeting, apparent lack of analysis and transparency of fiscal risks associated with state-owned enterprises (SOEs) and certain type of PPPs (such as Build, Operate, Transfer initiatives), and uncertain recurrent costs associated with Mongolia's substantial public investment spending. The existence of large tax arrears and tax expenditures suggest that there may also be policy and administrative limitations in the capacity to raise additional taxes from non-mining sources if/when required. While debt management practices are strong, there is a need to broaden the depth of the market for government debt to ensure that borrowing can be undertaken efficiently if/when required. In addition, while there is capacity to undertake cash forecasting, the absence of effective commitment control will make it difficult to control the pace of spending in circumstances where projected cash reserves fall below minimum levels.

## **2. Strategic allocation of resources**

The budget process in Mongolia is well understood by the participants and contains key elements that support strategic resource allocation, including top-down policy setting, expenditure ceilings, criteria for prioritizing public investments, and a budget timetable that provides budget governors with adequate time to make well-articulated submissions. Within the Glass Account Portal and regular budget execution reports there is reliable information on how the budget is being used. Nonetheless, while there have been some pilots of a performance-informed programmatic approach to budget formulation in service delivery units, including strategic plans in those pilot ministries, this is not yet the norm across all budget entities and it is not clear that such data, and the broad data sets available in the Glass Account Portal, are being used to inform policy prioritization. As medium-term estimates in the budget are not reliable, prior year outcomes are used as the budget baseline, which results in a mostly incremental approach to strategic resource allocation.

## **3. Efficient use of resources for service delivery**

Efficient service delivery is supported by sound revenue administration and systems that support in-year resource allocation, including timely accounting for and transfer of collections to the TSA as well as cash-flow forecasting. There is a reasonable degree of predictability in the release of the budget as significant in-year adjustments to the budget are made not more than twice a year and the composition of expenditure does not vary by more than 5 percent. The timing and value of the budget released is sufficient to meet financial obligation as these emerge, as shown by the low level of expenditure arrears.

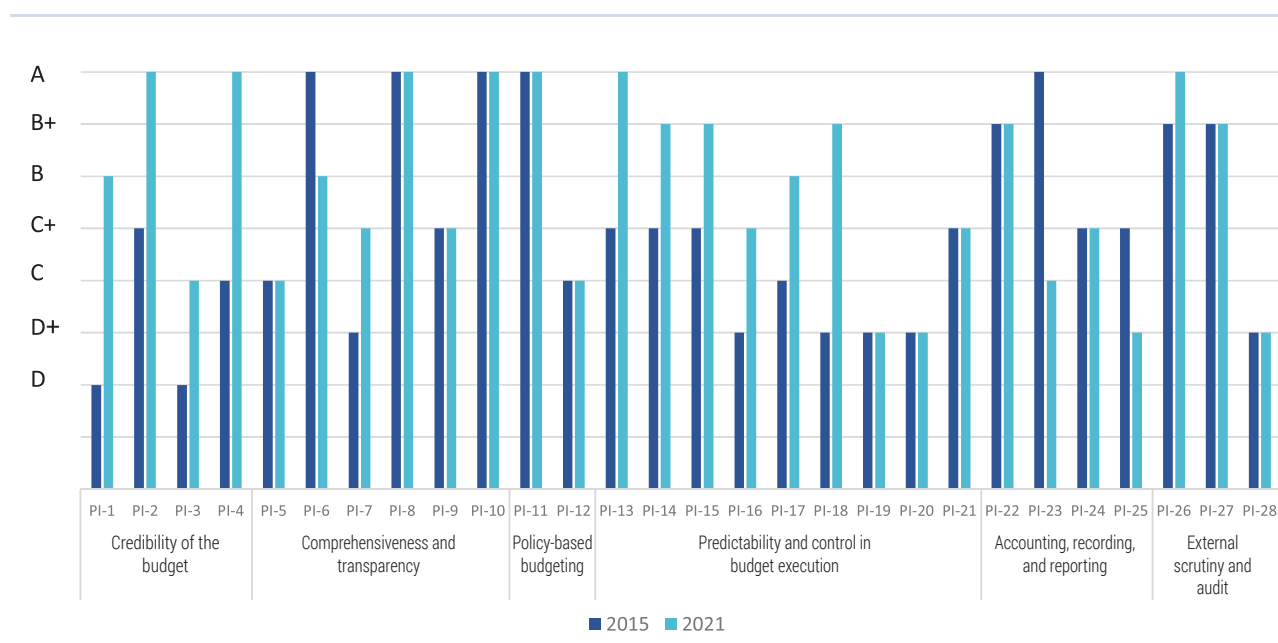
Systems and controls over payroll and non-payroll spending on service delivery, are robust – noting, however, the absence of effective commitment control. Procurement processes are governed by comprehensive rules and generally result in transparent and competitive methods being applied.

Data available to inform services delivery decision-making is robust. Bank reconciliation is understood to take place on a regular basis, resulting in reliable data within core systems. While such data are available within respective service delivery units, the fact that much of the data reside within disparate systems has required development of specialist reporting tools for reporting on a consolidated basis. The aggregate reporting undertaken by Treasury is timely but does not fully align with the international standards adopted (IPSAS). Nonetheless, the external audit process aligns with international processes, there is good follow-up of audit recommendations, and Parliament scrutinizes audit reports on an open and timely basis.

## 2.3 Performance change since previous assessment

The analysis in the report shows an improvement in the performance of PFM systems over time. A comparison of the results of the 2021 PEFA with the 2015 PEFA, using the 2011 framework as a common benchmark, shows a general improvement in the scoring of the performance indicators. Twelve performance indicators show improved scoring, 13 remain unchanged, and only 3 show a deterioration.

Figure 2.2 Comparison with the previous assessment in 2015 using the 2011 framework



The greatest gains between the 2015 and 2021 assessments have been made in the areas of budget credibility and the predictability and control of budget execution, which includes improved scores for performance indicators 1, 2, and 3, which compare budget outturn to the budget, as well as better scoring for indicators PI-13 to PI-18, which (in the 2011 framework) relate to revenue processes, budget release, cash and debt recording, as well as payroll controls.

The elements that have remained relatively consistent over time include comprehensiveness and transparency, policy-based budgeting, accounting and reporting as well as external scrutiny and audit. It is noted, however, that the scoring of PI-7 has improved, which reflects the significant reduction in the incidence of extrabudgetary operations.

The overall improvement in scores between the two assessments reflects the concerted effort that the Government of Mongolia has made toward improving PFM systems in cooperation with its development partners – noting, however, that some important weaknesses remain evident in the scoring and associated analysis.

## 2.4 Progress in Government PFM reform program

The GoM has gradually undertaken reforms to strengthen fiscal discipline and the PFM system. The first phase of reforms between 2003 and 2008 established the basic elements of the system, including strengthening internal controls, cash management, and accounting and reporting. The second phase of reforms between 2008 and 2011 included some improvements in fiscal policy, budget planning, and decentralization of roles and resources to subnational governments. More recently, the GoM has been pursuing a number of initiatives to improve macro-fiscal management as well as supporting enhanced impact of government service delivery. These initiatives include the following.

- Improving macroeconomic and fiscal planning
- Curtailing of quasi-fiscal operations
- Instituting the Fiscal Stability Council
- Enhancing citizens' engagement and transparency
- Strengthening public investment management
- Improving Treasury operations and reporting
- Piloting results-based budgeting in certain social sectors
- Committing to building the architecture for gender-based approach to budgeting.

To bring together the elements of PFM reforms into a cohesive strategy with a perspective that reflects Mongolia's vision over the medium term, consistent with the "Action Program of the Government of Mongolia for 2016-2020" and the "Sustainable Development Vision 2030," and to provide a framework to prioritize, coordinate, and sequence initiatives and actions across the range of PFM functions, a Working Group was established by Finance Ministerial Order #389, on December 28, 2017, to develop a medium-term (3-5 years) plan and strategy for budget and financial management reforms. Subsequently, a high-level PFM Reform Strategy was prepared and approved by Ministerial Order #234 of 2018.

A PFM action plan was then produced to support the PFM Strategy and it has undergone several iterations in execution and was elaborated most recently by the Ministerial Order No. #192 on August 30, 2019. A more detailed activity-level Action Plan was then developed and approved by the State Secretary of the MoF (Order #A281) on September 30, 2019. Good progress has been reported so far by the government on the implementation of the action plans; thus together with the more recent policy documents of the government (e.g., Mongolia Vision 2050, the Government Action Plan 2020-2024, and the MTF) the current PEFA assessment is intended to serve as a basis for defining the PFM strategy priorities and the action plan for the next period.





## 2.5 Summary of performance indicators

Table 2.1 sets out the results of the assessment.

Table 2.1 Summary of performance indicators

PFM PERFORMANCE INDICATOR		SCORING METHOD	DIMENSION RATINGS				OVERALL RATING
			i	ii	iii	iv	
<b>Pillar One: Budget Reliability</b>							
PI-1	Aggregate expenditure outturn	M1	B				B
PI-2	Expenditure composition outturn	M1	A	B	A		B+
PI-3	Revenue outturn	M2	C	C			C
<b>Pillar Two: Transparency of Public Finances</b>							
PI-4	Budget classification	M1	C				C
PI-5	Budget documentation	M1	B				B
PI-6	Central government operations outside financial reports	M2	A	A	N/A		A
PI-7	Transfers to subnational governments	M2	B	A			B+
PI-8	Performance information for service delivery	M2	B	D	C	D	D+
PI-9	Public access to fiscal information	M1	A				A
<b>Pillar Three: Management of Assets and Liabilities</b>							
PI-10	Fiscal risk reporting	M2	B	B	C		B
PI-11	Public investment management	M2	C	A	C	B	B
PI-12	Public asset management	M2	C	C	B		C+
PI-13	Debt management	M2	B	A	B		B+
<b>Pillar Four: Policy-Based Fiscal Strategy and Budgeting</b>							
PI-14	Macroeconomic and fiscal forecasting	M2	D	B	C		C
PI-15	Fiscal strategy	M2	B	A	B		B+
PI-16	Medium-term perspective in expenditure budgeting	M2	A	B	D	D	C+
PI-17	Budget preparation process	M2	B	A	A		A
PI-18	Parliamentary scrutiny of budgets	M1	A	A	A	A	A
<b>Pillar Five: Predictability and Control in Budget Execution</b>							
PI-19	Revenue administration	M2	A	B	A	C	B+
PI-20	Accounting for revenue	M1	A	A	A		A
PI-21	Predictability of in-year resource allocation	M2	A	A	C	B	B+
PI-22	Expenditure arrears	M1	A	A			A
PI-23	Payroll controls	M1	B	A	A	B	B+

PFM PERFORMANCE INDICATOR		SCORING METHOD	DIMENSION RATINGS				OVERALL RATING
			i	ii	iii	iv	
PI-24	Procurement management	M2	A	C	B	B	B
PI-25	Internal controls on non-salary expenditure	M2	B	D	B		C+
PI-26	Internal audit	M1	A	C	B	C	C+
<b>Pillar Six: Accounting and Reporting</b>							
PI-27	Financial data integrity	M2	A	A	B	A	A
PI-28	In-year budget reports	M1	A	A	B		B+
PI-29	Annual financial reports	M1	B	B	D		D+
<b>Pillar Seven: External Scrutiny and Audit</b>							
PI-30	External audit	M1	A	A	A	A	A
PI-31	Parliamentary scrutiny of audit reports	M2	A	B	D	B	B

3



# ANALYSIS OF PFM PERFORMANCE

– Pillars, indicators, and dimensions

### 3. ANALYSIS OF PFM PERFORMANCE - Pillars, indicators, and dimensions

This section provides an assessment of each of the 31 indicators and 94 dimensions that make up the PEFA framework. Each dimension score is calibrated to reflect a level of PFM practice as set out in the Table below. Dimension scores are aggregated using PEFA Framework guidance to arrive at indicator-level scores.

SCORE	LEVEL OF PFM PRACTICE
A	High level of performance that meets good international practices.
B	Sound performance in line with many elements of good international practices.
C	Basic level of performance.
D	Either less than the basic level of performance or insufficient information to score (D*).

#### PILLAR ONE: Budget Reliability

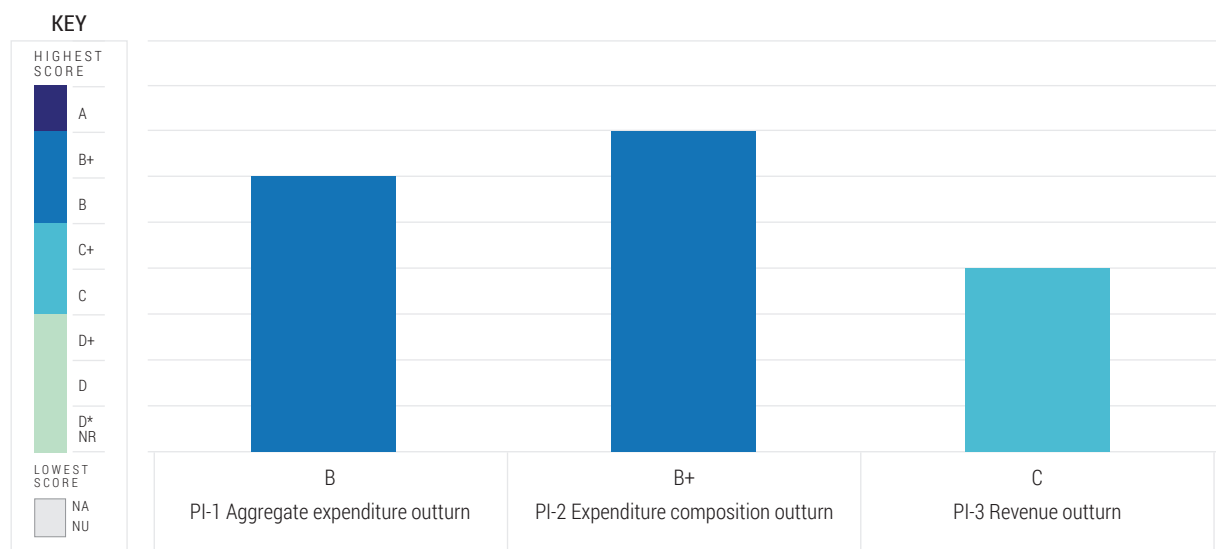
**Pillar One measures whether the government budget is realistic and is implemented as intended.** This is measured by comparing actual revenues and expenditures (the immediate results of the PFM system) with the originally approved budget.<sup>3</sup>

##### **Overall performance**

The government's budget has been a good predictor of aggregate fiscal outcomes. Over the last three years, expenditure outturns were within 10 percent of the original budget in all years and, for revenue, in two of the three years. Prior to COVID impacting revenue collections in 2020, revenue was consistently above budget and expenditure slightly below budget in each year - which points to a degree of conservatism in budget planning. While the administrative classification of expenditure did not vary significantly during budget execution, the composition (by economic classification) of both revenue and revenue outturn did vary compared to the original budget during the last three years.

<sup>3</sup> The calculations for PI-1, PI-2, and PI-3 include development partners' contributions to budget resources (i.e., general budget support and development funds) and expenditures of these funds. However, it excludes 'in-kind' resources paid for by development partners; this is included in the budget estimates document but not the annual financial statements or unaudited budget execution reports provided to the assessment team.

Figure PILLAR ONE: Budget Reliability



### ***Possible underlying causes of performance***

Variations in the economic classification of the expenditure between the budget and outturn mainly reflect underspending of capital. This reflects the challenges of initiating and completing projects within a predominantly single-year focus in budget planning and execution.

Regarding revenue, the performance of collections against budget has not been consistent over the last three years. In the three years prior to 2020, income tax and VAT collections exceeded budget in each year, whereas non-tax revenue has consistently performed below budget. This inconsistency has resulted in the composition of revenue outturn being different from the original budget.

The revenue outcome in 2020 was impacted significantly by the impact on the local and global economy of the COVID-19 pandemic, where the amount of revenue received in 2020 was below budget despite the aggregate revenue budget for 2020 being well below the actual collections in 2019.

### ***Recent and ongoing reform activity***

The Ministry of Finance has been taking reform actions to improve economic and revenue forecasting toward enhancing the accuracy of revenue forecasts, with the support of external technical assistance. A particular focus of the effort to improve revenue forecasting has been on the projection of commodity price variables.

A Fiscal Stability Council (FSC) was established in December 2017 under the Budget Standing Committee of the Parliament with a mandate to provide independent advice to the Parliament on modelling of key fiscal variables and other relevant aspects of fiscal policy setting. While the FSC has been expressing an opinion on the government's compliance with the Fiscal Stability Law, the annual budget proposal, and the socioeconomic priorities, there is a need to further the ongoing efforts to strengthen the FSC's capacity to analyze the budget and the underlying forecasts.

## PI-1 Aggregate expenditure outturn

This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports. There is one dimension for this indicator.

### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-1 Aggregate expenditure outturn (M1)		B
PI 1.1 Aggregate expenditure outturn	Aggregate expenditure outturn has been below the budget plan at 92.1% in 2020; 98.8% in 2019, and 93.1% in 2018. In only one of the last three years (98.8% in 2019) was actual expenditure more than 95%. COVID-19 significantly affected spending in 2020.	B

### Evidence for score

Annex 7 presents the PEFA framework spreadsheets showing the original budgets approved by Parliament compared with the actual outturns from the audited financial statements.

Table 1.1 Aggregate expenditure outturn

Aggregate expenditure (million MNT)	2020	2019	2018
Approved budget	11,653,262.0	9,406,581.7	7,710,777.6
Outturn	10,735,611.0	9,295,080.0	7,181,902.8
Outturn as a percentage of budget	92.1%	98.8%	93.1%

Data source: Budget execution reports 2018-2021, Ministry of Finance.

## PI-2. Expenditure composition outturn

This indicator measures the extent to which reallocations among the main budget categories during execution have contributed to variance in expenditure composition.

### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-2 Expenditure composition outturn (M1)		B+
PI 2.1 Expenditure composition outturn by function	Variances in expenditure composition by administrative classification were less than 5% in two of the last three years, and over 5% in the other year.	A
2.2 Expenditure composition outturn by economic type	Variances in expenditure composition by economic classification were more than 5% but less than 10% in two of the last three years, and less than 5% in the other year.	B
2.3 Expenditure from contingency reserves	Actual expenditure charged to a contingency vote was on average 0.4% of the original budget.	A

**Evidence for score****Table 2.1 Aggregate expenditure outturn variance compared to approved budget**

Variance	2020	2019	2018
Administrative classification	2.6%	5.8%	3.7%
Economic classification	2.6%	5.9%	5.6%

Data source: Budget execution reports 2017-2019, Ministry of Finance.

**PI-3. Revenue outturn**

This indicator measures the change in revenue between the original approved budget and end-of-year outturn.

**Indicator and dimension scores and analysis**

Indicators/Dimensions	Assessment of performance	2021 SCORE
PI-3 Revenue outturn (M2)		C
3.1 Aggregate revenue outturn	Actual revenue collected was higher than the originally budgeted level in two of the last three years. In only one year (2020) was the actual collection less than the approved budget, with a variance of 92.1%, reflecting the COVID-19 pandemic's impact on the domestic and global economy.	C
3.2 Revenue composition outturn	The variance in revenue composition by category was more than 15% in one and less than 15% in two of the last three years: 9% in 2020, 11.1% in 2019, and 17.2% in 2018.	C

**Evidence for score****Table 3.1 Aggregate revenue outturn**

Total revenue (million MNT)	2020	2019	2018
Approved budget	8,474,887.4	8,744,193.4	5,838,828.7
Outturn	7,809,354.7	9,112,417.3	7,656,054.2
Variance (as a % of original budget)	92.1%	104.2%	131.1%
Composition Variance	9.0%	11.1%	17.2%

Data source: Budget execution reports 2017-2019, MoF.

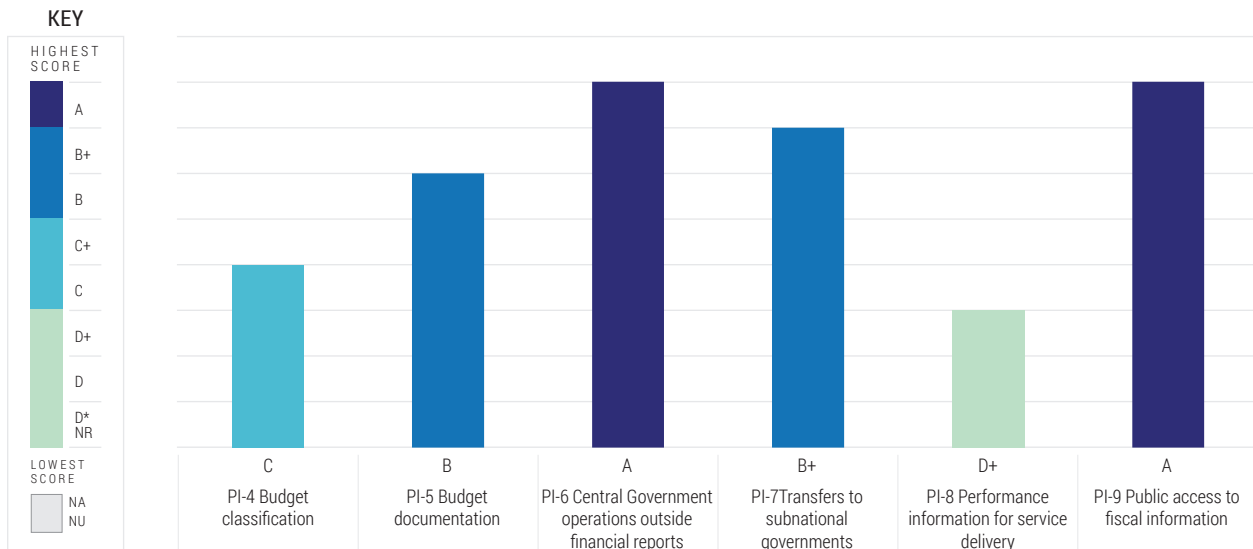
## PILLAR TWO: Transparency of Public Finances

**Pillar Two assesses whether information on public financial management is comprehensive, consistent, and accessible to users.** This is achieved through comprehensive budget classification and through transparency of all government revenue and expenditure, including intergovernmental transfers, published information on service delivery performance, and ready access to fiscal and budget documentation.

### Overall performance

Transparency of data is a feature of public financial management in Mongolia. The Glass Account regime, which requires publishing of a very broad suite of financial data, and regular publishing of budget documents, including citizen-focused budget documents on government websites, results in high levels of availability of budget documents and data. However, there is limited data captured on the performance of government operations and thus data on outcomes achieved from the activities of government are not always transparent. In addition, the way in which programs are classified does not support comparative analysis of resource allocations of functions of government in a manner fully consistent with international standards.

Figure PILLAR TWO: Transparency of Public Finances





### ***Possible underlying causes of performance***

A modern chart of accounts structure is in place, which is embedded within a range of electronic platforms for gathering financial data, including a Government Financial Management Information System (GFMIS) and reporting systems for gathering data from entities at multiple layers of government that extends beyond the central government sector. Mongolia has made an outstanding commitment to transparency of its financial operations, which results in data from these various reporting systems, and the standalone systems of budget entities (including individual service delivery units), being published on the web-based Glass Account Portal. In recent years, there has been a concerted effort to bring “on-budget” all of the activities of government, including the Development Bank of Mongolia (DBM), sectoral subsidies, and some PPP and concession arrangements that were previously off budget (as identified in prior PEFA). Nonetheless, while data from many sources is published, in relation to service delivery, and the activities of service delivery units, subnational governments, and public corporations, this data is not complemented by reports compiled centrally which seek to analyze consolidated data, and thus such analysis is not available to external stakeholders.

While programs are identified in the budget, and some piloting of performance-oriented budgeting is underway, including in relation to gender responsiveness, data regarding performance outcomes are not captured consistently and thus are not yet a part of the transparency regime.

### ***Recent and ongoing reform activity***

Reforms are currently underway to improve the capturing of data from across government within the Treasury system, extending the scope of coverage of beyond the limitations imposed by the current GFMIS. Pilots of performance-oriented approaches to budgeting have been conducted in several key service delivery ministries with the support of development partners; as well there are initiatives to support a gender-responsive approach to budgeting, which if applied more broadly should enhance the quality of performance information available.

A survey was recently completed of users of the Glass Account Portal to enhance access, usability, and data governance aspects. This is expected to be reflected in an update of the Glass Accounts regulation and a revamp of the associated web portal.

With technical assistance provided by the World Bank (funded by the EU), Mongolia is participating in the international BOOST budget transparency initiative<sup>4</sup> and been making progress on its score in the Open Budget Index with its budget transparency efforts, including development and publication of Citizens’ Budgets and Execution Reports and more recently an interactive web-based version of these.

<sup>4</sup> Launched by the World Bank in 2010, the BOOST program has active engagements in more than 90 developing countries to better provide quality access to budget data.

## PI-4. Budget classification

This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. There is one dimension for this indicator.

### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-4 Budget classification (M1)		<b>C</b>
4.1 Budget classification	The chart of accounts includes administrative, economic, and program classifications, which are reflected in budget documents, budget execution reports, and annual financial statements. The coding of the program classification is mapped to the Classification of Government Functions (COFOG) functional classification (to the sub-function level) - a process that is facilitated by the first digit of the program classification being the first digit of COFOG. Economic classification is consistent with common Government Financial Statistics (GFS) system to at least 4 digits of GFS (and significantly more detailed for most expenditure types). Administrative and economic classification at this level of detail is included in the budget, budget execution reports, and the annual financial statements. While there is a functional classification in budget documents, the program reporting in budget execution reports does not equate to COFOG functional classification because of the use of economic classifications and large assignments to "other" within the sub-function lines of these tables.	<b>C</b>

### Evidence for score

Table 4.1 Budget classification and chart of accounts

Element	Classification structure						
	Administra- tive (Y/N)	Economic: No. of digits and GFS compliance (Y/N)			Function (Y/N)	Subfunction/ Program (S/P/Y/N)*	COFOG Compliant (Y/N)
		Revenue	Recurrent	Capital			
Chart of accounts	Y	Y	Y	Y	N	P	Y
Budget formulation	Y	Y	Y	Y	Y	Y	Y
Budget execution and reporting	Y	Y	Y	Y	N	P	N

\* Note: S = Subfunction; P = Program; Y = Yes; and N = No.

Data source: Budget Law 2021: <https://www.legalinfo.mn/law/details/15726?lawid=15726>; Budget classification manual (definition, explanation, and uses), 2016, MoF.

## PI-5. Budget documentation

This indicator assesses the comprehensiveness of the information provided in the annual budget documentation, as measured against a specified list of four basic and eight additional elements.

### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-5 Budget documentation (M1)		<b>B</b>
5.1 Budget documentation	The budget documents include all four basic elements and five of eight additional elements.	<b>B</b>

### Evidence for score

Table 5.1 Budget documentation

Item	Included (Y/N)	Source of evidence and comments
<b>Basic elements</b>		
1	Y	Relevant law: <a href="#">Budget Law (2011) - Article 32.2.3</a> Last annual budget documentation: <a href="#">Budget proposal of 2021 to Parliament (Page 17-19)</a>
2	Y	Estimate of the expenditure of previous year (2019) for presenting the current year (2020) Last annual budget documentation: <a href="#">Budget proposal of 2021 to Parliament - Appendix 1-14 for detailed estimations</a>
3	Y	2020 this year, budget year 2021 Last annual budget documentation: <a href="#">Budget proposal of 2021 to Parliament - Appendix 1-14 for detailed estimations</a>
4	Y	Last annual budget documentation: <a href="#">Budget proposal of 2021 to Parliament</a>  <a href="#">Page 19-51; Appendix 1-14 for detailed estimations</a>

Additional elements			
5	Deficit financing, describing its anticipated composition.	Y	Last annual budget documentation: Budget proposal of 2021 to Parliament - Appendix 1 for detailed estimations Relevant law: <a href="#">Budget Law (2011) Article 32.2.16</a> Last annual budget documentation: <a href="#">Budget proposal of 2021 to Parliament Appendix 1 for detailed estimations</a>
6	Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate.	N	Indicators related to GDP - National Statistics Office Consumer Price Index, gross government debt, external terms of trade, current account balance, total external debt, gross official reserves – Bank of Mongolia. However, there are no estimates or assumptions regarding interest rates and exchange rates published with the budget. <a href="#">Budget Law (2011) - Article 32.2.1</a> Last annual budget documentation: <a href="#">Budget proposal of 2021 to Parliament - Page 9-11</a>
7	Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard.	Y	<a href="http://forum.parliament.mn/projects/10660">http://forum.parliament.mn/projects/10660</a> Budget 2020; see the Government debt section <a href="http://www.iltod.gov.mn/wp-content/uploads/2018/10/Bagts-1.pdf">http://www.iltod.gov.mn/wp-content/uploads/2018/10/Bagts-1.pdf</a> Budget 2019, the Government debt section Last annual budget documentation: <a href="#">Budget proposal of 2021 to Parliament - Page 52</a> <a href="#">Budget Law (2011) - Article 32.2.17</a>
8	Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard.	N	There are no projections of financial assets included within the published budget.
9	Summary information of fiscal risks, including contingent liabilities such as guarantees, and contingent obligations embedded in structure financing instruments such as public-private partnership (PPP) contracts, and so on.	Y	<a href="http://forum.parliament.mn/projects/10660">http://forum.parliament.mn/projects/10660</a> Budget 2020; see the Government debt section <a href="http://www.iltod.gov.mn/wp-content/uploads/2018/10/Bagts-1.pdf">http://www.iltod.gov.mn/wp-content/uploads/2018/10/Bagts-1.pdf</a> Budget 2019, the Government debt section Last annual budget documentation: <a href="#">Budget proposal of 2021 to Parliament - Page 54-55</a> Relevant law: <a href="#">Budget Law (2011) - Article 32.2.4; Article 32.2.18</a>

10	Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs.	N	New policy initiatives are not explicitly identified and explained. Last annual budget documentation: <a href="#">Budget proposal of 2021 to Parliament</a> Page 12-16  Budget Law (2011) <a href="#">Article 32.2.2</a> <a href="#">Article 32.2.7</a>
11	Documentation on the medium-term fiscal forecasts.	Y	Relevant law: <a href="#">Budget Law (2011) - Article 32.2.12</a> Last annual budget documentation: <a href="#">Budget proposal of 2021 to Parliament</a> Page 17-18
12	Quantification of tax expenditures.	Y	Last annual budget documentation: <a href="#">Budget proposal of 2021 to Parliament - Page 2</a> Relevant law: <a href="#">Budget Law (2011) - Article 32.2.5</a>

Data source: Budget Law 2021: <https://www.legalinfo.mn/law/details/15726?lawid=15726>.

## PI-6. Central government operations outside financial reports

This indicator measures the extent to which government revenue and expenditure are reported outside central government financial reports.

### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-6 Central government operations outside financial reports (M2)		A
6.1 Expenditure outside financial reports	All expenditure incurred is budgeted and is included in the government's annual financial statements. This follows a concerted effort to bring "on budget" all activities of government, including DBM, concessions, social schemes, and the Future Heritage Fund.	A
6.2 Revenue outside financial reports	As with expenditure, all revenue collected is budgeted and is included in the government's annual financial statements.	A
6.3 Financial reports of extrabudgetary units	There are no extrabudgetary units.	N/A

**Evidence for score**

**Table 6.1 Identification of extrabudgetary operations**

Existence of extrabudgetary operations	Under control of government	Budget	Within whole-of-government Annual Financial Statement	Financial reporting to government	Any additional off-budget elements
Budgetary units	Y	Y	Y	Y	N
Funds (Crop Production, Education Support, Employment Promotion, etc.)	Y	Y	Y	Y	N
Health Insurance Fund and Social Insurance Fund	Y	Y	Y	Y	N
Extrabudgetary entities: Future Heritage Fund	Y	Y	Y	Y	N
Development partners and donors:					
• Budget support	Y	Y	Y	Y	N
• Project funds managed through host country systems	Y	Y	Y	Y	N
• Project funds managed by project implementation units outside country systems	Y	Y	Y	Y	N

Data source: Annual financial statements 2018-2020, Ministry of Finance.

**Table 6.2 Expenditure and revenue outside financial reports**

NA no extrabudgetary activities of budget revenue or expenditure not reported.

**Table 6.3 Financial reports of extrabudgetary operations of development funds**

NA no extrabudgetary activities of budget revenue or expenditure not reported.

**PI-7. Transfers to subnational governments**

This indicator assesses the transparency and timeliness of transfers from central government to subnational governments with direct financial relationships to it. It considers the basis for transfers from the assessed government and whether subnational governments receive information on their allocations in time to facilitate budget planning.

**Indicator and dimension scores and analysis**

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
<b>PI-7 Transfers to subnational governments (M2)</b>		<b>B+</b>
<b>7.1 System for allocating transfers</b>	The central government provides transparent rules-based transfers, as provided for in the Integrated Budget Law (section 56), which includes both the Local Development Fund (LDF) and specific purpose transfers for Health and Education. These rules-based transfers represent 88.1% of the transfers made by central government in 2020. In addition, there is general financial support, and specific purpose grants for Child Development and Protection as well as Land Management provided to subnational governments which are not determined according to a rules-based system.	<b>B</b>
<b>7.2 Timeliness of information on transfers</b>	The process by which subnational governments receive information on their transfers from national government is set out in the national budget calendar. Subnational governments receive a ceiling in the budget circular issued prior to July 5, produce submissions (by August 1), and participate in face-to-face budget discussions in August/September - a process by which subnational governments receive clear and sufficiently detailed information regarding transfers to be received. While they do not receive final confirmation of the value of their transfers until November 15, the estimated value of such transfers does not vary significantly (less than 10%) during the budget approval phase, so there is sufficient time - following the earlier circulars, ceilings, and submission process - to produce their budgets prior to November 25, which is the deadline for each subnational government to submit its budget to the respective Citizens' Representative Khural.	<b>A</b>

**Evidence for score****Table 7-1 System for allocating transfers**

Name of SNG	Percentage of transfers that are transparent, in rule-based system	Source of rules (e.g., legislation, regulation, etc.)	Date of advice on transfers	Source of date of transfers	Date of budget submission to SNG Legislature
Aimag Capital City Soum District	88.1%	The transfer to the lower-level budget is referenced in Article 56 of the IBL.	July 5 - budget circular with ceilings. November 15 - final authorized transfer.	Annual budget circular issued by Ministry of Finance on July 5.	December 15

Data source: *The Budget Law*: [www.parliament.mn](http://www.parliament.mn), [www.legalinfo.mn](http://www.legalinfo.mn).

Table 7.2 Transfers to SNGs

Fiscal year	LDF transfer/ million MNT	Financial support to SNG/ million MNT	Special purpose transfers /million MNT				Total transfer amount/ million MNT
			Education	Health	Child development and protection	Land management	
2018	88,555	180,701	978,666	112,757	6,142	10,506	1,377,327
2019	138,646	161,002	992,010	128,896	7,774	11,879	1,440,207
2020	165,672	201,721	1,150,173	159,709	10,379	13,687	1,701,341
Rule based	Yes	No	Yes	Yes	Yes	Yes	

Fiscal year	LDF transfer %	Financial support to SNG %	Special purpose transfers/% of total transfer				Total transfer %	% share of rule-based transfers
			Education	Health	Child dev. and protection	Land management		
2018	6.4%	13.1%	71.1%	8.2%	0.4%	0.8%	100.0%	86.9%
2019	9.6%	11.2%	68.9%	8.9%	0.5%	0.8%	100.0%	88.8%
2020	9.7%	11.9%	67.6%	9.4%	0.6%	0.8%	100.0%	88.1%

## PI-8. Performance information for service delivery

This indicator examines the service delivery performance information in the executive's budget proposal or its supporting documentation and in year-end reports. It assesses whether performance audits or evaluations are conducted and their quality as well as the extent to which information on resources received by service delivery units is collected and recorded.

### Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-8 Performance information for service delivery (M2)		D+
8.1 Performance plans for service delivery	A specific circular is issued in the context of the budget that requires all ministries to prepare performance plans for each program to inform the overall performance management framework. These plans are included in Annex 1 of the budget documents and include program objectives and key performance indicators, but in most cases these do not focus on outcomes.	B
8.2 Performance achieved for service delivery	Performance reports are prepared that identify performance against program performance targets, but these reports are not published.	D
8.3 Resources received by service delivery units	Financial reports of individual service delivery units, including schools for example, are published on the Glass Account Portal, which is open to viewing by the public. However, there is no consolidation or compilation of such data.	C
8.4 Performance evaluation for service delivery	There is no program evaluation undertaken and performance audits completed do not focus on efficiency or effectiveness of service delivery.	D



**Evidence for score****Table 8-1 and 8-2 Performance information for the largest service delivery agencies**

Name of service delivery agency	Percentage of service delivery ministries	Program objectives specified (Y/N)	Key performance indicators (Y/N)	PI-8.1 Planned performance		PI-8.2 Actual performance		
				Planned outputs (Y/N)	Planned outcomes (Y/N)	Data on actual outputs produced (Y/N)	Data on actual outcomes achieved (Y/N)	Information on activities undertaken (if no outputs or outcomes) (Y/N)
Ministry of Health	20.7%	Y	Y	Y	N	Y but not public	N	Y but not public
Ministry of Education and Science	32.6%	Y	Y	Y	N	Y but not public	N	Y but not public
Ministry of Labor and Social Protection	46.7%	Y	Y	Y	N	Y but not public	N	Y but not public
<b>Total</b>	<b>100%</b> (44.5% of total annual expenditure)							

Data source: Budget Execution Reports by budget governors 2018-2020, Ministry of Finance.

**Table 8.4 Information on program evaluation**

Ministry	Percentage of service delivery ministries	Program or service evaluated	Date of evaluation	Type of evaluation	Report author	Efficiency assessed (Y/N)	Effectiveness assessed (Y/N)
Ministry of Labor and Social Protection	46.7%	none	NA	NA	NA	NA	NA
Ministry of Education and Science	32.6%	none	NA	NA	NA	NA	NA
Ministry of Health	20.7%	none	NA	NA	NA	NA	NA
<b>Total</b>	<b>100%</b>						

Data source: Budget Execution Reports by budget governors 2018-2020, Ministry of Finance.

## PI-9. Public access to fiscal information

This indicator assesses the comprehensiveness of fiscal information available to the public based on nine specified elements (five basic and four additional elements) of information to which public access is considered critical.

### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-9 Public access to fiscal information (M1)		
9.1 Public access to fiscal information	The government makes available to the public nine elements, including all five basic elements and the additional four in accordance with the specified time frames (FY20).	A

### Evidence for score

Table 9-1 Budget documentation

Item	Criteria met within timeframe (Y/N)	Explanation	Source of evidence
<b>Basic elements</b>			
1	Y	Article 8.4.5 of the IBL requires that the executive budget proposal is submitted to Parliament by October 1 of each year. The 2021 draft budget law was submitted to Parliament on September 30, 2020 and published on MoF website on October 3, 2020.	<a href="#">MoF website</a>
2	Y	The 2021 budget law was approved by Parliament on November 13, 2021 and was published on the country's official bulletin (Unified Legal Portal Site) on the same day.  In addition, starting from 2018, the Ministry of Finance introduced a citizen-friendly version of the reports. The Citizens' budget execution booklet based on the 2021 approved budget was made available to public in both a printed and digital version.	<a href="#">Integrated legal info website</a>  <a href="#">Citizens' Budget website</a>

3	<b>In-year budget execution reports.</b> The reports are routinely made available to the public within one month of their issuance, as assessed in PI-27.	Y	Reports are available online monthly within about 15 days of the end of the month covered in compliance with the Glass Account Law. Random examples on the dates that the in-year budget reports were released to the public in the GAP: (i) June 2020: July 9, 2020, (ii) Sep 2020: October 12, 2020, (iii) Nov 2020: Dec 12, 2020, and (iv) Dec 2020: Jan 13, 2021.	In-year detailed budget execution reports can be found at the Glass Account Portal (GAP): <a href="https://shilendans.gov.mn/org/408?group=3&amp;year=2019">https://shilendans.gov.mn/org/408?group=3&amp;year=2019</a>
4	<b>Annual budget execution report.</b> The report is made available to the public within six months of the fiscal year's end.	Y	According to the IBL, annual consolidated budget execution reports are to be completed by May 10 of every year and to be sent to the Mongolian National Audit Office (MNAO), which audits the report and submits the findings to the government and then to the Parliament.  The December budget execution report (which is in effect a year-to-date report) was published on the Glass Account Portal in January 2021.	December budget execution report can be found on the Glass Account Portal: <a href="https://shilendans.gov.mn/org/408?form=4590913&amp;year=2020&amp;month=12&amp;group=3&amp;task=739">https://shilendans.gov.mn/org/408?form=4590913&amp;year=2020&amp;month=12&amp;group=3&amp;task=739</a>  Audited reports submitted to Parliament are available on the Parliament website: <a href="http://forum.parliament.mn/projects/11141">http://forum.parliament.mn/projects/11141</a>
5	<b>Audited annual financial report,</b> incorporating, or accompanied by, the external auditor's report, as assessed in PI-29 and PI-30. The reports are made available to the public within 12 months of the fiscal year's end.	Y	Audit reports on the government consolidated operations are made available to the public through the MNAO website within six months of completed audits. The audit report for FY19 was completed in June 2020 and published in September 2019. Note should be taken that the report is also published on the Parliament's website as soon as the report is discussed by the State Great Hural (in most cases within six months of the end of the fiscal year).	<a href="http://forum.parliament.mn/projects/11141">MNAO website http://forum.parliament.mn/projects/11141</a>
<b>Additional elements</b>				
6	<b>Prebudget statement.</b> The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt are made available to the public at least four months before the start of the fiscal year.	Y	The MoF posts the draft Medium-Term Fiscal Framework (MTFF) on its website by April 30 every year at the time of submitting it to Parliament as mandated by Article 8.1.2 of the IBL (2011). The approved MTFF by Parliament is subsequently published in the country's official bulletin (Unified Legal Portal Site). The 2021 MTFF was approved on August 28, 2020 and made available to the public on the same day.	<a href="#">Legalinfo website</a>

7	<p><b>Other external audit reports.</b> All nonconfidential reports on central government consolidated operations are made available to the public within six months of submission.</p>	Y	Other external audit reports produced by the MNAO, such as the audit of direct budget governors' financial statements, were posted on the website of the National Audit Office by June 2021.	<a href="#">MNAO website</a>
8	<p><b>Summary of the budget proposal.</b> A clear, simple summary of the executive budget proposal or the enacted budget accessible to nonbudget experts, often referred to as a "citizens' budget," and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal's submission to the Legislature and within one month of the budget's approval.</p>	Y	The MoF submitted to Parliament a Citizens' Budget version of the Budget proposal on September 30, 2020. The Citizens' Budget proposal was made available to the public on the MoF transparency website on October 3, 2020.	Live Citizen Budget website: <a href="http://iltod.MoF.gov.mn/legacy?type=46&amp;-subType=35&amp;-year=2021&amp;legalId=296">http://iltod.MoF.gov.mn/legacy?type=46&amp;-subType=35&amp;-year=2021&amp;legalId=296</a>
9	<p><b>Macroeconomic forecasts.</b> The forecasts, as assessed in PI-14.1, are available within one week of their endorsement.</p>	Y	The 2021 Medium-Term Fiscal Framework Statement (MFFF) which outlines key macroeconomic and fiscal indicators was approved on August 28, 2020 and made available to the public on the same day.	<a href="#">Legalinfo website</a>

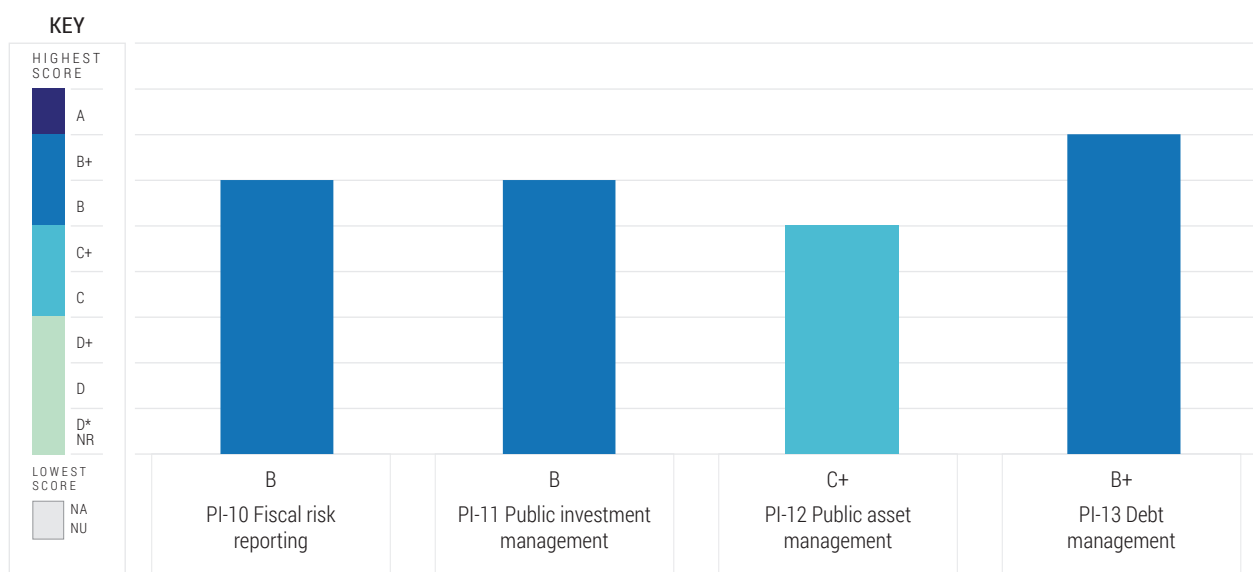
## PILLAR THREE: Management of Assets and Liabilities

Pillar Three measures the effectiveness of the government's management of assets and liabilities and the extent to which this ensures that public investments provide value for money, assets are recorded and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored.

### Overall performance

The government has at hand quality information with which to manage most of its assets and liabilities. Data is captured regarding fiscal risks, financial and non-financial assets, and debt, but such data is not consistently analyzed and reported. In relation to assets, both financial and non-financial, there is little analysis undertaken of performance and thus little transparency regarding the value being realized from such investments. This is also reflected in the assessment of public investment projects, where analysis is undertaken of prospective projects in accordance with well-articulated and publicly available guidelines but such information is lacking in terms of total lifecycle costs and is not published. While some concession arrangements are reflected in financial reports, the government is understood to face significant future obligations associated with Build, Operate, Transfer (BOT) financing arrangements. The GoM has signed 17 BOT projects in recent years, with a capital value of USD 8.19 billion, which have been estimated as being equivalent to 60 percent of GDP. Conversely, in relation to public debt, there is both good quality data, clear strategies in place, and also reporting of outcomes.

Figure PILLAR THREE Management of Assets and Liabilities



### **Possible underlying causes of performance**

The generally positive results in this pillar reflect that, aside from a mechanism for capturing the recurrent costs of public investment projects, systems are in place for gathering data regarding assets, liabilities, and resulting risks. There is a clear legal framework in place for the analysis and reporting of public investments, fiscal risks, and public debt. However, weaknesses in the analysis and reporting of the performance of investments in non-financial assets and public corporations and of subnational governments reflect potential gaps in the legal framework and potential capacity limitations of the respective units of MoF responsible for such assets. This in turn reflects that the budgeting and accounting regime still predominantly reflects a cash-based approach to fiscal control and financial reporting despite notional adoption of accrual standards of accounting and statistical reporting (see Pillar VI).

### **Recent and ongoing reform activity**

Substantial technical assistance has been provided to enhance the public investment management systems, including a legal framework, business processes, systems, and human capacity.

## **PI-10 Fiscal risk reporting**

This indicator measures the extent to which fiscal risks to central government are reported.

### **Indicator and dimension scores and analysis**

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-10 Fiscal risk reporting (M2)		<b>B</b>
10.1 Monitoring of public corporations	Three of the five largest public corporations (representing slightly less than 90% of combined turnover) publish their annual financial statements within six months of the end of the fiscal year. A consolidated report on the financial performance of public corporations is not published.	<b>B</b>
10.2 Monitoring of subnational governments	Audited annual financial statements for all subnational governments are published on the Glass Account Portal, but a consolidated report on the financial position of subnational government is neither prepared nor published.	<b>B</b>
10.3 Contingent liabilities and other fiscal risks	The government publishes in its annual financial statements data regarding loan guarantees and some concession arrangements (e.g., PPPs). However, it is understood that there are build-operate-transfer (BOT) PPP arrangements that involve potentially significant future obligations (greater than the 0.5% materiality threshold), which are not reported. The annual financial statements do not include discussion of other fiscal risks.	<b>C</b>

**Evidence for score****Table 10-1 Monitoring of public corporations**

Five largest public corporations	Financial turnover (\$)	% five largest	Date of publication of audited financial statement	Date financial statement submitted to govt.	Contingent liabilities disclosed in financial statements (Y/N)	Consolidated report prepared (Y/N)
1. Erdenes Tavan tolgoi JSC	701,814,040	50%	March 30, 2021	March 22, 2021	Y	Yes - but not published
2. Erdenet Mining	441,154,467	32%	April 29, 2021	March 22, 2021	Y	
3. Development Bank of Mongolia	112,552,962	8%	April 13, 2021	March 30, 2021	Y	
4. State Bank of Mongolia	141,315,944	10%	March 24, 2021	March 24, 2021	Y	
5. Mongolian Railway JSC	872,548	<1%	March 06, 2021	April 23, 2021	Y	

Data source: <https://www.shilendans.gov.mn/>.

**Table 10.2 Monitoring of subnational government**

Provinces	Date on which the 2020 annual financial statements were published on the Glass Account Portal (last completed fiscal year)	Date on which the 2020 audited financial statements were published on the Glass Account Portal (last completed fiscal year)
Arkhangai	4/30/2021	4/30/2021
Bayankhongor	4/23/2021	4/23/2021
Bayan-Ulgii	4/26/2021	4/26/2021
Bulgan	5/10/2021	5/10/2021
Darkhan Uul	4/23/2021	4/23/2021
Dornod	5/18/2021	5/18/2021
Dornogovi	4/24/2021	4/24/2021
Dundgovi	4/21/2021	4/21/2021
Govi-Altai	4/20/2021	4/20/2021
Govisumber	4/22/2021	4/25/2021
Khentii	4/24/2021	4/25/2021
Khovd	4/26/2021	4/26/2021
Khuvsgul	4/21/2021	4/21/2021
Orkhon	4/23/2021	4/23/2021
Selenge	4/23/2021	4/23/2021
Sukhbaatar	4/23/2021	5/4/2021

Tuv	4/21/2021	4/21/2021
Umnugovi	4/25/2021	4/25/2021
Uvs	4/23/2021	4/23/2021
Uvurkhangai	4/24/2021	4/29/2021
Zavkhan	4/30/2021	5/3/2021

Data source: <https://www.shilendans.gov.mn/>.

Table 10.3 Contingent liabilities and fiscal risk

Coverage	Data quantified (Y/N)			Included in financial statement (Y/N)	Date published	Consolidated report (Y/N)
	Loan guarantees (Central Government)	State insurance scheme	PPPs			
Budgetary Units	Yes	Schemes fully funded	Partial	Partial	<a href="https://www.1212.mn/tables.aspx?TBL_ID=DT_NSQ_0700_028V1">https://www.1212.mn/tables.aspx?TBL_ID=DT_NSQ_0700_028V1</a>	Yes but partial
Extrabudgetary Units	Yes	Fully funded	Yes	Yes		

## PI-11 Public investment management

This indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects by the government. It also assesses the extent to which the government publishes information on the progress of the project, with an emphasis on the largest and most significant projects.

### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-11 Public investment management (M2)		<b>B</b>
11.1 Economic analysis of investment proposals	National guidelines for economic analysis of projects are defined by regulation. Economic analysis is initially prepared by respective budget entity and then assessed by the National Development Agency for large projects (MNT>30bn) or the Public Investment Department (PID) of MoF. The results of economic assessment are not published.	<b>C</b>
11.2 Investment project selection	Prior to their inclusion in the budget all major investment projects are prioritized by the National Development Agency (projects with a value >MNT30bn) and the Public Investment Department (<MNT30bn) according to defined criteria in a two-stage prioritization process that is published by the <a href="#">NDA</a> and <a href="#">MoF</a> .	<b>A</b>



11.3 Investment project costing	PID analyses the economic benefits and social significance of construction projects in accordance with the Regulation No. 295 of 2018. This is reflected in the Public Investment Program (PIP) these include capital costs and total project cost for each major project, but there is no associated estimates of recurrent costs of each project or a disaggregation of costs by year.	C
11.4 Investment project monitoring	Project implementation is governed by a specific Regulation (#282 of 2019) and overseen by the respective line agency, any specific technical agency, as well as the NDA and MoF. The NDA and PID report a high level of compliance. Project implementation information and data is collated in an information technology (IT) system used for this purpose, which includes a mobile app that citizens can view to see the physical and financial progress of project implementation. Although PID prepares monthly, quarterly, and annual reports on the implementation of public investment projects and presents these to both the Cabinet and Parliament, these reports are not published and only some data on ongoing projects is included in the annual PIP.	B

### Evidence for score

Table 11.1 and 11.2: Economic analysis and project selection of five largest investment projects approved in last completed fiscal year

Five largest investment projects (>1% of budgetary central government expenditure)	Total investment cost of project (million MNT)	As a % of 5 approved largest projects	Data for PI-11.1 Economic analyses				Data for PI-11.2 project selection	
			Completed (Y/N)?	Consistent with national guidelines (Y/N)	Published (Y/N)	Reviewing entity	Prioritized by central entity (Y/N)	Consistent with standard selection criteria (Y/N)
Coal-to-synthetic gas plant project	6,706,449	33%	Y	Y	N	NDA	Y	Y
Copper concentrate processing plant project	5,533,437	27%	Y	Y	N	NDA	Y	Y
Oil refinery construction project	2,882,000	14%	Y	Y	N	NDA	Y	Y
Tavan Tolgoi 300 MW power plant project	2,558,552	13%	Y	Y	N	NDA	Y	Y
Baganuur Power Plant project	2,494,935	13%	Y	Y	N	NDA	Y	Y
<b>Total / Coverage (%)</b>	<b>20,175,373</b>	<b>100%</b>						

Data source: Approved PIP, 2018-2021: <https://www.legalinfo.mn/annex/details/8521?lawid=13475>; PIP introduction by NDA <https://nda.gov.mn/1344.html>; amended PIP 2019: <https://www.legalinfo.mn/annex/details/9934?lawid=14552>.

Table 11.3 and 11.4 Investment project costing and monitoring of five largest investment projects in last completed fiscal year

Name of capital project	Data for PI-11.3 Investment project costing included in budget documents				Data for PI-11.4 Investment project monitoring				
	Life cycle cost documents (Y/N)	Capital cost breakdown		Recurrent costs included in budget documents: budget year only/medium year (three-years) (Y/N)	Monitoring				
		Budget year only (Y/N) (million MNT)	Medium term budget + two years (Y/N) (million MNT)		Total cost (Y/N)	Physical progress (Y/N)	Standard rules and procedures exist (Y/N)	High level of compliance with procedures (Y/N)	Information on total cost and physical progress published annually (Y/N)
Coal-to-synthetic gas plant project	no	1,676,612	2,916,485	no	yes	yes	yes	yes	no
Copper concentrate processing plant project	no	500,000	2,277,643	no	yes	yes	yes	yes	no
Oil refinery construction project	no	500,000	2,084,023	no	yes	yes	yes	yes	no
Tavan Tolgoi 300 MW power plant project	no	358,197	2,199,160	no	yes	yes	yes	yes	no
Baganuur power plant project	no	545,734	1,091,467	no	yes	yes	yes	yes	no
Coverage (%)		17.7%	52.4%						

Data source: <https://www.legalinfo.mn/annex/details/9934?lawid=14552>.

## PI-12. Public asset management

This indicator assesses the management and monitoring of government assets and the transparency of asset disposal.

### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-12 Public asset management (M2)		C+
12.1 Financial asset monitoring	The government maintains records of its holding of financial assets, including cash, bank accounts, and investments, and line ministries maintain records on their equity holding in SOEs. These are all recognized at their acquisition cost. There is some information on the performance of financial assets, including ratio analysis of SOEs, but it is not published.	C

<b>12.2 Non-financial asset monitoring</b>	The Government Agency for Policy Coordination on State Property maintains an asset register for the budgetary central government (BCG) which includes non-financial assets such as land and roads, as well as intangible assets. A register of sub-soil assets is maintained by the Mineral Resources and Petroleum Authority. The asset register is electronic and includes information on usage and age. However, issues with the system have required manual updates to the data over the last few years (prior to systems update being planned) for statistics gathering purposes and results in some data (not required for statistical reporting) being partial. Statistics regarding the movement in asset holdings is provided to the Statistics Office, which publishes highly aggregated data quarterly (but this published data does not include information such as asset values, age, usage, etc.).	<b>C</b>
<b>12.3 Transparency of asset disposal</b>	A Law on State and Local Property defines rules for sale of property, including levels of approval required for disposal, such as a requirement for Parliament to approve sale of equity in SOEs. Decree #271 contains procedures for sale of property, which are administered by the State Property Agency. Most minor asset sales are approved by a committee of State Secretaries, whose decisions are published but which are not required to be provided to Parliament. Estimates of asset sales revenue are included in the budget, and actual revenue is reported in budget execution reports.	<b>B</b>

**Evidence for score****Table 12.1 Financial asset monitoring - check list of record of holdings**

Asset Type	Holdings of financial assets maintained (Y/N)	Acquisition cost recorded (Y/N)	Fair value recognized (Y/N)	In line with international accounting standards (Y/N)	Information on performance published annually (Y/N)	Source of information
Cash on hand	Y	Y	N	Y	NA	Treasury
Cash in bank accounts	Y	Y	N	Y	N	
Financial investments	Y	Y	N	Y	N	
Equity in SOEs	Y	Y	N	N	N	

Data source: Treasury Department, Ministry of Finance.

**Table 12.2 Non-financial asset monitoring - check list of record of holdings**

Register of fixed assets (Y/N)	Information on usage and age (Y/N)	Register of land assets (Y/N)	Register of subsoil assets (if applicable) (Y/N/NA)	Information on performance published annually (Y/N)
Y	Partial	Y	Y	N

Data source: Statistical report prepared by Government Agency for Policy Coordination on State Property.

**Table 12.3 Transparency of asset disposal**

Procedures for non-financial asset transfer or disposal established (Y/N)	Procedures for financial asset transfer or disposal established (Y/N)	Information included in budget documents, financial reports, or other reports (Full/Partial)	Information on asset transfer and disposal submitted to Legislature (Y/N)
Y	Y	Y	N

Data source: <https://www.pcsp.gov.mn/file/3857>.

## PI-13. Debt management

This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements.

### **Indicator and dimension scores and analysis**

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-13 Debt management (M2)		<b>B+</b>
13.1 Recording and reporting of debt and guarantees	A debt management system is in place. Debt data is reconciled with Treasury data monthly but with other primary sources, such as development partners and bank statements, quarterly. Debt statistics are compiled at least quarterly, and provided to the Cabinet and the National Statistics Office, which publish the data on an online statistical portal. Development partners advise that debt data and statistics are reliable.	<b>B</b>
13.2 Approval of debt and guarantees	An annual borrowing limit is approved by Parliament with the budget. Debt Management Law and Budget Law provide the Minister of Finance sole authority for issuing and approving debt and guarantees based on prior approval of the Cabinet. Regulations and policies guide debt operations.	<b>A</b>
13.3 Debt management strategy	A Medium-Term Debt Management Strategy 2019-2022 is in place and approved by Parliament, which includes target ranges for interest rates, refinancing, and foreign currency risk. The government's annual borrowing plan is consistent with the approved strategy. The MoF reports to the Cabinet annually against the plan and to Parliament prior to the end of the three-year period of the strategy (but not annually).	<b>B</b>

**Evidence for score****Table 13.1 Recording and reporting of debt and guarantees**

Domestic and foreign debt and guarantee records maintained (Y/N)	Frequency of update of records (M/Q/A)	Records are complete and accurate (Y/N)	Frequency of reconciliation M=Monthly Q=Quarterly A=Annually N=Not done (Add whether All; Most; Some; Few)	Statistical reports (covering debt service, stock, and operations prepared) M/Q/A/N	Additional information from reconciliation reported (if no statistical report) Y/N	Data source
Yes	Monthly	Yes	Quarterly	Quarterly	No	<a href="https://www.1212.mn/tables.aspx?TBL_ID=DT_NSO_0700_028V1">https://www.1212.mn/tables.aspx?TBL_ID=DT_NSO_0700_028V1</a>

**Table 13.2 Approval of debt and guarantees**

Primary legislation exists (Y/N; Name of Act)	Documented policies and guidance (Y/N; Name of regulation/policy)		Debt management responsibility (Y/N; Name and location of unit)		Annual borrowing approved by government or legislature (Y/N, specify last date of approval)	Data source
	Guidance to single debt management entity	Guidance to multiple entities	Authorization of debt granted to single responsible entity	Transactions reported to and monitored only by single responsible entity		
Y Debt management law, Budget law	Y, Procedures for the operation of the primary and secondary markets for government domestic securities regulation	Y, Government Debt Guarantee Agreement, Requirements and Procedures for Settlement of Receivables Regulation	Y, Ministry of Finance (Cabinet approval)	Y, Ministry of Finance	Y, State budget law * 2021 approved by Parliament, November 13, 2020, Annual borrowing plan approved by government, January 23, 2021, not yet been published	<a href="https://www.legalinfo.mn/law/details/10933-debt-management-law">https://www.legalinfo.mn/law/details/10933-debt-management-law</a> <a href="https://www.legalinfo.mn/law/details/12254-budget-law">https://www.legalinfo.mn/law/details/12254-budget-law</a> <a href="https://www.legalinfo.mn/law/details/15726-lawid=15726-State-budget-law-2020">https://www.legalinfo.mn/law/details/15726-lawid=15726-State-budget-law-2020</a>

Data source: <https://www.legalinfo.mn/annex/details/9489?lawid=14170>; <https://www.legalinfo.mn/law/details/11040>;  
<https://www.legalinfo.mn/annex/details/9915?lawid=14515>.

Table 13.3 Debt management strategy

Debt management strategy has been prepared (Y/N)	Date of most recent update	Time horizon (No. of years)	Targets included in debt strategy				Annual report on debt strategy submitted to legislature (Y/N, Date)	Data source
			Interest rates (Y/N)	Refinancing (Y/N)	Foreign currency risk (Y/N)	Evolution of risk indicators only (Y/N)		
Yes, Government debt management strategy 2016-2018	Approved by Parliament on May 23, 2015	3 years, 2016-2018	N	Y	N	N	Yes. April 23, 2019	<a href="https://www.legalinfo.mn/annex/details/6786?law-id=11095">https://www.legalinfo.mn/annex/details/6786?law-id=11095</a>
Yes, Government debt management strategy 2019-2022	Approved by Parliament on May 30, 2019, no update yet	4 years, 2019-2022	Y	Y	Y	Y	Yes. June 23, 2020	<a href="https://www.legalinfo.mn/annex/details/9915?law-id=14515">https://www.legalinfo.mn/annex/details/9915?law-id=14515</a>

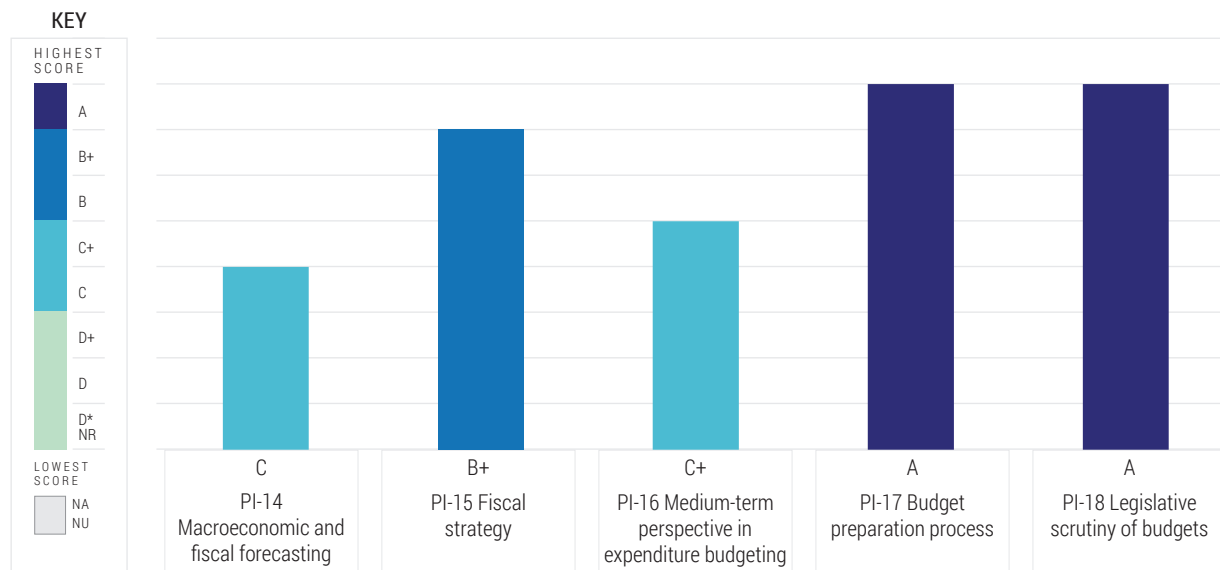
## PILLAR FOUR: Policy-Based Fiscal Strategy and Budgeting

Pillar Four assesses whether the government's fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.

### Overall performance

The budget process of Mongolia is well established and includes many but not all of the desired aspects of good practice. The budget process follows a set calendar, with top-down elements such as a medium-term fiscal framework and clear budget ceilings, and sufficient time for budget entities to prepare their submissions. There are mechanisms in place for Parliament and citizens to play a proactive part in budget preparation and approval. Some desirable aspects, such as a complete set of macroeconomic projections and associated sensitivity analysis, as well as a fully integrated medium-term approach, are not fully enabled.

Figure PILLAR FOUR: Policy-Based Fiscal Strategy and Budgeting



### **Possible underlying causes of performance**

There are many elements of good practice evident which are reflected in the scoring for this pillar. Nonetheless, the absence of a medium-term approach, where forward estimates form the baseline for subsequent budgets, results in considerable effort being required to build the baseline budget each year and this distracts from the policy aspects of the budget. Similarly, the absence of strategic plans for all ministries, and only limited performance information, hinders the capacity for the budget to make shifts in resource allocations to better reflect policy outcomes.

### **Recent and ongoing reform activity**

Reforms have commenced to strengthen the performance-informed programmatic approach to budgeting, including pilots in specific ministries as well as implementation of the first stages of gender responsive budgeting.

Technical assistance is also being provided to the MoF in acquiring skills and systems to improve economic forecasting, which offers the prospect of enhanced and broader economic projections and associated sensitivity analysis.

## **PI-14. Macroeconomic and fiscal forecasting**

This indicator measures the ability of a country to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government's capacity to estimate the fiscal impact of potential changes in economic circumstances.

### **Indicator and dimension scores and analysis**

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-14 Macroeconomic and fiscal forecasting (M2)		<b>C</b>
14.1 Macroeconomic forecasts	The budget documents submitted to Parliament annually contain updated forecasts of GDP growth and inflation for the budget and two following fiscal years, which are independently reviewed by the Audit Office as part of the Parliament's process of considering the budget; but interest and exchange rates, which are the subject of independent policy operations of the Central Bank, are not included within the set of macroeconomic forecasts in the budget documents.	<b>D</b>
14.2 Fiscal forecasts	The budget documents include forecasts of the main fiscal indicators for the budget and two following fiscal years. While the budget documents include the assumptions underlying the key fiscal indicators (such as GDP growth and commodity price drivers), there is no explanation of the differences from the forecasts made in the previous year's budget.	<b>B</b>
14.3 Macrofiscal sensitivity analysis	The macrofiscal forecasts set out in the budget documents contain narratives regarding the impact of alternative macroeconomic assumptions, but no quantitative sensitivity analysis.	<b>C</b>



**Evidence for score****Table 14.1 Macroeconomic and fiscal forecasting**

Indicator	Budget doc. year	Years covered by forecasts			Underlying assumptions provided (Y/N)	Frequency of update 1 = once a year 2 = more than once a year N = Not updated	Submitted to Legislature 1 = budget year only 3 = budget year plus two following fiscal years N = Not published	Alternative fiscal scenarios prepared (Y/N)	Alternative scenarios published (specify relevant document)
		Budget	Forward year 1	Forward year 2					
<b>Key macroeconomic indicators</b>									
GDP growth	2018	4.0	6.6	4.6	Y	2	3	NA	NA
	2019	8.0	6.0	6.0	Y	2	3		
	2020	6.0	6.0	6.0	Y	2	3		
Inflation	2018	8.6	8.0	8.0	Y	2	3	NA	NA
	2019	8.0	8.0	8.0	Y	2	3		
	2020	8.0	8.0	8.0	Y	2	3		
Interest rates	2018	NA	NA	NA	NA	NA	NA	NA	NA
	2019								
	2020								
Exchange rate	2018	NA	NA	NA	NA	NA	NA	NA	NA
	2019								
	2020								
<b>Fiscal forecasts</b>									
Aggregate expenditure	FY-0	Yes	Yes	Yes	Yes	2	3	Y	No
	FY-1								
	FY-2								
Fiscal balance	FY-0	Yes	Yes	Yes	Yes	2	2	Y	No
	FY-1								
	FY-2								
Aggregate revenue	FY-0	Yes	Yes	Yes	Yes	2	2	Y	No
	FY-1								
	FY-2								
Revenue by type	FY-0	Yes	Yes	Yes	Yes	2	2	Y	No
	FY-1								
	FY-2								

Data source: Forecasts of [2018](#), [2019](#), and [2020](#) hyperlinked.

## PI-15. Fiscal strategy

This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals.

### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-15 Fiscal strategy (M2)		<b>B+</b>
15.1 Fiscal impact of policy proposals	As part of the budget process, detailed estimates of the fiscal impacts of all proposed changes in revenue and expenditure policy are prepared for the budget and following two fiscal years. On the expenditure side of the budget, these proposals and costings are prepared by budget entities, whereas on the revenue side of the budget tax policy changes are proposed in detail by the MoF and non-tax revenue changes by the respective budget entity. However, Parliament is not provided with the detailed costing for each individual new policy adopted.	<b>B</b>
15.2 Fiscal strategy adoption	The Fiscal Stability Law 2010 ("FSL") contains "special fiscal requirements," including quantitative limits on structural deficit (% GDP), expenditure growth (% sectoral GDP), and debt (% of GDP). In accordance with the FSL, a statement of fiscal policy and objectives for the budget and following two fiscal years associated with the attainment of these social fiscal requirements are set out in the Medium-Term Fiscal Framework that the IBL requires to be submitted to Parliament before May 1 each year and published.	<b>A</b>
15.3 Reporting on fiscal outcomes	The MTFE describes and explains progress against the fiscal strategy, including reasons for deviations from previously stated targets, but does not outline specific actions to address any deviations. Budget execution reports track progress against targets and outline actions to address deviations but are not submitted to Parliament.	<b>B</b>

### Evidence for score

Table 15.1 Fiscal impact of policy proposals

Estimates of fiscal impact of ALL proposed changes prepared			Data source
Budget year	Two following fiscal years	Submitted to Legislature	
2019	Yes	No	Budget submissions
2020	Yes		
2021	Yes		

Table 15.2 Fiscal strategy adoption

Fiscal strategy prepared (Y/N)	Submitted to Legislature (Y/N, date)	Published (Y/N, date)	Internal use only (Y/N)	Includes quantitative information			Includes qualitative objectives (Y/N)
				Time-based goals and targets	Or objectives only		
					Budget	Forward years	
Y	Y, before May 1	Published a few days after SGH approval	N (public)	Yes (Fiscal Balance as % of GDP, Expenditure growth % GDP growth, Debt % of GDP)	NA	NA	Yes FSL contains a qualitative strategy for fiscal policy, such as promoting macroeconomic, taxation revenue, and price stability

Data source: Submitted MTF documents are available on the Parliament website [www.parliament.mn](http://www.parliament.mn). Approved MTF is available on [www.legalinfo.mn](http://www.legalinfo.mn).

Table 15.3 Reporting on fiscal outcomes

Progress report completed (Y/N)	Last fiscal year covered	Submitted to Legislature (Y/N, date)	Published with budget (Y/N, date)	Includes explanation of deviation from target (Y/N)	Includes actions planned to address deviations
Medium-Term Fiscal Framework	2019-20	Y	Y	Y	N
Annual execution of budget	2019	Y August 27, 2020	N	Y	Y
Pre-election report	2016-20	Pre-election report is prepared by government every election (Parliament, president) year	N	Y	N

Data source: [www.legalinfo.mn](http://www.legalinfo.mn).

## PI-16. Medium-term perspective in expenditure budgeting

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans.

### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-16 Medium-term perspective in expenditure budgeting (M2)		C+
16.1 Medium-term expenditure estimates	The 2020/2021 Budget Estimates project expenditure for the fiscal year and the two following years disaggregated by administrative, economic type, and program. The program classification used in the budget presentation is partially defined based on COFOG (first digit reflects 1 <sup>st</sup> digit of COFOG).	A
16.2 Medium-term expenditure ceilings	Aggregate ceilings are approved by Cabinet prior to the issuing of the budget circular in the context of the approval of the MTFE. Ministry-level ceilings are also approved by Cabinet prior to distribution of the budget circular, but for the budget year only.	B
16.3 Alignment of strategic plans and medium-term budgets	Strategic plans are prepared by some ministries (representing 31% of the five largest ministries' budgets) but the identification and prioritization of spending aligns with the strategic plans in those ministries only some of the time and in none of the time for the other ministries (as they do not have strategic plans). Assessments of public investment projects for alignment with strategy are undertaken against sectoral plans rather than ministry-level strategic plans.	D
16.4 Consistency of budgets with previous year's estimates	There is no reconciliation of the budget and forward-year estimates from one year to the next.	D

### Evidence for score

Table 16.1 Medium-term expenditure estimates

Classification	Budget year (Y/N)	Two following fiscal years (Y/N)	Data source
Administrative	Y	Y	<a href="#">Budget Law</a> , <a href="#">Budget Stability Law</a> , <a href="#">MTFE 2021</a>
Economic	Y	Y	
Program/Function	Y	Y	

Data source: <https://www.legalinfo.mn/law/details/15573>.

Table 16.2 Medium-term expenditure ceilings

Level	Budget year	Two following fiscal years	Date of advice	Data source
Aggregate ceiling	Y	Y	May	<a href="#">Budget Law</a> , <a href="#">Budget Stability Law</a> , <a href="#">MTFF 2021</a>
Ministry Ceiling	Y	N	July	

Table 16.3 Alignment of strategic plans and medium-term budgets (five largest ministerial budgets)

Ministry	Budget Allocation (million MNT; updated as of 2020 BER)	Medium-term strategic plan (MTSP) prepared	MTSP costed	Expenditure proposals consistent with MTSP (most, majority, some, none)	Data source
1. Ministry of Finance	2,840,324.0	N	N	None	Evidence not provided
2. Ministry of Labor and Social Protection	2,229,805.4	N	N	None	Budget proposal 2021 submitted to MoF (internal)
3. Ministry of Education and Science	1,552,981.7	Y	Y	Some	Budget proposal 2021 submitted to MoF (internal); Strategic plan 2021 submitted to MoF (internal)
4. Ministry of Health	986,905.6	Y	Y	Some	Budget proposal 2021 submitted to MoF (internal); Strategic plan 2021 submitted to MoF (internal)
5. Ministry of Justice and Internal Affairs	621,116.0	N	N	None	Evidence not provided
Total/% Coverage	8,231,132.7 77%				

Data source: The budget law 2021 <https://www.legalinfo.mn/law/details/15726?lawid=15726>.

**Table 16.4 Consistency of budgets with previous year's estimates**

Ministry	Explanation of change to previous year's estimates prepared included in budget documents (Y/N)	Reconciled with medium-term budget estimates (Y/N)	Reconciled with first year of new budget estimates (Y/N)	Source of evidence
All ministries	N	N	N	Budget documents

## PI-17. Budget preparation process

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely.

### *Indicator and dimension scores and analysis*

Indicators/Dimensions	Assessment of performance	2021 SCORE
PI-17 Budget preparation process (M2)		<b>A</b>
17.1 Budget calendar	The Budget Calendar for the 2021 Budget was issued on July 5, 2020 (received by line ministries on July 10), with submissions due back at the Ministry of Finance by August 14, 2020 (5 weeks) for central-level budget entities and August 1, 2020 (3 weeks and 6 days) for subnational governments (less than 10% of expenditure). All budget entities complied with the deadline.	<b>B</b>
17.2 Guidance on budget preparation	A comprehensive circular is issued each year by July 5 that sets out the requirement for budget submissions, including ceilings approved in advance by Cabinet covering all budget expenditure for the whole fiscal year, and having regard to the approved Medium-Term Fiscal Framework Strategy document.	<b>A</b>
17.3 Budget submission to the Legislature	2020 Budget was submitted on September 26, 2019 2019 budget was submitted on September 27, 2018 2018 Budget was submitted on September 28, 2020	<b>A</b>

**Evidence for score****Table 17.1 Budget calendar and budget circular**

Budget calendar exists (Y/N)	Date of budget circular	Deadline for submission of estimates	Coverage	% of ministries complying with deadline	Date Cabinet approved ceilings	Budget estimates are reviewed and approved by Cabinet after completion (if ceilings not issued) (Y/N)	Data source
Y Article 8 of IBL	The State Central Administrative Body Responsible for Finance and Budget Matters shall deliver to general budget governors annual budget ceilings approved by the Government along with the budget circular by July 5 of each year (Article 8.3.4 of Budget Law). Actual date for 2021 budget was July 10 (date received by ministries).	Article 8.3 of IBL (August 15 for 2021 budget per circular)	All general budget governors (for 2021 budget, the circular provided total coverage)	100%	The Government shall discuss and approve draft annual budget ceilings of general budget governors by July 1 of each year (Article 8.3.3 of Budget Law).	Y Article 8.4.4: The State Central Administrative Body Responsible for Finance and Budget Matters shall consolidate and prepare annual budget proposals defined in provision 8.4.3 of this Law and submit it to the Government by September 15 of each year. Article 8.4.5: The Government shall submit the annual budget proposal to the State Great Khural by October 1 of each year.	Budget Calendar

Data source: Budget circular <https://MoF.gov.mn/article/entry/news-07-10>.

**Table 17.3 Budget submission to Legislature**

Budget year	Date of submission of budget proposal	Data source
2021	September 30, 2020	<a href="http://forum.parliament.mn/projects/10946">http://forum.parliament.mn/projects/10946</a>
2020	September 26, 2019	<a href="http://forum.parliament.mn/projects/10660">http://forum.parliament.mn/projects/10660</a>
2019	September 27, 2018	<a href="http://forum.parliament.mn/projects/445">http://forum.parliament.mn/projects/445</a>

## PI-18. Legislative scrutiny of budgets

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the Legislature scrutinizes, debates, and approves the annual budget, including the extent to which the Legislature's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the Legislature.

### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-18 Legislative scrutiny of budgets (M1)		A
18.1 Scope of budget scrutiny	<p>The State Great Khural (the national parliament of Mongolia) exercises considerable authority over the budget, as specified in Article 9 of the IBL. Specifically, Parliament holds and exercises the authority to approve the Government's Medium-Term Fiscal Framework (MTFF), the annual development vision (called Guidelines for Socio-economic Development), the annual budget, and supplementary budgets. Regarding macroeconomic assumptions and revenue forecasts, considerable time is dedicated to the debate of these items to ensure that as indicated by the IBL the MTFF abides by the fiscal rules specified under the Fiscal Stability Law.</p> <p>In addition to the role of Parliament in scrutinizing the budget, on December 22, 2017 the Fiscal Stability Council (FSC) was established by <a href="#">Parliamentary resolution no. 83</a> under the Budget Standing Committee, which aims to strengthen fiscal discipline and public oversight in the country.</p>	A
18.2 Legislative procedures for budget scrutiny	<p>The Legislature's procedures for budgetary review are established in the Law on the Parliamentary Session Procedures, amended in May 2020 (Articles 63-73), which is abided by. Before the budget is approved it has to go through four hearings, including a plenary session, standing committees, party and coalition caucuses, and the budget expenditure oversight sub-committee, with feedback and comments compiled and reflected in amendments by the Budget Standing Committee (BSC). Discussions of the budget law in the Parliament are transmitted live through the parliament-dedicated television channel. Moreover, as prescribed in the Law on Legislation (2016) and Article 37 of the amended Law of Parliament Procedures (2020), specific provisions for receiving and discussing public comments must be followed. In practice, citizens can submit questions and opinions through a dedicated e-feature on the official Parliament website.</p>	A
18.3 Timing of budget approval	<p>Deadlines imposed by the IBL regarding when the budget must be presented to Parliament (October 1) and when it should be approved following scrutiny (by November 15) have been abided. The Parliament of Mongolia has approved the annual budget before the start of the year in each of the last three fiscal years.</p>	A
18.4 Rules for budget adjustments by the executive	<p>Articles 34 and 42 of the IBL (2011) clearly state the extent and nature as well as strict limits for in-year budget amendments by the executive. These rules are always respected.</p>	A



**Evidence for score****Table 18.1 Scope of budget scrutiny**

Legislature reviews budget (Y/N)	Coverage (specify)				
	Fiscal policies	Medium-term fiscal forecasts	Medium-term priorities	Aggregate expenditure and revenue	Details of expenditure and revenue
Y	Y	Y	Y	Y	Y

Data source: As specified in the IBL 2011 ([Article 9](#)), Parliament has the authority to scrutinize the budget. The budget book is submitted to the Parliament at the time the budget proposal is submitted. The budget book includes detailed information necessary to the Legislature for performing the required scrutiny. The budget is publicly available [here](#). Moreover, the newly created FSC has also the mandate to scrutinize the budget and provide its analysis and recommendations to the BSC per Parliamentary Resolution No. 831.

**Table 18.2 Legislative procedures for budget scrutiny**

Legislative procedures exist (Y/N)	Approved in advance of budget hearings (Y/N)	Procedures are adhered to (Y/N)	Procedures include organizational arrangements (Y/N)
Y	Y	Y	Y

Data source: [Article 8 of the IBL \(2011\)](#) clearly states timing of the budget procedure; [Law on the Parliamentary Session Procedures \(2020\) Articles 63- 73](#).

**Table 18.3 Timing of budget approval**

Budget for fiscal year	Date of budget approval
2021	November 13, 2020
2020	November 13, 2019 August 28, 2020 (amendment)
2019	November 2, 2018
2018	November 14, 2017

Data source: [FY-2021](#), [FY-2020](#), [FY-2019](#), [FY-2018](#).

**Table 18.4 Rules for budget adjustments**

Clear rules exist (Y/N)	Rule include strict limits (extent and value)	Actual amount of reallocations in accordance with rules (% of BCG budget)	Extent of adherence to rules (all, most, some)
Y	The rules governing budget amendments are clearly specified in detail in the IBL (Articles 34 and 42). Any increase in government expenditures or reallocations between ministries (general budget governors) requires the government to submit a request for a supplementary budget to parliament.	NA	All

Data source: [Articles 34, 42 of the IBL](#).

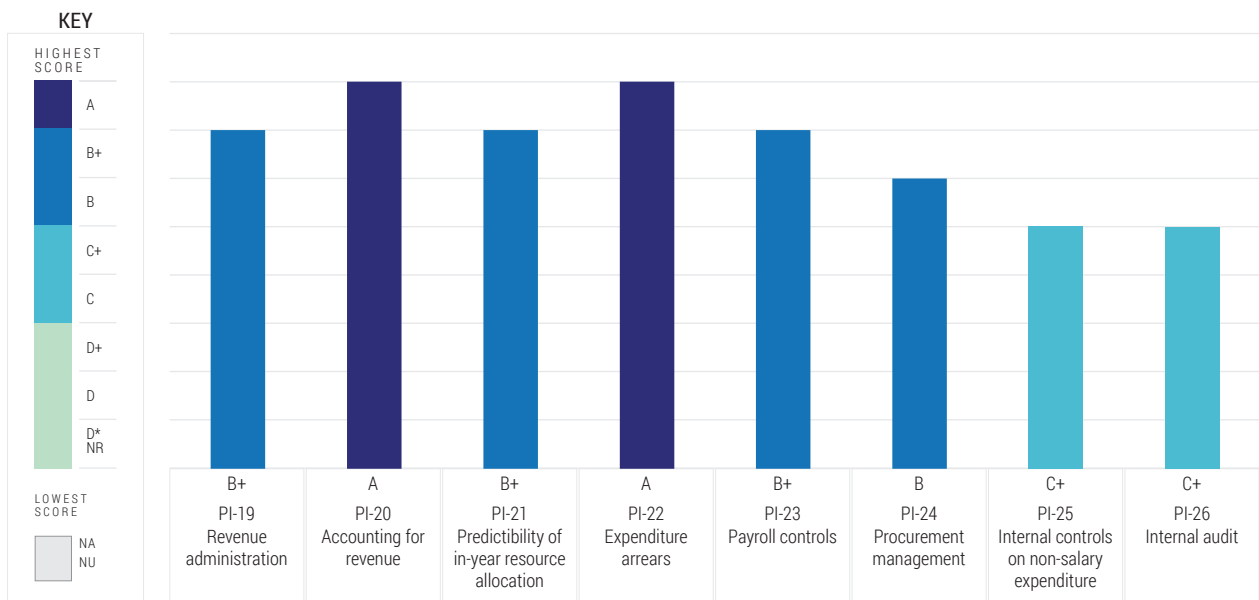
## PILLAR FIVE: Predictability and Control in Budget Execution

Pillar Five assesses whether the budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended.

### Overall performance

The government does a good job in executing the budget as well as in managing its revenues. On the revenue side, the government has information and transfers revenues to a Treasury Single Account (TSA) on a daily basis with reconciliations of more than 90 percent of revenues happening monthly. Rights and obligations for revenue measures are clear with functional redress mechanisms in place. Risk-based audits form the basis for the audit plan, which is largely executed. There is, however, a significant stock of tax arrears, at close to 20 percent of annual collections. Predictability of in-year resource allocation is overall satisfactory, despite frequent changes to allotments. Core elements of expenditure controls are in place for both payroll and non-payroll expenditures. However, lack of commitments controls within the GFMIS undermines some of their efficiency. Procurement practices are mostly adequate with competitive methods generally preferred. The internal audit function is not yet fully operational in compliance with the international good practices and is still in a transition from traditional models of financial control.

Figure PILLAR FIVE Predictability and Control in Budget Execution



***Possible underlying causes of performance***

The existence of the Treasury Single Account and the GFMIS as well as an e-Procurement system provides a sound foundation for a well-executed expenditure side of the budget, with insignificant expenditure arrears, functional payroll controls, and solid elements of non-payroll controls, although with weak commitment controls. Although the lack of commitment controls has not yet resulted in large expenditure arrears, moving from manual to integrated commitment controls within GFMIS would contribute to improving efficiency. Despite budget amendments handled in a transparent manner, frequent changes to allotments to spending agencies may aid the high variance in expenditure outturns (PI-2).

Internal audit suffers from a heavy focus on financial compliance and control, which results in a lack of attention to performance issues as well as insufficient follow-up on the audit findings and recommendations.

For revenue measures, legislation and government systems seem to convey information on rights and obligations in a clear manner, and a risk-based approach is used for audits. However, lack of comprehensive risk-based compliance management beyond audit undermines its efficiency, and in particular does not support sound arrears management. This combined with historic arrears results in high share of tax arrears in annual collections.

***Recent and ongoing reform activity***

Mongolia has recently accomplished a significant number of reforms toward strengthening cash management, expanding the scope of the TSA, improving payroll control as well as internal control of the Treasury, enhancing functionalities of the e-procurement system, and so forth. These efforts have contributed to the fairly strong performance under this pillar.

Some of the weaknesses are being addressed as part of the ongoing reforms with support from the World Bank-funded Strengthening Fiscal and Financial Stability project (e.g., integrating commitment control within the GFMIS to help improve budget control in the country, strengthening the public sector internal audit practices, and so forth).

**P-19. Rights and obligations for revenue measures**

This indicator relates to the entities that administer central government revenues, which may include tax administration, customs administration, and social security contribution administration. It also covers agencies administering revenues from other significant sources, such as natural resources extraction. The indicator assesses the procedures used to collect and monitor central government revenues.

### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-19 Revenue administration (M2)		B+
19.1 Rights and obligations for revenue measures	Entities collecting most revenues use multiple channels to provide payers with easy access to comprehensive and up-to-date information on the main revenue obligation areas and on rights, including redress processes and procedures. Information with respect to all major tax legislation, related changes, decisions, and procedures is publicly available on the tax authority's website, newspapers, and official government publications. The online information system provides comprehensive information on tax laws, mobile applications, and online instruction on the tax-filing process; templates, forms, and detailed procedures are also available on the website. The tax authority also has taxpayer service desks in its headquarters and in the district tax offices, as well as hotline services. The multi-tier redress mechanism exists and is functional.	A
19.2 Revenue risk management	The Mongolian Tax Administration (MTA) and General Customs Administration (GCA) use a structured and systematic approach for assessing and prioritizing compliance risks for most categories of revenue, in particular high-income taxpayers. The approach is not comprehensive as the compliance management plan across all processes of registration, filing, payment, and audit is not yet fully in place.	B
19.3 Revenue audit and investigation	Audits are conducted according to a documented, and the government completes more than 90% of audits. Although this number fell insignificantly in 2020, it was related to COVID-19 limitations.	A
19.4 Revenue arrears monitoring	The tax arrears accumulated to more than 20% percent of annual collections, but old arrears are below 75% of the stock.	C

### Evidence for score

Table 19.1 Revenue administration (i) rights, obligations, and risk management

Entity	Information available to taxpayers' rights and obligations				Risk management	
	Revenue obligations (Y/N)	Redress (Y/N)	Source of information (Specify)	Is up-to-date (Y/N)	Approach	Coverage
MTA	Y	Y	Database of tax registration and information	Y	1. Taxpayer law enforcement strategy 2. Strategy for enforcing legislation in the shadow economy	1. Micro segment 2. Small segment 3. Middle segment 4. Large segment
GCA	Y	Y	Website	Y	To generate state budget revenue, the program applies the principle of mandatory targeting of business entities involved in violations related to customs tax evasion	Business entity, individual, citizen

Data source: Tax inspection procedures <http://mta.mn/app/f?id=8934&tid=77092>; Mongolian Tax Authority <http://mta.mn/>

Table 19.2 Revenue administration (ii) audit, fraud investigation, and arrears

Entity	Revenues*		Audit and fraud investigations undertaken (Y/N)	In accordance with compliance improvement plan (Y/N)	Compliance improvement plan documented (Y/N)	Stock of arrears, 2020	
	\$ billion	% of all revenue				\$ billion	% of annual collection
MTA	1.39	54.5%	Y	Y	Y	0.29	20.8%
GCA	1.02	40.2%	Y	Y	Y	0.01	1.2%

Table 19.3 Size of revenue collecting agencies

Entity	Receipts \$ billion	%
MTA	1.39	54.4
GCA	1.03	40.2
<b>Total</b>	<b>2.41</b>	<b>94.6</b>

Table 19.4 Execution of compliance/Audit plan

Entity		Plan		Actual		%	
		2019	2020	2019	2020	2019	2020
MTA	Audits of tax returns	52	52	52	52	100%	100%
	Complex audits	2682	1351	2553	1184	95.2%	87.6%
GCA	Audits of tax returns	NA		NA		NA	
	Complex audits	NA		NA		NA	

Data source: Tax inspection procedures <http://mta.mn/app/f?id=8934&tid=77092>.

## PI-20. Accounting for revenue

This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts. It covers both tax and non-tax revenues collected by the central government.

### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-20 Accounting for revenue (M1)		<b>A</b>
20.1 Information on revenue collections	The Ministry of Finance obtains revenue data at least monthly from entities collecting all central government revenue. This information is disaggregated by revenue type and is consolidated into a report.	<b>A</b>
20.2 Transfer of revenue collections	Transfer of revenue is undertaken on a daily basis for more than 90% of revenues collected.	<b>A</b>
20.3 Revenue accounts reconciliation	Complete reconciliation of tax assessments, collections, arrears, and transfers to Treasury takes place at the end of every month.	<b>A</b>

**Evidence for score**

**Table 20.1 Accounting for revenue**

Entity	Revenue and % of total CG revenue	Data collected by Ministry of Finance			Revenue collections deposited		Reconciliation	
		At least monthly (Y/N)	Revenue type (Y/N)	Consolidated report (Y/N)	Frequency	To Treasury of MoF Account	Frequency	Within
<b>Revenue collected by budgetary units</b>								
MTA	1,390.3	Y	Y	Y	Daily	Y	Monthly	2 weeks
GCA	1.02	Y	Y	Y	Daily	Y	Monthly	2 weeks
Government Agency for Policy Coordination And State Property	61.5	Y	Y	Y	Daily	Y	Monthly	2 weeks
Civil Aviation Authority	26.6	Y	Y	Y	Daily	Y	Monthly	2 weeks
Ministry of Finance	110.6	Y	Y	Y	Daily	Y	Monthly	2 weeks
Diplomatic missions	3.8	Y	Y	Y	Daily	Y	Monthly	NA
Professional Inspection Agency	1.3	Y	Y	Y	Daily	Y	Monthly	2 weeks
General Authority for State Registration	4.1	Y	Y	Y	Daily	Y	Monthly	2 weeks
Mineral Resources and Petroleum Authority	53.3	Y	Y	Y	Daily	Y	Monthly	2 weeks
National Policy Agency	0.5	Y	Y	Y	Daily	Y	NA	NA
Department of Land Management, Geodesy and Cartography	0.8	Y	Y	Y	Daily	Y	NA	NA
Mongolia Maritime Administration	0.1	Y	Y	Y	Daily	Y	NA	NA
General Department of Labor And Welfare	0.04	Y	Y	Y	Daily	Y	NA	NA
<b>Sub-total</b>	<b>2,678.4</b>							
<b>Revenues collected by Extrabudgetary Units (NA)</b>								

Data source: MoF, Treasury, MTA, and GCA.

**PI-21. Predictability of in-year resource allocation**

This indicator assesses the extent to which the central Ministry of Finance is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery.

**Indicator and dimension scores and analysis**

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-21 Predictability of in-year resource allocation (M2)		B+
21.1 Consolidation of cash balances	The Treasury Single Account has been in use for over a decade, and through it most government accounts are centralized at the Bank of Mongolia. Various revenue-collecting agencies (customs, tax, registration) maintain collection accounts with commercial banks, but these accounts are swept daily to show zero balances, and commercial banks submit reports on this activity to the Bank of Mongolia. More than 90% of cash balances are calculated and consolidated daily and reported to the MoF. This report is used as an input for cash forecasting. Funds that remain outside this arrangement include some donor-funded projects, diplomatic missions, security and armed forces, Education Loan Fund, Crop Production Support Fund, SME Development Fund, Social Welfare Fund, and Employment Promotion Fund. Excluding the Social Welfare Fund, which is part of the central government but not considered to be budgetary central government, funds outside the Treasury Single Account were less than 6% of the budget in 2019. The balances on these funds are reconciled monthly.	A
21.2 Cash forecasting and monitoring	A cash flow forecast is prepared for the fiscal year, and is updated weekly on the basis of actual cash inflows and outflows. The cash forecasting has been strengthened to reflect 10-year historical data on cash inflows and outflows and new forecasting techniques. The Public Investment Department developed an information system used to monitor financing needs of large projects.	A
21.3 Information on commitment ceilings	Ministries, department, and agencies are provided monthly commitment ceilings at the beginning of the year, but commitment ceilings are subject to frequent changes.	C
21.4 Significance of in-year budget adjustments	Parliament makes significant in-year adjustments to budget allocations not more than twice a year and amendments are undertaken in a fairly transparent way. There are rules in budget adjustments not requiring parliamentary approval and these are also undertaken in a fairly transparent manner in accordance with Article 42 of the Budget Law. The size of adjustments was more significant in 2020, but this was related to the COVID pandemic and is considerably smaller under normal circumstances.	B

**Evidence for score****Table 21.1 Consolidation of bank and cash balances**

Extent of consolidation (all, most, < most)	Frequency of consolidation (D, W, M)
All	D

Note: D = Daily, W = Weekly, M = Monthly.

Data source: Cash balance daily reports and forecasting model.

Table 21.2 Cash flow forecasts, commitment controls, and budget adjustments

Cash flow forecast (Y/N)	Frequency of update (M/Q/A)	Update based on cash inflows (Y/N)	Frequency of release of commitment ceilings (M/Q/A)	Budget adjustments		
				Frequency	% of BCG expenditure	Transparent
Y	M	Y	M-Expenditure ceilings	Once (8 elements amended)	7% (less than 1% without parliamentary approval)	Budget amendment is approved by Parliament and made public in due time

Note: M = Monthly, Q = Quarterly, A = Annually.

Data source: Decree of Minister of Finance No.147 dated June 30, 2014; Decree of Minister of Finance No.134 dated June 8, 2018.

## PI-22. Expenditure arrears

This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control.

### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
<b>PI-22 Expenditure arrears (M1)</b>		<b>A</b>
<b>22.1 Stock of expenditure arrears</b>	The stock of expenditure arrears was below 2% of expenditures in all three years.	<b>A</b>
<b>22.2 Expenditure arrears monitoring</b>	The stock of payments has been declining over the years as a consequence of control of MoF over expenditure ceilings through GFMS. The Treasury Department produces monthly reports on arrears and at the end of the fiscal year a consolidated report is produced. Beginning from the 2019 fiscal year, Consolidated Financial Statements include expenditure arrears reported by age and composition.	<b>A</b>

### Evidence for score

Table 22.1 Stock and monitoring of expenditure arrears

Stock of arrears		Arrears monitoring		Data source
Year	As % of expenditure	Stock age and composition (Y/N/NA)	Frequency of reports (M/Q/A)	
2018	0.8%	Y	M	Annual budget execution reports, and In-year budget execution reports and statements
2019	0.2%	Y	M	
2020	0.2%	Y	M	



## PI-23. Payroll controls

This indicator is concerned with the payroll for public sector civil servants only: how it is managed, how changes are handled, and how consistency with personnel records management is achieved.

### *Indicator and dimension scores and analysis*

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-23 Payroll controls (M1)		<b>B+</b>
23.1 Integration of payroll and personnel records	In 2018, the Civil Service Council (CSC) launched the Integrated Human Resource System (IHRS), and all budget entities except Defense and Internal Affairs entities now register personnel information in the system. The MoF established an Integrated Payroll System (IPS) for civil servants. The data from both systems is reconciled on a monthly basis and the systems are interconnected. Since 2020, data is significantly improved as payroll is supported by full documentation for all changes each month, and staff hiring and promotion is controlled by a list of approved staff positions. Although GFMS is not handling payroll at the moment, IPS receives wage bill allocations from it.	<b>B</b>
23.2 Management of payroll changes	The IHRS hosted by CSC is used to upload the data to IPS. The implementation of IPS across the government is close to 97% of budget entities (with a few exceptions in Defense and Internal Affairs), so that payroll data for 4,134 entities is reconciled nationwide. Every central government budgetary entity has its own access to IPS and imports data from IHRS and calculates monthly payroll and pay through its TSA account to civil servants.	<b>A</b>
23.3 Internal control of payroll	An audit trail exist in both IHRS and IPS; in addition, hard copies are kept by budget entities. Authority and basis for changes to personnel records and the payroll are clear. Every Treasury branch has access to review payroll processing for internal control purposes.	<b>A</b>
23.4 Payroll audit	An annual payroll audit exists and is conducted depending on the size of the budget. Audit firms or designated national auditors undertake payroll auditing and provide comments on payroll expenses.	<b>B</b>

**Evidence for score**

**Table 23.1 Payroll controls**

Function	Y/N	By whom	Frequency (if applicable)
Hiring and promotion checked against approved staff list	Y	HR Managers through IHRS	Monthly
Reconciliation of payroll and personnel database	Y	Regular reconciliation through IPS and IHRS	Monthly
Documentation maintained for payroll changes	Y	Budget entities	Monthly
Payroll checked and reviewed for variances from last payroll	Y	Accountants of budget entities	Every time to calculate monthly pay for civil servants
Updates to personnel records and payroll	Y	Heads of budget entities/HR managers/accountants	Ongoing
Updates include validation with approved staff list	Y	CSC	Monthly
Audit trail of internal controls	Y	IT systems and HR managers of budget entities	NA
Payroll audits in last three years, with defined coverage	Y	National auditors and audit firms	Annual

Data source: Public service human resource management system: <https://hr.csc.gov.mn/hub/login.html> ;  
Public service payroll system: [www.payroll.gov.mn](http://www.payroll.gov.mn).

**PI-24. Procurement**

This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements.

**Indicator and dimension scores and analysis**

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-24 Procurement (M2)		<b>B</b>
24.1 Procurement monitoring	Since 2017, the GoM made mandatory by law the use of the e-Procurement system ( <a href="http://www.tender.gov.mn">www.tender.gov.mn</a> ) as the single access point for government procurement in Mongolia. The E-procurement system covers procurement information for all procurement methods for goods, services, and works. Per the 2020 "Procurement Evaluation Report of General Budget Governors," 99% of the total government procurement is organized through the e-Procurement system. It provides information on procurement plans, the relevant bidding procedure, notifications, bidding documents, participation, opening of bids, procurement results, etc. Some of the information on the website is also available in the English language, facilitating the participation of international bidders. The e-Procurement system databases and records are maintained for contracts, including data on what has been procured, value of procurement, and who has been awarded the contracts.	<b>A</b>

24.2 Procurement methods	<p>The regulatory framework for budget procurement, including the latest amendments to the Public Procurement Law of Mongolia (PPLM) in April 2019, is generally comprehensive and makes open and competitive methods the default method of procurement, and provides adequate grounds for public disclosure. However, some exceptions remain in place allowing the use of less competitive methods and are still stipulated in the law.</p> <p>Based on the official information provided by the MoF for 2020 (Consolidated procurement report of goods, works, and services by general budget governors), 69.66% of the total value of contracts was awarded through competitive methods.</p>	C
24.3 Public access to procurement information	<p>Through the e-Procurement system (<a href="http://www.tender.gov.mn">www.tender.gov.mn</a>), which covers 99% of procurement operations, the GoM makes available to the public in a timely manner information on five of six required elements, including (i) legal and regulatory framework for procurement; (ii) government procurement plans for state and local budget entities; (iii) bidding opportunities; (iv) data on resolution of procurement complaints; and (v) annual procurement statistics.</p> <p>In addition, all procurement activities funded by the state budget are recorded in the Glass Account Portal as the law mandates public entities and SOEs to publish procurement plans, and to disclose financial transactions worth MNT5 million or more, among other requirements.</p>	B
24.4 Procurement complaints management	<p>The existing procurement complaint system in Mongolia meets most (five of six) of the criteria of this dimension. Procurement complaints, as stated in Chapters 54, 55, and 56 of the PPLM (2019), are handled by different government agencies, depending on which part of the procurement process the request for review has been made. However, as established in criterion 1, none of the reviewing bodies of the different government agencies are involved in the procurement transaction or in the process that led to the contract award. No fees are charged for the review per the existing legal framework, although Clause 55.9 of the PPLM indicates that bid security (up to the amount of MNT 20 million) will be made to state revenue when a complaint lodged is found non-substantive. In 2020, 19 companies were included in the list of bidders that are restricted from participating in future public tenders.</p> <p>With regards to the timeframe for issuing decisions about complaints received (criterion 5), most of the complaints received by the MoF were resolved within 14 days, in compliance with the requirement stipulated by the law.</p>	B

### Evidence for score

Table 24.1 Procurement

Database of records maintained A=All; M=Most; Ma=Majority	Percentage of procurement awards through competitive methods	Public access to procurement information (Y/N)				
		Legal/regulatory framework	Procurement plans	Bidding opportunities	Data on complaints	Statistics
A	69.66%	Y	Y	Y	Y	Y

Data sources: E-Procurement Portal: [www.tender.gov.mn](http://www.tender.gov.mn)

Public Procurement Law of Mongolia: <https://www.legalinfo.mn/law/details/493?lawid=493>

Other Legal acts of Public Procurement: <https://www.tender.gov.mn/mn/rules/list>

Budget Governors' Annual Procurement Plan: <https://www.tender.gov.mn/mn/plan/index>

Bid Notices: <https://www.tender.gov.mn/mn/invitation>

Data on Complaints: <https://MoF.gov.mn/article/tender/tender-complain>

Statistics: <https://www.tender.gov.mn/mn/plan/index>

Table 24.2 Procurement complaints mechanism

Characteristics of procurements complaints body (Y/N)					
Not involved in procurement	Fees charged for lodging complaint	Clearly defined and publicly available complaints process	Has authority to suspend procurement process	Decisions made within timeframe specified in rules/regulations	Issues are binding
Y	Y	Y	Y	N	Y

Data sources: [PPLM](#) (2020) and the related regulations approved by the MoF to support the implementation of the law :

- i) "Regulation on the Public Procurement State Inspector"
- ii) "Rule on Registration of Persons Debarred from Public Procurement"
- iii) "The Rule on Resolving Complaints Submitted by Tenderers".

## PI-25. Internal controls on non-salary expenditure

This indicator measures the effectiveness of general internal controls for non-salary expenditures.

### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-25 Internal controls on nonsalary expenditure (M2)		<b>C+</b>
25.1 Segregation of duties	The Integrated Budget Law, Law on Accounting, Regulation on Treasury Operations, Regulation on the Government Financial Management Information System (GFMS), and approved job descriptions for Treasury staff prescribe most roles and responsibilities throughout the expenditure process, ensuring segregation of duties. Expenditure vouchers are subject to ex-ante approval of the Treasury subject to a well-established review and approval process as laid out in the Regulation on Treasury Operations. The Regulation for the GFMS sets out user access at different stages, and some control mechanisms are built in and configured in the system. Segregation of duties is mostly maintained across ministries and departments, although the specific roles and responsibilities of the Treasury staff at the ministries and departments are defined as part of job descriptions that may vary from one organization to another. Some inconsistencies were noted between the roles and responsibilities laid out in the Regulation for the GFMS and those included in the job descriptions of the Treasury staff per an audit on Treasury operations by the Mongolian National Audit Office.	<b>B</b>

25.2 Effectiveness of expenditure commitment controls	Commitments are not recorded in the GFMS, so expenditure control is reliant on containing cash payments within the approved budget allocations and appropriations. With the support of the WB-financed Strengthening Fiscal and Financial Stability Project, the Treasury Department of the MoF has initiated implementation of commitment control and carried out the necessary groundwork in terms of regulatory and operational matters. Accordingly, the commitment module of FreeBalance was purchased and pending to be activated and made operational in the GFMS's latest web-based version with the deployment into GFMS production expected later in 2021.	D
25.3 Compliance with payment rules and procedures	The degree of compliance with rules for processing and recording transactions is generally high and conducted in accordance with the Regulation on Treasury Operations, with the majority of exceptions properly authorized and justified. A Senior Specialist in the Payment and Settlement Division of the central Treasury exercises day-to-day internal control, but the exceptions noted and their resolutions are not systemically recorded for review and follow-up. The same person is also responsible for assessing risks of the Treasury units of not only the central treasury but also the treasury units of line ministries and for developing the schedule of planned internal control engagements. In order to strengthen the current internal control practices, with the support of the WB-financed Strengthening Fiscal and Financial Stability Project, the Regulation on Internal Control of Treasury Operations has been revised in draft to align it accordance with the COSO Internal Control-Integrated Framework. Treasury ex-ante controls also apply over payroll (PI-23) and capital expenditures. For the latter, transparency of the payment process has been greatly improved with the launch of the platform <a href="https://publicinvestment.gov.mn/">https://publicinvestment.gov.mn/</a> in 2019.	B

### Evidence for score

Table 25.1 Segregation of duties and commitment controls

Segregation of duties		Commitment controls		
Prescribed throughout the process (Y/N)	Responsibilities C = Clearly laid down M = Clearly laid down for most key steps N = More precise definition needed	In place (Y/N)	Limited to cash availability A = All expenditure M = Most expenditure P = Partial coverage	Limited to approved budget allocations A = All expenditure M = Most expenditure P = Partial coverage
Yes	M	No	NA	NA

Data sources: Regulation on Treasury Operations: <https://www.legalinfo.mn/annex/details/6664?lawid=10958>; Regulation on the Government Financial Management Information System: <https://www.legalinfo.mn/annex/details/6378?lawid=10391>.

## PI-26. Internal audit

This indicator assesses the standards and procedures applied in internal audit.

### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-26 Internal audit (M1)		<b>C+</b>
26.1 Coverage of internal audit	In accordance with the Article 69.1 of the Integrated Budget Law of Mongolia, all budget governors shall establish their own internal audit units. Accordingly, as of end-2020, a total of 54 internal audit units had been established and were operational at the central government level, representing all 14 ministries (including those budget governors accounting for the largest government expenditures and revenues), the Cabinet Secretariat, as well as 28 implementing agencies of the government and 11 organizations that report directly to the Parliament. These units conduct their operations in accordance with the Internal Audit Charter approved by the Government Resolution #483 in 2015 and with policy and methodological guidance and support extended from the Internal Audit and Monitoring and Evaluation Division (IAMED) of the Financial Control and Risk Management Department (FCRMD) of MoF.	<b>A</b>
26.2 Nature of audits and standards applied	The vast majority of activities on the annual audit plan reviewed focused on financial compliance and financial control. There was limited evidence of compliance with the Institute of Internal Auditors (IIA) framework, though the MoF translated into Mongolian the IIA Framework, revised the Public Sector Internal Audit Manual in 2019 in accordance with the latest changes in the IIA Framework, and adopted a Risk Management Policy, Charter, and Regulation, also in 2019. Quality assurance function over internal audit activities at line ministries exists and a Quality Assurance Methodology was approved by the Ministry of Finance in 2019. Audit activities also include extensive work responding to ad hoc requests for financial control. This further strains the already limited human capacity, which has tended to lead to a reduced number of internal audits planned on an annual basis.	<b>C</b>
26.3 Implementation of internal audits and reporting	Annual audit plans exist. The 2020 plan included a number of planned as well as ad hoc engagements as shown in Table 26.1, with details on audit activities in the work plan and whether or not reports per the plan were issued. Reports consistent with the audit plan were prepared for most of the planned audits. Reports are prepared and distributed to audit clients, including Internal Audit Committees, ministers, and the Cabinet in some cases as deemed appropriate.	<b>B</b>
26.4 Response to internal audits	Management formally endorses audit recommendations for all entities audited, but the responses are not adequate to determine whether appropriate action will be taken to implement the recommendations. There are no consolidated records of implementation of recommendations.	<b>C</b>

**Evidence for score****Table 26.1 Coverage, nature and standards of internal audit**

Internal audit units	Internal audit coverage 2020/21 (26.1) and implemented 2020 (26.3)	Internal audit report prepared (Y/N)	Nature of Audits	Quality assurance/ standards/ high-risk focus (Y/N)	Management Response (complete response, implementation, and review by auditors)
<p><b>Expenditure</b> Top five budget governors accounting for the largest government expenditures:</p> <ol style="list-style-type: none"> <li>1. Minister of Finance - 29%</li> <li>2. Minister of Labor and Social Protection - 20%</li> <li>3. Minister of Education and Science - 15%</li> <li>4. Minister of Health - 7%</li> <li>5. Minister of Justice and Internal Affairs - 6%</li> </ol> <p><b>Revenue</b> Top five budget governors accounting for the largest government revenues:</p> <ol style="list-style-type: none"> <li>1. Minister of Finance - 91%</li> <li>2. Minister of Mining and Heavy Industry - 2%</li> <li>3. Minister of Road and Transport Development - 1%</li> <li>4. Minister of Food, Agriculture and Light Industry - 1%</li> <li>5. Minister of Justice and Internal Affairs - 1%.</li> </ol>	<p>Annual audit plans for 2020 and 2021 were both approved by respective managements. Internal audits cover the organizations' full and partial activities and their financial activities. There have been cases where some planned internal audit activities were cancelled or delayed because of ad hoc financial controls engagements assigned by ministers and the Cabinet.</p>	<p>Yes. When internal audits were performed, audit reports have been prepared.</p>	<p>The internal audit units perform performance audits, though the majority engagements on the annual audit plan have been of the nature of compliance and financial control.</p>	<p>Quality assurance is performed by the IAMED, FCRMD of the MoF for the internal audits at the other budget governors in accordance with an annual plan.</p> <p>As for risk assessment, the MoF assesses its own risks and plans internal audit engagements based on the risk level. For this purpose, the IAMED seeks feedback from other departments on their annual internal audit plan.</p>	<p>Completed internal audit reports are introduced to the management / Internal Audit Committees. Upon review and discussion, the Committees make a decision on further processes.</p>

Data source: 2020/2021 audit plan, audit reports 2018-20.

**Table 26.2 Audits planned**

2020 Audit Plan - audits planned	Reports issued related to subject area	Comprehensive report prepared consistent with audit plan (Y/N)
Mongolian Association of Certified Tax Consultant Non-Profit Organization	Audit on the implementation of contract with the Finance Minister and the implementation of related laws and regulation	Yes
The Global Fund	Financial Control on the activities of 2018 and 2019	The financial control was cancelled due to the Covid-19 Pandemic.
The Status of Large Vehicle Tax Payment	Joint inspection of internal audit and financial control on the activities of 2018 and 2019 with Customs General Authority, Tax General Authority, General Authority for Border Protection, and National Center for Road Transport	Yes. The report was introduced to the Internal Audit Committee.
General Police Department under the Ministry of Justice and Internal Affairs /system-wide	Financial Control on the activities of 2018 and 2019	The financial control was cancelled due to the Covid-19 Pandemic.
National University of Mongolia	Financial Control on the activities of 2018 and 2019	Yes. The report was introduced to the Internal Audit Committee.
Mongolian University of Science and Technology	Financial Control on the activities of 2018 and 2019	Yes. The report was introduced to the Internal Audit Committee.
Mongolian University of Life Sciences	Financial Control on the activities of 2018 and 2019	Yes. The report was prepared; however, due to the pandemic, it has not yet been introduced to the Internal Audit Committee.
The Mongolian National Reinsurance JSC	Financial Control on the activities of 2018 and 2019	The audit was cancelled due to the ad hoc financial control.
Inspections of Mongolian Embassies abroad	Joint inspection	The inspection was cancelled due to the Covid-19 Pandemic.
Technical inspection status of construction projects and activities financed by the state budget	Joint inspection of financial control and internal audit	Yes. The report was introduced to the Minister.
Tax revenue and its expenditure of 24 soums of Zavkhan aimag, and the implementation of local development fund plan and its performance	Ad-hoc financial control on the fiscal years of 2016 to 2019	Yes. The report was introduced to the Cabinet.
Erdenet Mining Corporation and Mongolrostsvetmet SOE	Ad-hoc financial control on the production, financial and economic activities of 2019	Yes. The report was introduced to the Cabinet.
MIAT Mongolian Airlines	Ad-hoc financial control on the activities of 2017, 2018 and 2019	Yes. The report was introduced to the Cabinet.
Construction drawings, approved budget, and the performance of projects financed by the state budget in 2019	Ad-hoc financial control on the activities of 2019	Yes. The report was introduced to the Cabinet.
Government Agency for Policy Coordination on State Property and the Agency for City Property	Ad-hoc financial control on the activities and the project implementations from the beginning of establishment	Yes. The report was introduced to the Cabinet.
General Authority of Health Insurance	Ad-hoc financial control on the activities of 2018 and 2019	Yes. The report was introduced to the Cabinet.
Erdenes Tavan Tolgoi LC	Ad-hoc financial control on the activities of 2016-2020	Yes. The report was introduced to the Cabinet.





## PILLAR SIX: Accounting and Reporting

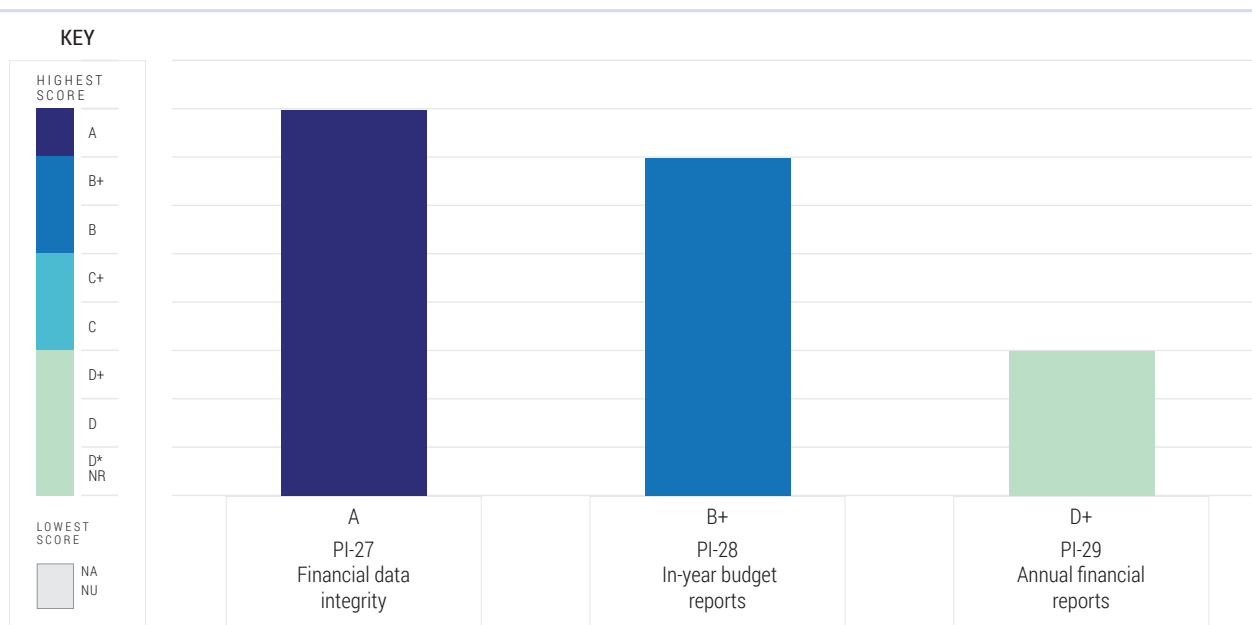
Pillar Six measures whether accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.

### Overall performance

The indicator scores for accounting and reporting range from D+ through A. Of the three areas, both financial data integrity and in-year budget reports are sound; however, annual financial reports and the application of international accounting standards need improvement if they are to be considered fully consistent with international standards of good practice.

The use of a Treasury Single Account within the GoM, with the Government Financial Management Information System (GFMIS) fully operational, is consistent with a model of good practice that creates the prospect of almost real-time accounting and reporting for the budget execution. This is evidenced by the Treasury's ability to provide senior management with daily reports on bank and account balances, as well as aggregates of revenue and reporting. In-year budget execution reports are produced with adequate coverage within a good timeframe. Similarly, the ability to produce annual financial statements within six months shows the benefits of a centralized general ledger. While the extent and coverage of the annual financial statements have been improving on the back of improvements in the GFMIS and other related systems, such as E-Huulga and E-Tailan, there are weaknesses in complying with international accounting standards.

Figure PILLAR SIX: Accounting and Reporting



### ***Possible underlying causes***

**Recent improvements in the GFMIS and other related systems that support government accounting and reporting, such as E-Huulga and E-Tailan, have contributed to strengthening the integrity of financial data and reporting coverage and efficiency.** In 2018, the MoF upgraded the GFMIS to the latest web-based FreeBalance Version 7 (FB v7). The business processes and other interconnected systems have also been revised consistently. The E-Huulga system has enabled budget entities to easily access their budget execution data in the GFMIS, making reconciliation with one's own records more effective. The E-Tailan system, introduced in 2015, has made consolidation of financial statements also more efficient. However, there are difficulties encountered in practice when it comes to opening, closing, managing, monitoring, and reporting government accounts maintained at commercial banks, despite the effective and favorable rules and regulations in place. Thus, the MoF has been working on developing and implementing a Bank Account Management, Monitoring, and Dynamic Reporting System for more efficient reporting on and managing of government accounts.

**Although efforts to improve accounting and reporting for public sector entities have been successful in certain areas, further improvements area still needed.** In particular, issues remain with regards to complying with the international standards per the legal requirements set forth in the Integrated Budget Law (2011) and the Accounting Law (2015) with respect to (i) the government's accounting basis is not yet full accrual, (ii) IPSASs are not adequately implemented, and (iii) the quality and importance of the government's consolidated financial statements are undermined because SOEs with less than 51 percent ownership are not folded within the government's consolidated financial statements, although they are substantively material to the statements.

### ***Recent and ongoing reform activity***

**In accordance with the government's PFM strategy and action plan for 2020-2023 (under budget revenue and expenditure matters), the GFMIS functions are to be improved and integrated with other related systems.** To achieve this goal, the MoF's Treasury Department contracted with Freebalance Ltd to implement a web service extension to the GFMIS, but the possibility of providing all spending units with access to the system remains limited. The Treasury maintains more than 20,000 accounts for more than 4,600 budget entities, including those units located at the local level. To increase the coverage of the accounts in the use of the GFMIS, the MoF plans to undertake further reforms on developing a Portal system that enables electronic exchange of financial information with budget entities, for spending units, billing of utility services, and more. The Treasury intends to work toward improving its operations through interlinked systems with paperless transactions, digital signature approval, and implementation of sub-systems that allow data exchanges with other government agencies, such as the tax office, procurement agency, and the Civil Service Council.

## **PI-27. Financial data integrity**

This indicator assesses the extent to which Treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data.

**Indicator and dimension scores and analysis**

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-27 Financial data integrity (M2)		A
27.1 Bank account reconciliation	Reconciliations of bank accounts held in the TSA at the Central Bank and at commercial banks are undertaken on a daily basis at the aggregate and analytical levels between the Treasury Department and the Central Bank. The Treasury has also been working on developing a software solution that automates the consolidation process, produces real-time reports on bank accounts held at commercial banks, and processes online payment requests from those accounts.	A
27.2 Suspense accounts	The Regulation on Treasury Operations requires at least monthly reconciliation of suspense accounts while in practice unexplained or unusual transactions are recorded and are persistently reconciled on a daily basis through a Smart payment system connected to the Central Bank's ACH system and the Treasury's GFMS. Such accounts are cleared at the latest by the end of the interim and annual reporting periods. For the latter, budget entities have access to the online E-Huulga system where they can track budget performance and transactions in the GFMS against their own records.	A
27.3 Advance accounts	Advance payments comprise those made for travel and mobilization of contractors per the contractual terms, and account for around 1.7% of total assets on the Balance Sheet. Reconciliation of advances is accomplished in a reasonable time to ensure compliance with policy and contract requirements (at the latest, at the time of the quarterly financial reporting process in accordance with the MoF issued <u>Accounting Instructions for Budgetary Organizations</u> ). External audit did not note any material weaknesses with regards to clearing advance accounts.	B
27.4 Financial data integrity processes	The GFMS is the core system of the Treasury used to record and process transactions as well as to manage controls in budget execution, with consideration to appropriate segregation of duties and with access granted to authorized Treasury specialists and civil servants upon signing a confidentiality agreement. The staff responsible for internal control within the Treasury ensure integrity of data in accordance with the Treasury's regulation on internal control. The GFMS is accessible only through a secure MoF network, and detailed audit trails are maintained in the system. Similar access-right policies also apply to other reporting systems, such as E-Tailan and E-Huulga. The MoF's Financial Information Technology Division is responsible for maintaining the integrated system database, ensuring reliable and uninterrupted operation of the Treasury network, and providing call support to promptly resolve system-related issues.	A

**Evidence for score**

Table 27.1 Bank account reconciliation

All active accounts (Y/N)	Frequency (W/M/Q)	Within (1/4/8 weeks)	Aggregate and detailed level (Y/N)
Y	W (Daily)	1	Y

Data source: Joint Decree by the Minister of Finance and Governor of Bank of Mongolia <https://www.legalinfo.mn/law/details/9071>.

**Table 27.2 Suspense and advance accounts**

Suspense accounts reconciliation			Advance accounts reconciliation		
Frequency (M/Q/A)	Within 1-2 months; N = > 2	Timeliness of clearance Y (= no later than end of fiscal year, unless justified)/N	Frequency (M/Q/A)	Within: 1-2 months; N = > 2 months	Accounts cleared timely A = All w/o delay M = Most w/o delay F = Frequent with delay N = <F
M	5 working days	Y	M	1 month	All

Data source: Regulation on Treasury Operations. <https://www.legalinfo.mn/annex/details/6664?lawid=10958>; suspense account reports, and external audit reports.

**Table 27.3 Financial data integrity**

Access and changes to records		
Restricted and recorded (Y/N)	Results in audit trail (Y/N)	Financial integrity verified by operational team (Y/N)
Y	Y	Y

Data source: Regulation for the GFMIS, GFMIS Manual and system records.

## PI-28. In-year budget reports

This indicator assesses the comprehensiveness, accuracy, and timeliness of information on budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow monitoring of budget performance and, if necessary, timely use of corrective measures.

### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-28 In-year budget reports (M1)		<b>B+</b>
28.1 Coverage and comparability of reports	In-year budget reports are produced with administrative, program, activity, and economic classifications on a monthly basis, enabling a direct comparison with the approved budget. Information includes all items of budget estimates. Expenditures made from transfers to de-concentrated units within central government are included in the reports.	<b>A</b>
28.2 Timing of in-year budget reports	In-year reports are produced within eight days after the end of the month.	<b>A</b>

28.3 Accuracy of in-year budget reports	Budget entities are able to confirm their budget reports with the GFMS data through the online E-Huulga system, so there are no material concerns regarding data accuracy. In-year budget reports include data issues and variance analysis allowing useful and consistent analysis of budget execution on a monthly basis. However, the reports provide information on expenditures only at the payment stage.	B
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### Evidence for score

Table 28.1 In-year budget reports

Coverage and classification			Timeliness		Accuracy		
Allows direct comparison to original budget (Y/N)	Level of detail A = All budget items P = Partial aggregation M = Main administrative headings E = Main economic headings	Includes transfers to de-concentrated units (Y/N)	Frequency W/M/Q N = >Q'ly	Within: 2/4/8 weeks N = >8weeks	Material concerns (Y/N)	H/Y Analysis prepared (Y/N)	Payment info E = Exp C = Commit
Y	A	Y	M	2	N	Y	E

Data sources: Detailed report are accessible on the MoF website: [https://MoF.gov.mn/data\\_grid/total-budget](https://MoF.gov.mn/data_grid/total-budget) and brief reports on the transparency website <http://iltod.MoF.gov.mn/>.

## PI-29. Annual financial reports

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards.

### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-29 Annual financial reports (M1)		<b>D+</b>
29.1 Completeness of annual financial reports	Annual Consolidated Financial Statements are prepared in consistency with the approved budget. They include information on revenues, expenditures, financial assets, and liabilities (including long-term liabilities) as well as a cash flow statement. A web-based comprehensive reporting system called E-Tailan was developed and implemented from 2015, improving completeness and timeliness of the information.	<b>B</b>
29.2 Submission of reports for external audit	2020 financial reports were submitted for audit on May 10, 2021, within six months of the end of the fiscal year.	<b>B</b>
29.3 Accounting standards	The financial statements are stated to have been prepared on 'modified accrual basis'; however, the legally mandated basis of accounting and reporting is accrual-based IPSAS. The financial statements for 2018, 2019, and 2020 applied a consistent format.	<b>D</b>

**Evidence for score**

**Table 29.1 Annual financial reports**

Completeness					Date of submission for external audit	
Prepared annually (Y/N)	Comparable with approved budget (Y/N)	Information F=Full P=Partial B=Basic	Cash flow statement (Y/N)	Balance Sheet C=Cash only FO=Financials only F=Full	Date of submission	Within: 3/6/9 months
Y	Y	P	Y	F	May 10 of next fiscal year	6 months

Data sources: Budget Law, 2011. Annual Consolidated Financial Statements on the MoF website and Glass Account Portal.

**Table 29.2 Accounting standards**

Accounting standards applied to all financial reports				
Type of standard I = International C = Country	Consistency M = Most IS applied Mj = Majority IS applied C = Consistent over time only	Disclosure on standards (Y/N)	Disclosure on variations (Y/N)	Gaps explained (Y/N)
I	C	Y	N	N

Data source: 2018/19/20 Financial Statements.

## PILLAR SEVEN: External Scrutiny and Audit

Pillar Seven assesses whether public finances are independently reviewed and there is external follow-up on the implementation of recommendations for improvement by the executive.

### **Overall performance**

The indicator scores for external scrutiny and audit range from B to A.

**In Mongolia external scrutiny is performed by the Mongolian National Audit Office (MNAO) as the country's Supreme Audit Institution (SAI).** The audit functions of the MNAO are regulated by the Law on State Audit, approved in 2003 and most recently amended in 2020. By law, the MNAO is in charge of conducting different types of audits on activities of state organizations regardless of their source of funding, except for the Parliament. For the latter, only a financial audit is mandated to be conducted on an annual basis.

**The independence of the MNAO is guaranteed by the Law on State Audit and also by the Constitution of Mongolia per the specific provisions included as part of the 2019 amendments.**

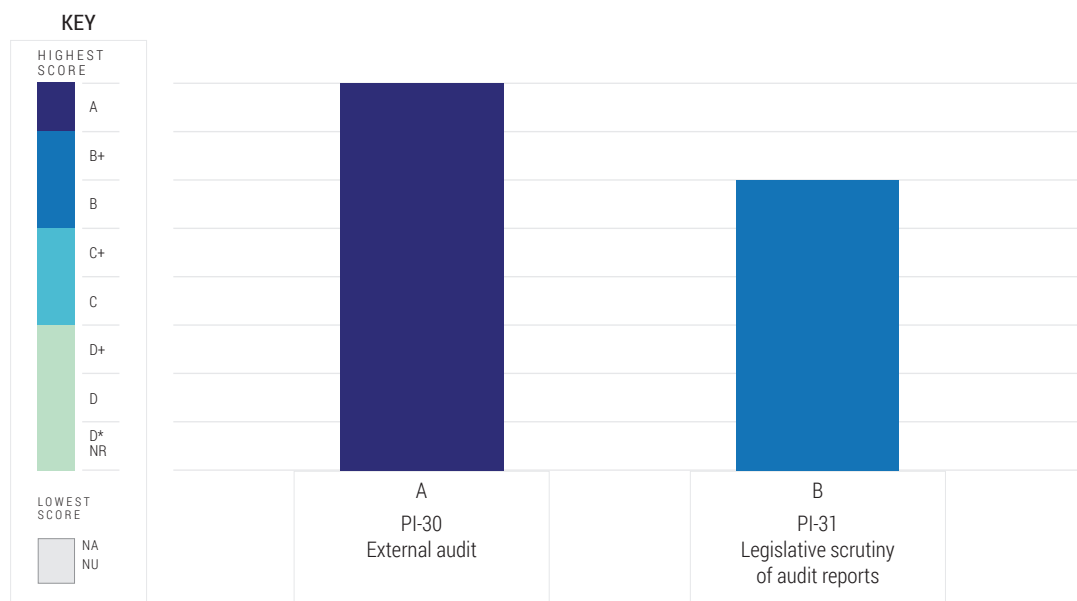
The only institutions that can exercise supervision over the MNAO are the Parliament and the Chairman of the National Security Council. The state audit organization has the right to select auditees, plan, perform, report, and follow up on audits, as well as define the timeline, scope, and content of the audits. Parliament appoints, through its Speaker, the Auditor-General of Mongolia for a six-year term, which can be extended only once.

**MNAO conducts audits following the approved national standards that are in convergence with the international auditing standards.** As a member of INTOSAI (International Organization of Supreme Audit Institutions) and ASOSAI (Asian Organization of Supreme Audit Institutions), the MNAO has also been working toward complying with the International Standards of Supreme Audit Institutions (ISSAI) in the audit process. In this regard, a development since the 2015 assessment is that the INTOSAI's ISSAIs have been translated into the Mongolian language, and National Standards on Financial Audit MNS 6817-4: 2020, which are in convergence with the ISSAIs, were approved on January 13, 2020 for immediate adoption.

**Compliance and performance audits are also performed by the MNAO in addition to financial audits.** These audits are included and approved in the annual work plan covering a variety of government programs. The MNAO has recently approved and adopted a comprehensive citizen engagement strategy to involve CSOs and citizens in the audit planning process, particularly in specific audits that are of the most relevance to the citizens, including, for example, on food safety and security programs, and procurement of medicines.

All four dimensions of the external audit function were assessed based on the last fiscal year audited, which was 2020.

Figure PILLAR SEVEN External Scrutiny and Audit



### PI-30. External audit

This indicator examines the characteristics of external audit.

#### Indicator and dimension scores and analysis

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-30 External audit (M1)		A
30.1 Audit coverage and standards	All entities of central government are audited annually covering revenue, expenditure, and assets/liabilities irrespective of their source of funding. Only financial audits are conducted for the Parliament annually while audits of its other activities may be carried out by the MNAO, if the Parliament so requests. A full range of financial audits and some performance and compliance audits are performed and generally adhere to the international auditing standards, focusing on significant and systemic issues. The MNAO had been adhering to the INTOSAI's ISSAI per the Law on State Audit (LSA) until the National Standards on Financial Audit MNS 6817-4: 2020, which are in convergence with the ISSAIs, were approved on January 13, 2020.	A
30.2 Submission of audit reports to the Legislature	Audit reports were submitted to Legislature within three months from receipt of the financial statements by the MNAO for the last three completed fiscal years.	A



30.3 External audit follow-up	There is clear evidence of effective and timely follow-up by the executive and/or the audited entities on the audit recommendations issued by the MNAO. The MNAO conducts follow-ups on its audit findings and has a sanctioning power of issuing fines and acts that oblige the relevant auditees to rectify the situation (LSA, Article 15.1.12). Evidence obtained from the Annual Report of the MNAO suggests that 81.9% of MNAO's audit recommendations were implemented by the executive in 2019, which represented a 0.8 percentage point increase from the prior year. Moreover, the MNAO regularly documents management responses to the findings in writing, analyzes compliances with the recommendations provided, and keeps a record on their implementation progress.	A
30.4 Supreme Audit Institution (SAI) independence	In accordance with the Law on State Audit (2020) and the latest amendments to the Constitution (2019), the MNAO operates independently from the executive with respect to appointment and removal of the Auditor General, who is appointed by the Parliament upon proposal by the Speaker of the Parliament. Planning of audit engagements is undertaken as proposed by the MNAO and all of its audit reports are directly submitted to Parliament. The SAI has unrestricted and timely access to records, documentation, and information for most audited entities. The SAI's budget is also reviewed and approved directly by Parliament.	A

### Evidence for score

Table 30.1 Audit coverage, standards, and submission to Legislature

Fiscal Year	Date submitted to external audit	Date submitted to Legislature	Standards applied: ISSAI/ National (consistent)/ National (other)	Issues highlighted: M = Material /Systemic/Control S = Significant
2018	10/05/2019	10/06/2019	ISSAI	M
2019	10/05/2020	10/06/2020	ISSAI, State Audit MNS 6817: 2020	M
2020	10/05/2021	10/06/2021	ISSAI, State Audit MNS 6817: 2020	M

Data sources: Articles 8.10.1 and 8.10.2 of the Budget Law; Audit Procedures of the State Auditing Organization approved on December 11, 2020 by Order No. A/106 of the Auditor General: <https://www.legalinfo.mn/annex/details/11472?lawid=15888>  
National Standards MNS 6817: 2020: <https://estandard.gov.mn/standard/v/5148>; Audit reports made public: [https://audit.mn/?page\\_id=3180](https://audit.mn/?page_id=3180).

Table 30.4 SAI Independence – requirements

Independence criteria	Extent to which criteria met and materiality (where relevant)
Appointment and removal of head of SAI	The Auditor General (AG) of Mongolia is appointed by the State Great Hural upon the proposal of its Speaker for a term of six years, and may be reappointed only once. The AG can only be removed by the Parliament (Article 28.5 of the Law on State Audit). Prior to the appointment of the current Auditor General, the last three AGs were not able to complete their legally mandated full-term. The reasons for their resignation varied from case-to-case though all were handled within the Parliament's mandate as set forth by the law.

<b>Planning audit engagements</b>	The Auditor General of Mongolia has to introduce the annual audit plan to the Budget Standing Committee of the Parliament and get it approved before conducting any audit work (Article 11.1 of the Law on State Audit). However, unscheduled audits can be conducted if requested by Parliament (Article 12.1) based on specific conditions set forth by the Constitution of Mongolia (Article 28.5).
<b>Arrangements for publicizing reports</b>	Article 37 of the Law on State Audit sets forth the principles for ensuring openness and transparency of the state audit functions, activities, and audit reports. Accordingly, annual reports of the State Audit Organization are prepared in electronic formats and published on its official website. Moreover, government audit reports must be made public after being reviewed by Parliament as established in the Right to Information Act (2012), except for those containing information of state, official, organizational, and personal secrets. In the last years, the MNAO has doubled its efforts for informing and engaging citizens in the audit process and several citizen-friendly reports have been produced for public distribution in collaboration with the Open Society Forum and the World Bank. In addition, a citizen's open audit portal is pending to be launched in 2021 to establish a two-way communication with the public.
<b>Approval of budget</b>	The State Audit Organization shall be provided economic guarantees (Article 40 of the Law on State Audit) to ensure independent operations of the SAI. Accordingly, the MNAO budget is reviewed by the Budget Standing Committee and approved by Parliament.
<b>Execution of budget</b>	Article 32.1 of the Law on State Audit states that "an independent professional auditor appointed by the Speaker of the State Great Hural shall audit the annual financial statements of the State Audit Organization and results are to be submitted to the relevant Standing Committee of the Parliament." This is done accordingly on an annual basis by an independent audit firm.
<b>Legal basis for independence</b>	The legal independence of the MNAO is one of the key principles set forth in the Law on State Audit (Article 3) and is guaranteed in the Constitution of Mongolia (Article 25.7, 2019), which states that "Powers, organization and procedures of organizations to independently implement public finance and budget control shall be determined by law."
<b>Unrestricted/timely access to records</b>	The Law on State Audit provides the MNAO with unrestricted and timely access to records necessary for performing its duties. The amendment of the law approved in 2020 (Article 13) introduced the possibility to collect electronic information required for conducting audit functions, including using an integrated electronic information system for transmission, storage, and analysis of information.

Data source: Law on State Audit <https://www.legalinfo.mn/law/details/15357?lawid=15357>.

## PI-31. Legislative scrutiny of audit reports

This indicator focuses on legislative scrutiny of the audited financial reports of central government, including institutional units, to the extent that either (i) they are required by law to submit audit reports to the Legislature, or (ii) their parent or controlling unit must answer questions and take action on their behalf.

**Indicator and dimension scores and analysis**

INDICATORS/DIMENSIONS	ASSESSMENT OF PERFORMANCE	2021 SCORE
PI-31 Legislative scrutiny of audit reports (M2)		<b>B</b>
31.1 Timing of audit report scrutiny	Scrutiny of audit reports is usually completed by the Legislature within three months from receipt of the reports.	<b>A</b>
31.2 Hearings on audit findings	In-depth hearings on key findings take place with most of the responsible officers from audited entities that received a qualified or adverse audit opinion.	<b>B</b>
31.3 Recommendations on audit by the Legislature	As required by the IBL (Article 8.10.4), Parliament reviews, discusses, and approves the audit reports. However, there is no legal requirement for the Parliament to issue any recommendations based on its scrutiny. Parliament has not issued any such recommendations in the last three years.	<b>D</b>
31.4 Transparency of legislative scrutiny of audit reports	Hearings are conducted in public (also televised) with a few exceptions on issues related to national security or similarly sensitive topics. Hearings held at the Parliament and/or by relevant standing committees about the MNAO audit reports are recorded in meeting minutes that are published on the Parliament's official website. The general public is provided with an opportunity to post comments through the official website on audit matters.	<b>B</b>

**Evidence for score****Table 31.1 Timing of legislative scrutiny of audit reports**

Audited annual financial statements for fiscal year	Date of receipt of audited financial reports	Date of finalization of legislative scrutiny
Government's 2019 consolidated financial statements	June 10, 2020	August 17, 2020-August 21, 2020 <a href="http://parliament.mn/n/c8co">http://parliament.mn/n/c8co</a>
Execution of the 2019 General Budget of Mongolia	June 10, 2020	August 17, 2020-August 21, 2020 <a href="http://parliament.mn/n/c8co">http://parliament.mn/n/c8co</a>
Government's 2018 consolidated financial statements	June 10, 2019	September 30, 2019 - October 4, 2019 <a href="http://parliament.mn/n/e8jo">http://parliament.mn/n/e8jo</a>
Execution of the 2018 General Budget of Mongolia	June 10, 2019	September 30, 2019 - October 4, 2019 <a href="http://parliament.mn/n/e8jo">http://parliament.mn/n/e8jo</a>
Government consolidated financial statements for 2017	June 10, 2018	June 25, 2018 - June 29, 2018 <a href="http://parliament.mn/n/r3jo">http://parliament.mn/n/r3jo</a>
Execution of the Consolidated Budget of Mongolia for 2017	June 10, 2018	June 25, 2018 - June 29, 2018 <a href="http://parliament.mn/n/r3jo">http://parliament.mn/n/r3jo</a>

Data source: <http://parliament.mn/>.

**Table 31.2 and 31.3 Hearings on audit findings and issuance of recommendations**

Audited annual financial statements for fiscal year	Hearings on audits reports that received a qualified or adverse opinion or disclaimer (Y/N)	Hearings conducted - entities with qualified audit A = All M = Most F = Few N = None	Legislature issues recommendations (Y/N)	Recommendations followed-up S = Follow-up systematically F = Follow-up
Government's 2019 consolidated financial statements	Y qualified or adverse opinion received	M	N	NA
Execution of the 2019 General Budget of Mongolia	Y qualified or adverse opinion received	M	N	NA

Data source: Meetings with the Mongolian National Audit Office and the Budget Standing Committee.

**Table 31.4 Transparency of legislative scrutiny of audit reports**

Audited annual financial statements for fiscal year	Committee reports			Public hearings conducted A = All except limited circumstances F = Yes, with a few exceptions
	Published (Y/N – method)	Provided to the full chamber of Legislature (Y/N)	Debated in the full chamber of Legislature (Y/N)	
Government's 2019 consolidated financial statements	Y	Y	Y	NA
Execution of the 2019 General Budget of Mongolia	Y	Y	Y	NA

Data sources: Summary on the Parliamentary and Standing Committee discussions on audit reports: <https://vip76.mn/content/70307> and <http://parliament.mn/m/khgo>.



ANNEX

## Annex 1. Assessment management and quality assurance arrangements

Name	Position/Organization	Role
Mr. J. Ganbat	Fiscal Policy and Planning Department (FPPD), MoF	Chairman
Ms. G. Zolboo	Head of the Budget Consolidation Division, FPPD, MoF	Team Member (credibility of the budget; comprehensiveness and transparency; and policy-based budgeting)
Mr. M. Sanjaadorj	Head of the Budget Expenditure Division, FPPD, MoF	Team Member (credibility of the budget; policy-based budgeting, predictability and control in budget execution)
Mr. B. Telmuun	Head of the Budget Revenue Division, FPPD, MoF	Team Member (credibility of the budget; predictability and control in budget execution)
Mr. J. Ganbayar	Head of the Macroeconomic Policy Division of the Economic Policy Department, MoF	Team Member (credibility of the budget; predictability and control in budget execution)
Mr. M. Batkhuyag	Director-General, Treasury Department, MoF	Team Member (predictability and control in budget execution; and accounting, recording, and reporting)
Mr. G. Tuvdendorj	Director-General, Public Investment Department	Team Member (asset and liability management)
Mr. B. Sukh-Ochir	Head of the Debt Management Division, Financial Policy Department, MoF	Team Member (asset and liability management)
Mr. Ts. Batzul	Head of the Procurement Policy Division, Legal Policy Department, MoF	Team Member (predictability and control in budget execution)
Ms. D. Degd	Head of the Internal Audit and M&E Division, Financial Control and Risk Management Department, MoF	Team Member (predictability and control in budget execution)
Mr. I. Batkhuu	Director-General, Development Financing Department, MoF	Team Member (donor practices)
Ms. B. Bolormaa	Senior Specialist, Accounting Policy Department, MoF	Team Member (accounting, recording and reporting)
<b>Assessment Team</b>		
Name	Position/Organization	Role
Davide Zucchini	Senior Public Sector Specialist, World Bank	Co-Task Team Leader and Assessor
Badamchimeg Dondog	Senior Public Sector Specialist, World Bank	Co-Task Team Leader and Assessor
Kris Kauffmann	Senior Consultant on Public Financial Management, World Bank	Coordinating Consultant/Assessor
Carolina Vaira	Senior Governance Specialist, World Bank	Team Member and Assessor
Oleksii Balabushki	Senior Public Finance Specialist, World Bank	Team Member and Assessor
Naranzul Ganzorig	Consultant, World Bank	Team Member
Khaliun Myanganbayar	Consultant, World Bank	Team Member

**Quality Assurance****Reviewers**

Ministry of Finance

PEFA Secretariat

European Union (Pierre-Yves Lucas, DEVO Team Leader)

World Bank (Min Zhao, Senior Economist)

**Concept Note**

Date submitted for review	December 24, 2020
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Date of final CN	February 25, 2021
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**PEFA Report**

Date submitted for review	June 8, 2021
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Date submitted for follow-up	July 9, 2021
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Date of final draft	July 21, 2021
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Proposed date of publication	September 30, 2021
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## Annex 2. Public sector agencies covered by the assessment

Structure of the public sector (list)			
Budgetary units (all)	Extrabudgetary units (five largest) *	Public corporations (five largest)	Social Security Funds (part of public sector)
1. Minister of Finance		Erdenes-Tavantolgoi JSC	Social Insurance Fund
2. Minister of Education, Sciences and Sports and Minister of Culture (per the new Cabinet structure of 2020)		Development Bank of Mongolia LLC	
3. Minister of Labor and Social Protection		State Bank LLC	
4. Minister of Health		Erdenes Oyu Tolgoi LLC	
5. Minister of Justice and Internal Affairs		Mongolian Railway JSC	
6. Prime Minister of Mongolia			
7. Minister of Defence			
8. Minister of Road and Transportation Development			
9. Minister of Construction and Urban Development			
10. Deputy Prime Minister of Mongolia			
11. Minister of Environment and Tourism			
12. Minister of Energy			
13. Minister of Food, Agriculture and Light Industry			
14. Minister of Foreign Affairs			
15. Head of the Cabinet Secretariat			
16. Chairman of Judiciary Court			
17. Speaker of the Parliament			
18. Minister of Mining and Heavy Industry			
19. Prosecutor General			
20. Head of the Independent Authority Against Corruption			
21. Auditor General			
22. Head of the National Statistics Office			
23. General Judge of the Supreme Court			
24. Head of the National Commission for Exoneration			
25. Head of the General Election Commission			
26. Head of Office of the President			
27. Head of the Financial Regulatory Commission			
28. General Secretary of the National Security Council			
29. Head of the Constitutional Court			
30. Head of the Civil Service Council			
31. Head of the National Human Rights Commission			
32. Health Insurance Fund			
33. Future Heritage Fund			



### Annex 3. Evidence for scoring indicators

Indicators (PEFA 2016 framework)	Evidence
1. Aggregate expenditure outturn	Budget execution reports 2017-2020 Annual Financial Statements 2017-2020 In-year budget execution reports 2017-2019 (provided by MoF) Meeting with Treasury Department, MoF
2. Expenditure composition outturn	Budget execution reports 2017-2020 Annual Financial Statements 2017-2020 In-year budget execution reports 2017-2019 (provided by MoF) Meeting with Treasury Department, MoF
3. Revenue outturn	Budget execution reports 2017-2020 Annual Financial Statements 2017-2020 In-year budget execution reports 2017-2019 (provided by MoF) Meeting with Treasury Department, MoF
4. Budget classification	Budget Classification Manual Chart of Accounts Approved annual budgetary documents 2017-2020 Annual Financial Statements 2017-2020 Budget execution reports 2017-2020 Meeting with Fiscal Policy and Planning Department, MoF
5. Budget documentation	Approved annual budgetary documents 2017-2020 Approved budget of 2021 Meeting with Fiscal Policy and Planning Department, MoF
6. Central government operations outside financial reports	Budget execution reports 2017-2020 Annual Financial Statements 2018-2020 In-year budget execution reports 2017-2019 (provided by MoF) Internal report of organizations that are outside the TSA (provided by MoF) Meeting with Treasury Department, MoF Meeting with Fiscal Policy and Planning Department, MoF
7. Transfers to subnational governments	Budget Calendar Budget Circular Budget Law Rules for local development fund allocation Methodology for calculating transfers from the general local development fund (provided by MoF) Template for the local budget revenue estimates (provided by MoF) Budget execution report by SNGs 2019 (provided by MoF) Internal - SNG Transfer Report (provided by MoF) Meeting with Fiscal Policy and Planning Department, MoF
8. Performance information for service delivery	Annual Financial Statements 2017-2020 Ministry budget statements and performance plans Budget execution report by organizations 2020 (provided by MoF) Performance Framework of ministries 2020 (provided by MoF) Budget governors' performance report 2018-2020 (provided by MoF) Budget execution report of Health Fund 2020 (provided by MoF) Budget execution report of Social Security Fund 2020 (provided by MoF) Meeting with Fiscal Policy and Planning Department, MoF

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9. Public access to fiscal information	<p>In-year budget execution reports 2017-2019 (provided by MoF)          Budget execution reports 2017-2020          Audited Annual Financial Statements 2017-2020          Annual executive budget proposal document 2020          Enacted budget          Prebudget statement          External audit reports          Summary of the budget proposal          Macroeconomics forecast          Meeting with Fiscal Policy and Planning Department, MoF          Meeting with Treasury Department, MoF          Meeting with Procurement Policy Department          Meeting with National Audit Office</p>
10. Fiscal risk reporting	<p>Audited financial reports of the five largest public corporations 2019          Evidence of financial reports submission to MoF by five largest public corporations (provided by MoF)          Audited financial statements of SNGs 2019 (provided by MNAO)          Public corporations integrated financial reports (provided by MoF)          SNGs published financial reports of 2020          Meeting with Treasury Department, MoF</p>
11. Public investment management	<p>Five largest investment projects information that were approved by Public Investment Program of 2018-2021          Five largest investment projects that are funded by state budget (provided by MoF)          Methodologies for evaluating, prioritizing, selecting, and monitoring the projects of Public Investment Program (provided by NDA)          Meeting with Public Investment team, MoF          Meeting with National Development Agency</p>
12. Public asset management	<p>State property regulation procedure and instructions (provided by the Government Agency for Policy Coordination on State Property)          Statistical report on asset register (provided by the Government Agency for Policy Coordination on State Property)          Information on financial assets (provided by MoF)          Meeting with Government Agency for Policy Coordination on State Property</p>
13. Debt management	<p>Budget Law          Budget Stability Law          Debt Management Law          Domestic bond regulation (provided by MoF)          Guarantee regulation (provided by MoF)          Approved Debt Management Strategy for 2016-2018          Approved Debt Management Strategy for 2019-2022          Interim Report on Debt Management Strategy for 2019-2022 (provided by MoF)          Audit report on "Implementation and results of the Government Debt Management Strategy 2016-2018" (provided by MoF)          Government Debt Statistics (provided by MoF)          Meeting with Debt Management Department, MoF</p>
14. Macroeconomic and fiscal forecasting	<p>Annual Financial Statements 2017-2020          Budget Circular 2021          Annual report by Fiscal Stability Council 2020 (provided by MoF)          Audit Opinion by MNAO on Budget Draft 2021 (provided by MoF)          Comments and suggestions on Budget Draft 2020 by the Fiscal Stability Council (provided by MoF)          Meeting with Fiscal Policy and Planning Department, MoF</p>

15. Fiscal strategy	Annual Budget Documentations 2017-2020 Medium-Term Fiscal Framework 2019-2021 Meeting with Fiscal Policy and Planning Department, MoF
16. Medium-term perspective in expenditure budgeting	Annual Budget Documentations 2017-2020 Budget circular 2021 Annual Budget Execution Reports 2017-2020 Strategic plans of three largest ministries (provided by MoF) Budget proposals of three largest ministries (provided by MoF) Template of the strategic plans of line ministries (provided by MoF) Meeting with Fiscal Policy and Planning Department
17. Budget preparation process	Annual Budget Documentations 2017-2020 Budget circular 2021 Annual Budget Execution Reports 2017-2020 Budget Calendar 2021 Directions and Guidelines for the Development, Discussion and Implementation of the 2021 Local Budget (provided by MoF) Budget proposals official letter to aimag and capital city governors (provided by MoF) 2020 Budget of Khovd Aimag (provided by MoF) Internal - SNG Transfer Report (provided by MoF) Meeting with Fiscal Policy and Planning Department, MoF
18. Legislative scrutiny of budgets	Budget Law Annual Budget Documentations 2017-2020 Parliamentary procedures for budget review 2019 Rules for budget assessments by the executive 2019 Meeting with Fiscal Policy and Planning Department, MoF
19. Revenue administration	General Law of Taxation <a href="https://legalinfo.mn/law/details/14403?lawid=14403">https://legalinfo.mn/law/details/14403?lawid=14403</a> Customs Tariffs and Tax Law <a href="https://legalinfo.mn/law/details/208?lawid=208">https://legalinfo.mn/law/details/208?lawid=208</a> Customs Law <a href="https://legalinfo.mn/law/details/209?lawid=209">https://legalinfo.mn/law/details/209?lawid=209</a> Law of Corporate Income Tax <a href="https://legalinfo.mn/law/details/14407?lawid=14407">https://legalinfo.mn/law/details/14407?lawid=14407</a> Law of Personal Income Tax <a href="https://legalinfo.mn/law/details/14410?lawid=14410">https://legalinfo.mn/law/details/14410?lawid=14410</a> Law of Value Added Tax <a href="https://legalinfo.mn/law/details/11227?lawid=11227">https://legalinfo.mn/law/details/11227?lawid=11227</a> Minerals Law <a href="https://www.legalinfo.mn/law/details/63?lawid=63">https://www.legalinfo.mn/law/details/63?lawid=63</a> Law of Land Fee <a href="https://www.legalinfo.mn/law/details/217?lawid=217">https://www.legalinfo.mn/law/details/217?lawid=217</a> Law of Property Tax <a href="https://www.legalinfo.mn/law/details/39?lawid=39">https://www.legalinfo.mn/law/details/39?lawid=39</a> Law of Fuel and Gasoline <a href="https://www.legalinfo.mn/law/details/28?lawid=28">https://www.legalinfo.mn/law/details/28?lawid=28</a> Law of Gun Tax <a href="https://www.legalinfo.mn/law/details/11271?lawid=11271">https://www.legalinfo.mn/law/details/11271?lawid=11271</a> Law of Capital City Tax <a href="https://www.legalinfo.mn/law/details/11193?lawid=11193">https://www.legalinfo.mn/law/details/11193?lawid=11193</a> Excise Tax Law <a href="https://www.legalinfo.mn/law/details/434?lawid=434">https://www.legalinfo.mn/law/details/434?lawid=434</a> Law of Air Pollution Fee <a href="https://www.legalinfo.mn/law/details/30?lawid=30">https://www.legalinfo.mn/law/details/30?lawid=30</a>

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19. Revenue administration	<p>Law of Natural Resource Fee  <a href="https://www.legalinfo.mn/law/details/8663?lawid=8663">https://www.legalinfo.mn/law/details/8663?lawid=8663</a>            Law of Water Pollution Fee  <a href="https://www.legalinfo.mn/law/details/8684?lawid=8684">https://www.legalinfo.mn/law/details/8684?lawid=8684</a>            General Law of Taxation  <a href="https://www.legalinfo.mn/law/details/14403?lawid=14403">https://www.legalinfo.mn/law/details/14403?lawid=14403</a>            Public information on revenue rights and obligations  <a href="http://mta.mn">http://mta.mn</a>            Revenue compliance audit plan <a href="http://mta.mn/app/f?id=8934&amp;tid=77092">http://mta.mn/app/f?id=8934&amp;tid=77092</a>            Meeting with Treasury Department, MoF</p>
20. Accounting for revenue	<p>Revenues collected by budgetary unit (provided by MoF)            TSA Daily reconciliation report (provided by MoF)            Daily revenue report (provided by MoF)            Meeting with Treasury Department, MoF</p>
21. Predictability of in-year resource allocation	<p>Amendment in Budget of 2020            Decree of Minister of Finance No.147 dated June 30, 2014            Decree of Minister of Finance No.134 dated June 8, 2018.            TSA daily reconciliation report (provided by MoF)            Consolidated TSA reconciliation 2019 (provided by MoF)            Procedure for opening and closing government and budget entity accounts with the Bank of Mongolia and commercial banks (provided by MoF)            Cash Management Forecast 2019 (provided by MoF)            Meeting with Treasury Department, MoF</p>
22. Expenditure arrears	<p>Expenditure arrears detailed report 2017-2019 (provided by MoF)            Annual Budget Execution Report 2020            In-year budget execution report 2017-2019            Meeting with Treasury Department, MoF</p>
23. Payroll controls	<p>Law on Civil Service (<a href="https://www.legalinfo.mn/law/details/13025">https://www.legalinfo.mn/law/details/13025</a>)            Audited Annual Financial Statements 2017-2019            Rules and procedures for payroll (provided by MoF)            Basic salary information by ministries (provided by MoF)            List of additional payroll details (provided by MoF)            Meeting with Treasury Department, MoF</p>
24. Procurement management	<p>Public Procurement Law of Mongolia            Advance Procurement Regulation            Procurement With Public Participation Procedure            The Framework Agreement Procedure            Evaluation Committee Structure, Activity, and Remuneration Procedure            Procurement Planning and Reporting Procedure            Regulation on Registration of Public Procurement            Procedure For Disclosing the Bid Evaluation            Documents to the Participating Bidders            Procedure for Complaint Review            Guideline to Use Domestic Preference in a Bid Evaluation            Bid Evaluation Guide (Forms)            Procedure for Administering            Registration of Debarred Bidders            Regulation on Organizing, Implementing, and Monitoring Procurement            Procurement website (<a href="http://tender.gov.mn">tender.gov.mn</a>)            Meeting with Procurement Policy Division, MoF</p>

25. Internal controls on non-salary expenditure	Resolution on Treasury operation ( <a href="https://www.legalinfo.mn/annex/details/6664?lawid=10958">https://www.legalinfo.mn/annex/details/6664?lawid=10958</a> ) Meeting with Treasury Department, MoF
26. Internal audit	Performance audits and evaluations 2017-2020 (provided by MoF) Internal Audit Regulations (provided by MoF) Internal Audit Committee regulation (provided by MoF) Planned audits 2020 (provided by MoF) Internal Audit Plan 2018-2020 (provided by MoF) Meeting with Fiscal Control and Risk Management Department, MoF
27. Financial data integrity	TSA daily reconciliation report (provided by MoF) Emongolia reconciliation report (provided by MoF) Procedure for opening and closing government and budget entity accounts with the Bank of Mongolia and commercial banks (provided by MoF) Suspense account report (provided by MoF) Suspense account disclosure report (provided by MoF) Meeting with Treasury department, MoF
28. In-year budget reports	In-year Budget execution reports 2017-2019 Annual budget execution report 2020 Meeting with Treasury department, MoF
29. Annual financial reports	Audited annual financial statements 2017-2019 Annual financial statement 2020 Law on Accounting IPSAS 1-6, 9, 12-14, 17-22, 24, 34 and 35 Meeting with Accounting Policy Department, MoF
30. External audit	Audit standards used 2017-2020 (provided by MNAO) Budget Law Law on State Audit Audited Annual Financial Statements 2017-2019 Legislation and regulations governing SAI (provided by MNAO) Meeting with MNAO
31. Legislative scrutiny of audit reports	Budget Law Law on State Audit Audited Annual Financial Statements 2017-2019 Legislative scrutiny of audit reports, hearings, and recommendations 2017-2019 (provided by MNAO) Meeting with MNAO

## Annex 4. Sources of data – persons interviewed

Name	Position / Sub-department
<b>Ministry of Finance</b>	
<b>Fiscal Policy and Planning Department</b>	
Z. Anar	Specialist, Budget Consolidation Division
T. Batsukh	Consultant, Budget Expenditure Division
Kh. Burtjin	Consultant, Budget Expenditure Division
B. Byamba-Erdene	Specialist, Budget Revenue Division
B. Mendbayar	Specialist, Budget Consolidation Division
U. Munkhzul	Consultant, Budget Revenue Division
B. Nomin	Consultant, Budget Consolidation Division
<b>Treasury Department</b>	
M. Altankhorol	Specialist, Financing and Reporting Division
B. Altanzul	Consultant, Financing and Reporting Division
L. Erdenebadrakh	Specialist, Financing and Reporting Division
J. Jargalsuren	Consultant, Payment and Settlement Division
T. Munguntsetseg	Specialist, Financing and Reporting Division
B. Naranchimeg	Specialist, Payment and Settlement Division
L. Naranchimeg	Acting Head, Payment and Settlement Division
Ts. Naranzul	Consultant, Treasury Department
<b>Financial Policy Department</b>	
T. Bayarmaa	Specialist, Debt Management Division
G. Bolormaa	Consultant, Debt Management Division
L. Gantogtokh	Specialist, Debt Management Division
<b>Economic Policy Department</b>	
Mr. J. Ganbayar	Head of the Macroeconomic Policy Division
<b>Public Investment Department</b>	
M. Ariuntengis	Consultant, Public Investment Department
J. Delgerjargal	Specialist, Public Investment Department
R. Khangal	Consultant, Public Investment Department
S. Soyolmaa	Senior Specialist, Public Investment Department

<b>Accounting Policy Department</b>	
B. Bolormaa	Senior Specialist
<b>Legal Department</b>	
Ts. Batzul	Head of the Procurement Policy Division
<b>Financial Control and Risk Management Department</b>	
D. Degd	Head, Internal Audit and Monitoring and Evaluation Division
L. Undrakh	Specialist, Internal Audit and Monitoring and Evaluation Division
<b>Mongolian National Audit Office</b>	
G. Gunjidmaa	Manager, Second Audit Department (Financial Audit)
Ts. Naranchimeg	Director, Second Audit Department (Financial Audit)
<b>National Development Agency</b>	
D. Tumendelger	Head, Research and Analysis Department
<b>Government Agency for Policy Coordination on State Property</b>	
G. Delgermaa	Senior Specialist, State Property Registration and Use Division
<b>Parliament</b>	
Ts. Batbaatar	Senior Advisor, Budget Standing Committee
D. Erdenesambuу	Head, Budget Analysis Unit, Parliament Secretariat
<b>Other institutions (Specify)</b>	
A. Munkh-Orgil	Senior Analyst, Finance and Economics Department, Ministry of Education and Science

## Annex 5. Observations on internal control

Internal control components and elements	Summary of observations
<b>1. Control environment</b>	
1.1 The personal and professional integrity and ethical values of management and staff, including a consistently supportive attitude toward internal control throughout the organization	<p>The Integrated Budget Law describes key arrangements for internal control over public resources through the following specific provisions:</p> <p>“4.1.49. Internal audit means independent activities of internal budget control aimed at effective and efficient usage of budget resources and managing risks.”</p> <p>“36.6. The Central Treasury shall undertake internal control functions for activities of the Treasury of aimag and the capital city and state central administrative bodies and the Treasury of aimags and the capital city shall undertake internal control functions for activities of soum and district’s Treasury office respectively.”</p> <p>Accordingly, the Treasury has in place a dedicated regulation on internal control to be followed throughout the Treasury units at all levels of government, which is currently being revised for improvements and to better ensure compliance with the COSO Internal Control-Integrated Framework. There is generally a well-understood culture and respect for an effective system of internal control. Following the most recent amendments to the Civil Service Law in December 2017, to support effective implementation of the law, the government developed and approved the Code of Ethics for the Public Administration and Public Service Officials in January 2019 that is in force with the oversight and grievance responsibilities resting with the Civil Service Council.</p>
1.2 Commitment to competence	<p>The government has a strong commitment to building capacity and improving competencies to implement reforms, with some support from external development partners. In an effort to effectively train/re-train Treasury officers, with the support of the EU trust fund-financed WB implemented Strengthening Governance in Mongolia Project, the MoF has recently embarked on an initiative to develop a Learning Management System that would enable virtual and efficient information sharing and training for Treasury officials on the many new regulatory and system changes and improvements that are underway. A similar effort was made previously by the MoF and an online public procurement certification training platform for evaluation committee members was put in place with the support of a WB-financed project.</p>
1.3 The “tone at the top” (i.e., management’s philosophy and operating style)	<p>Evidenced by the Internal Audit Committees established and functional at all line ministries, including the MoF, and the structure of the Mongolian National Audit Office at the national and provincial/capital city levels, there is a receptive approach toward implementing internal controls. Further, there is generally a good practice of following up on audit recommendations, with some reforms underway requiring further improvements.</p>
1.4 Organizational structure	<p>The MoF and the line ministries are responsible for implementing financial controls over the budget execution while the former is mandated to provide the latter with policy and methodological support in technical matters concerning public finance management. The external oversight/auditing responsibilities are held and implemented by the MNAO. The specific roles and responsibilities are mostly defined clearly and followed in practice with some further improvements underway following external audit recommendations and as part of the improvements envisioned for the treasury’s internal control regulation.</p>
1.5 Human resource policies and practices	<p>The 2017 PFM Strategy and the subsequent action plans include a series of reform activities speaking to the importance of the knowledge and skills development of professionals responsible for public finance management. With the support of the World Bank-financed Strengthening Fiscal and Financial Stability (SFFS) Project, in 2019 the MoF also renewed and obtained approval for its Human Resource Development Strategy and the Human Resource Development Program for 2019-29.</p>



2. Risk assessment	
2.1 Risk identification	With the support of the SFFS Project, the MoF developed and obtained approval for a Risk management policy, Risk Committee charter, Risk management regulation, and Risk management training materials under ISO 31000: 2018 international standards (approved by the Finance Minister's Order #291 of December 27, 2019). Several PIs in the assessment are related to the extent to which risks are then identified in practice. See details in 2.2 below.
2.2 Risk assessment (significance and likelihood)	<p><b>Economic Analysis of Investment Proposals is rated 'C' in 11.1</b> - Economic analysis is initially prepared by respective budget entity and then assessed by the National Development Agency for large projects (MNT&gt;30bn) or the Public Investment Department of MoF. However, the results of economic assessment are not published.</p> <p><b>Debt Management Strategy is rated 'B' in 13.3</b> - A Medium-Term Debt Management Strategy 2019-22 is in place, approved by Parliament and includes target ranges for interest rates, refinancing, and foreign currency risk.</p> <p><b>Macroeconomic sensitivity analysis is rated 'C' in 14.3</b> - The macrofiscal forecasts contain a narrative regarding the impact of alternative macroeconomic assumptions, but there is no quantitative sensitivity analysis.</p> <p><b>Revenue Risk Management is rated 'B' in 19.2</b> - MTA and GCA use a structured and systematic, though not comprehensive, approach for assessing and prioritizing compliance risks for some categories of revenue and, as a minimum, for their large revenue payers.</p> <p><b>Cash Flow Forecasting and Monitoring is rated 'A' in 21.2</b> - A cash flow forecast is prepared for the fiscal year, and is updated weekly on the basis of actual cash inflows and outflows.</p>
2.3 Risk evaluation	Annual audit planning process are said to have been based on risk assessments though many of the planned engagements appeared to be of the nature of traditional financial compliance. Implementation of the audit plan is largely ensured, and reports are prepared and distributed to audit clients including Internal Audit Committees, ministers, and the Cabinet in some cases as deemed appropriate. <b>(Implementation of internal audits and reporting – 26.3 is rated 'B'.)</b> The vast majority of activities on the annual audit plan had focused on financial compliance and financial control. <b>(Nature of internal audits and standards applied - 26.2 is rated 'C'.)</b>
2.4 Risk appetite assessment	The regulatory requirements and methodology documents for both internal audit and internal control appear to attach significant importance to identification and assessment of risks, although this is not yet fully implemented. This indicates that a risk-based approach is being pursued, though improvements are required in practical implementation.
2.5 Responses to risk (transfer, tolerance, treatment or termination)	Based on the specific findings of internal audits, a mix of risk-management responses had been recommended, with the majority to be treated with actions identified to reduce the chance of the risk reoccurring and rectifying the situation.
3. Control activities	
3.1 Authorization and approval procedure	<b>Compliance with payment rules and procedures is rated 'B' in 25.3.</b> The degree of compliance with rules for processing and recording transactions is generally high and conducted in accordance with the Regulation on Treasury Operations. A Senior Specialist in the Payment and Settlement Division of the central Treasury exercises day-to-day internal control, but the exceptions noted and their resolutions are not systemically recorded for review and follow-up. The same person is also responsible for assessing risks of the Treasury units of not only the central Treasury but also the treasury units of line ministries and for developing the schedule of planned internal control engagements.

**3.1 Authorization and approval procedure**

**Financial data integrity processes are rated 'A' in 27.4.** The GFMS is the core system of the Treasury used to record and process transactions as well as to manage controls in budget execution, with consideration to appropriate segregation of duties (with access granted to authorized treasury specialists and civil servants upon signing a confidentiality agreement). The staff responsible for internal control within the Treasury ensure integrity of data in accordance with the Treasury's regulation on internal control. The GFMS is accessible only through a secure MoF network and detailed audit trails are maintained in the system. Similar access-right policies also apply to other reporting systems, such as E-Tailan and E-Huulga. The MoF's Financial Information Technology Division is responsible for maintaining the integrated system database, ensuring reliable and uninterrupted operation of the Treasury network and providing call support to promptly resolve system-related issues.

**Recording and reporting of debt and guarantees are rated 'B' in 13.1.** A debt management system is in place. Debt data is reconciled with Treasury data monthly, but with other primary sources, such as development partners and bank statements, quarterly. Debt statistics are compiled at least quarterly, provided to Cabinet and the Statistics Office, which publish the data on an online statistical portal. Development partners advise that debt data and statistics are reliable.

**Approval of debt and guarantees are rated 'A' in 13.2.** An annual borrowing limit is approved by Parliament with the Budget. The Debt Management Law and Budget Law provide the Minister of Finance sole authority for issuing and approving debt and guarantees, based on prior approval of the Cabinet. Regulations and policies guide debt operations.

**Effectiveness of expenditure commitment controls is rated 'D' in 25.2.** Commitments are not recorded in the GFMS, so expenditure control is reliant on containing cash payments within the approved budget allocations and appropriations. Reforms in this area are currently underway.

**Integration of payroll and personal records is rated 'B' in 23.1.** In 2018, the Civil Service Council (CSC) launched the Integrated Human Resource System (IHRS) and all budget entities except Defense and Internal Affairs entities register their personnel information in the system. The MoF established an Integrated Payroll System (IPS) for civil servants. The data from both systems is reconciled on a monthly basis that are interconnected with the HR System of the CSC.

**Management of payroll changes is rated 'A' in 23.2.** The IHRS hosted by CSC is used to upload data to IPS. The implementation of IPS across the government is close to 97 percent of budget entities with a few exceptions in Defense and Internal Affairs. Thus, 4134 entities' payroll data is reconciled nationwide. Every budgetary entity has its own access to the IPS and imports data from IHRS and calculates its monthly payroll and pay through TSA account to the civil servant.

**Compliance with payroll payment rules and procedures is rated 'A' in 23.3.** An audit trail exists in both IHRS and IPS; in addition, hard copies are kept by budgetary entities. Authority and basis for changes to personnel records and the payroll are clear. Every Treasury branch has access to review payroll processing for internal control purposes.

**3.2 Segregation of duties (authorizing, processing, recording, reviewing)**

**Segregation of duties is rated 'B' in 25.1.** The Integrated Budget Law, Law on Accounting, Regulation on the Treasury Operations, Regulation on the Government Financial Management Information System (GFMS), and approved job descriptions for Treasury staff prescribe most roles and responsibilities throughout the expenditure process, ensuring segregation of duties. Expenditure vouchers are subject to ex-ante approval of the Treasury subject to a well-established review and approval process as laid out in the Regulation on Treasury Operations. Some inconsistencies were noted between the roles and responsibilities laid out in the Regulation for the GFMS and those included in the job descriptions of the Treasury staff as per an audit on the Treasury operations by the Mongolian National Audit Office.

**3.3 Controls over access to resources and records**

**Financial data integrity processes are rated 'A' in 27.4.** The GFMS is the core system of the Treasury used to record and process transactions as well as to manage controls in budget execution, with consideration to appropriate segregation of duties, with access granted to authorized Treasury specialists and civil servants upon signing a confidentiality agreement. The staff responsible for internal control within the Treasury ensure integrity of data in accordance with the Treasury's regulation on internal control. The GFMS is accessible only through a secure MoF network and detailed audit trails are maintained in the system. Similar access-right policies also apply to other reporting systems, such as E-Tailan and E-Huulga. The MoF's Financial Information Technology Division is responsible for maintaining the integrated system database, ensuring reliable and uninterrupted operation of the Treasury network, and providing call support to promptly resolve system-related issues.

3.4 Verifications	<p><b>Accuracy of in-year budget reports is rated 'B' in 28.3.</b> Budget entities are able to confirm their budget reports with the GFMIS data through the online E-Huulga system, so there are no material concerns regarding data accuracy. However, the reports provide information on expenditures only at the payment stage.</p> <p><b>Effectiveness of controls over data used to verify payroll calculation is rated 'A' in 23.3.</b> An audit trail exist in both IHRS and IPS; in addition, hard copies are kept by budget entities. Authority and basis for changes to personnel records and the payroll are clear. Every Treasury branch has access to review payroll processing for internal control purposes.</p>
3.5 Reconciliations	<p><b>Revenue accounts reconciliation is rated 'A' in 20.3.</b> Complete reconciliation of tax assessments, collections, arrears, and transfers to Treasury takes place at the end of every month.</p> <p><b>Banks account reconciliation is rated 'A' in 27.1.</b> Reconciliations of bank accounts held in the TSA at the Central Bank and at commercial banks are processed on a daily basis at the aggregate and analytical levels between the Treasury Department and the Central Bank. The Treasury has also been working on developing a software solution that automates the consolidation process, produces real-time reports on bank accounts held at commercial banks, and processes online payment requests from those accounts.</p>
3.6 Reviews of operating performance	Performance targets are being set in some of the service delivery line ministries but there is not yet a systematic process of performance assessment.
3.7 Reviews of operations, processes, and activities	Internal and external audit scope covers business operations, processes, and activities.
3.8 Supervision (assigning, reviewing and approving, guidance, and training)	There is a well-established review and approval process as laid out in the Regulation on Treasury Operations, complemented by the audit trail in the GFMIS. There are training opportunities the MoF makes available to keep the relevant professionals in public finance management up to date.
<b>4. Information and communication</b>	
	<p>Throughout the government there is a high level of internet use and communication/information exchanges are increasingly being enabled within and across government systems. The GFMIS is accessible only through a secure MoF network and web services are being enabled to allow its interconnectivity with other relevant systems used in the public finance management processes.</p> <p><b>Public access to fiscal information is rated 'A' in 9.</b></p>
<b>5. Monitoring</b>	
5.1 Ongoing monitoring	<p>The Assessment highlighted a number of areas related to ongoing monitoring activities:</p> <p><b>Resources received by service delivery units is rated 'C' in 8.3.</b> Financial reports of individual service delivery units, including schools for example, are published on the Glass Account Portal ,which is open to viewing by the public. However, there is no consolidation or compilation of such data.</p> <p><b>Monitoring of public corporations is rated 'B' in 10.1.</b> Three of the five largest public corporations, (representing slightly less than 90 percent of combined turnover) publish their annual financial statements within six months of the end of the fiscal year. A consolidated report on the financial performance of public corporations is neither prepared nor published.</p> <p><b>Contingent liabilities and other fiscal risks is rated 'C' in 10.3.</b> The government publishes in its annual financial statements' data regarding loan guarantees and some concession arrangements (PPPs). However, it is understood that there are build-operate-transfer (BOT) PPP arrangements that involve future obligations, as well as outstanding legal claims on government, which are not reported. The annual financial statements do not include discussion of other fiscal risks.</p>

### 5.1 Ongoing monitoring

**Investment project monitoring is rated 'B' in 11.4.** Project implementation is governed by a specific regulation (282/19) and overseen by the respective line agency, any specific technical agency, as well as the NDA and MoF. The NDA and PID report a high level of compliance. Project implementation information and data is collated in an IT system used for this purpose, which includes a mobile app that citizens can view to see physical and financial progress of project implementation. There is no annual report produced regarding project implementation, but some data on ongoing projects is included in the annual PIP.

**Quality of central government financial asset monitoring is rated 'C' in 12.1.** The government maintains records of its holding of financial assets, including cash, bank accounts, and investments, and line ministries maintain records on the equity holding in SOEs. These are all recognized at their acquisition cost. There is some information on the performance of financial assets, including ratio analysis of SOEs, but this is not published.

**Quality of central government non-financial asset monitoring is rated 'C' in 12.2.** The Government Agency for Policy Coordination on State Property maintains an asset register for the BCG that includes non-financial assets, such as land and roads, as well as intangible assets. A register of sub-soil assets is maintained by the Mineral Resources and Petroleum Authority. The asset register is electronic and includes information on usage and age. However, issues with the system have required manual updates to the data over the last few years (prior to a systems update being planned) and results in some data being partial. Statistics regarding the movement in asset holdings is provided to the Statistics Office, which published highly aggregated data quarterly (but this published data does not include data such as asset values, age, usage, etc.).

**Revenue arrears monitoring is rated 'C' in 19.4.** The tax arrears accumulated to more than 20 percent of annual collections, but old arrears are below 75 percent of the stock.

**Expenditure arrears monitoring is rated 'A' in 22.2.** The stock of payments has been declining over the years as a result of control of MoF over expenditure ceilings through GFMS. The Treasury produces monthly reports on arrears, and at the end of the fiscal year a consolidated report is produced. Beginning from the 2019 fiscal year, Consolidated Financial Statements include expenditure arrears reported by age and composition.

**Procurement monitoring is rated 'A' in 24.1.** Since 2017, the GoM made mandatory by law the use of the e-Procurement system ([www.tender.gov.mn](http://www.tender.gov.mn)) as the single access point for government procurement in Mongolia. The E-procurement system covers procurement information for all procurement methods for goods, services, and works. Per the 2020 "Procurement Evaluation Report of General Budget Governors," 99 percent of the total government procurement is organized through the e-Procurement system.

**Implementation of internal audits and reporting is rated 'B' in 26.3.** An annual audit plan exists. The 2020 plan included a number of planned as well as ad hoc engagements. Reports consistent with the audit plan were prepared for the majority of the planned audits. Reports are prepared and distributed to audit clients, including Internal Audit Committees, ministers, and the Cabinet in some cases as deemed appropriate.

### 5.2 Evaluations

**Performance evaluation for service delivery is rated 'D' in 8.4.** There is no program evaluation undertaken and performance audits completed do not focus on efficiency or effectiveness of service delivery.

### 5.3 Management responses

**Response to internal audits is rated 'C' in 26.4.** Management formally endorses audit recommendations for all entities audited, but the responses are not adequate to determine whether appropriate action will be taken to implement the recommendations. There are no consolidated records of implementation of recommendations.

**External audit follow-up is rated 'A' in 30.3.** There is clear evidence of effective and timely follow-up by the executive and/or the audited entities on the audit recommendations issued by the MNAO. The MNAO does follow-ups on its audit findings and has a sanctioning power of issuing fines and acts that oblige the relevant auditees to rectify the situation (SLA, Article 15.1.12). Evidence obtained from the Annual Report of the MNAO suggests that 81.9 percent of MNAO's audit recommendations were implemented by the executive in 2019, which represented a 0.8 percentage point increase from the prior year.

## Annex 6. Tracking performance since previous PEFA assessment using PEFA 2011 framework

Indicator/Dimension	2015	2021	Change	Description of requirements met and progress between 2015 and 2021 using 2011 PEFA methodology
<b>A. PFM OUTTURNS: CREDIBILITY OF THE BUDGET</b>				
<b>PI-1 Aggregate expenditure outturn compared to original approved budget</b>	D	B	+	There has been a significant improvement for this indicator since the 2015 assessment as the actual expenditure deviation was reduced from more than 15% to less than 10%. The aggregate expenditure outturn was below the budget plan at 92.1% in 2020, 98.8% in 2019, and 93.1% in 2018. In all of the last three years actual expenditure deviated from the budgeted expenditure by less than 10%.
<b>PI-2 Composition of expenditure outturn compared to original approved budget</b>	C+	A	+	
(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items	C	A	+	Variances in expenditure composition were less than 5% in each of the last three years, an improvement compared to the three years assessed in 2015.
(ii) The average amount of expenditure actually charged to the contingency vote during the last three years	A	A	↔	The score remains the same as the actual expenditure charged to a contingency vote has been on average 0.3% of the original budget.
<b>PI-3 Aggregate revenue outturn compared to originally approved budget</b>	D	C	+	Actual domestic revenue was between 92% and 116% of the budgeted domestic revenue in at least two of the last three years and only one year was more than 112% (131.1% in 2018).
<b>PI-4 Stock and monitoring of expenditure payment arrears</b>	C	A	+	
(i) Stock of expenditure payment arrears and a recent change in the stock	C	A	+	The stock of expenditure arrears was below 2% of expenditures in all three years, whereas arrears constituted 3.9% during the previous assessment.
(ii) Availability of data for monitoring the stock of expenditure payment arrears	C	A	+	The stock of payments has been declining over the years as a result of control of the MoF over expenditure ceilings through the GFMIS. Treasury Department produces monthly reports on arrears and a consolidated report at the end of the fiscal year. Starting from the 2019 fiscal year, Consolidated Financial Statements include expenditure arrears reported by age and composition.
<b>B. COMPREHENSIVENESS AND TRANSPARENCY</b>				
<b>PI-5 Classification of the budget</b>	C	C	↔	There is no change. The chart of accounts, budget documents, and financial reports include administrative, economic, and program classification but functional classification is not present in the budget or financial reports in a format consistent with GFS/COFOG.
<b>PI-6 Comprehensiveness of information included in budget documentation</b>	A	B	-	The score declined from A to B as there are only six of the nine elements included in the budget documentation submitted to the Legislature in the most recent assessment. During the previous assessment, seven elements were present in the budget documentation, which included macroeconomic assumptions.

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<b>PI-7 Extent of unreported government operations.</b>	<b>D+</b>	<b>C+</b>	<b>+</b>	
(i) The level of extrabudgetary expenditure that is unreported (i.e., not included in fiscal reports)	D	A	+	During the previous assessment, there were unreported extrabudgetary expenditures (DBM financed capital projects), which constituted 28% of total central government expenditures. However, today, all expenditure incurred is budgeted and is included in the government's annual financial statements. This follows a concerted effort to bring "on budget" all activities of government, including of the DBM, concessions, social schemes, and the Future Heritage Fund. Hence, the significant improvement in the score.
(ii) Income/expenditure information on donor-funded projects which is included in fiscal reports	C	C	↔	There is no change as the fiscal reports do not include any information on grants; however, complete income/expenditure for all loan-financed projects is included.
<b>PI-8 Transparency of inter-governmental fiscal relations.</b>	<b>A</b>	<b>A</b>	<b>↔</b>	
(i) Transparent and rules based systems in the horizontal allocation among SNGs of unconditional and conditional transfers from central government	B	B	↔	There is no change, as the rules-based transfers increased slightly from 81.2% to 88.1% compared to the previous assessment, which is still less than 90% but higher than 50%.
(ii) Timeliness of reliable information to SNGs on their allocations from central government for the coming year	A	A	↔	The score remains A as SNGs are provided reliable information on the allocations to be transferred to them before the start of their detailed budgeting process.
(iii) Extent to which consolidated fiscal data is collected and reported for central government according to sectoral categories	A	A	↔	Fiscal information (ex-ante and ex-post) that is consistent with central government fiscal reporting is collected for 90% (by value) of SNG expenditure and consolidated into annual reports within 10 months of the end of the fiscal year.
<b>PI-9 Oversight of aggregate fiscal risk from other public sector entities</b>	<b>C+</b>	<b>C+</b>		
(i) Extent of central government monitoring of autonomous entities and public enterprises	C	C	↔	The score remains C. All public enterprises have their audited financial statements consolidated into the annual Government Financial Statement, which is presented to Parliament. However, no consolidated overview of fiscal risks on public enterprises is prepared by the government.
(ii) Extent of central government monitoring of SNG's fiscal position	A	A	↔	There is no change in the scoring. The fiscal position of local governments is monitored quarterly by the MoF as part of the budget execution reports and covers both levels of local governments. No debt incurrence of local governments is possible without permission of the central government.
<b>PI-10 Public access to key fiscal information</b>	<b>A</b>	<b>A</b>	<b>↔</b>	Compared to the assessment made in 2015, the performance of the country remains the same with the Government releasing to the public all the required elements measured by the indicator. The government made available to the public six of the six listed types of information requested in PI-10 of the 2011 PEFA Framework.

Indicator/Dimension	2015	2021	Change	Description of requirements met and progress between 2015 and 2021 using 2011 PEFA methodology
<b>C. BUDGET CYCLE</b>				
<b>C (i) Policy-Based Budgeting</b>				
<b>PI-11 Orderliness and participation in the annual budget process</b>	<b>A</b>	<b>A</b>	<b>↔</b>	
(i) Existence of, and adherence to, a fixed budget calendar	B	B	↔	The score of B remains, as during the preparation of the 2021 budget, the actual calendar gave five weeks to the entities to elaborate their estimates.
(ii) Clarity/comprehensiveness of, and political involvement in, the guidance on the preparation of budget submissions	A	A	↔	There is no change in the scoring. A comprehensive and clear budget circular is issued to budget entities, which reflects ceilings approved by the government prior to the circular's distribution to entities.
(iii) Timely budget approval by the Legislature or similarly mandated body	A	A	↔	Compared to the assessment made in 2015, the performance of the country remained the same. The reason is that the budget was approved prior to the beginning of the fiscal year for the last three years.
<b>PI-12 Multi-year perspective in fiscal planning, expenditure policy, and budgeting</b>	<b>C</b>	<b>C</b>	<b>↔</b>	
(i) Preparation of multi-year fiscal forecasts and functional allocations	C	C	↔	There is no change in the scoring as the forecast of fiscal aggregates (on the basis of the main categories of economic classification) are prepared for at least two of the three relevant years.
(ii) Scope and frequency of debt sustainability analysis	A	A	↔	A debt sustainability analysis for external and domestic debt was annually undertaken during the last three years. Moreover, a Medium-Term Debt Management Strategy 2019-2022 is in place. The MoF reports to the Cabinet annually against the plan and to the Parliament prior to the end of the three-year period of the strategy.
(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure	D	D	↔	The scoring remained D. Sector strategies may have been prepared for some sectors, but none of them have substantially complete costing of investments and recurrent expenditure.
(iv) Linkages between investment budgets and forward expenditure estimates	D	D	↔	No change in scoring, as budgeting for investment and recurrent expenditure is still a separate process with no recurrent cost estimates being shared.
<b>C (ii) Predictability and Control in Budget Execution</b>				
<b>PI-13 Transparency of taxpayer obligations and liabilities</b>	<b>C+</b>	<b>A</b>	<b>+</b>	
(i) Clarity and comprehensiveness of tax liabilities	B	A	+	There is an improvement in scoring. Legislation and procedures for all major taxes are comprehensive and clear, with strictly limited discretionary powers of the government entities involved.
(ii) Taxpayer access to information on tax liabilities and administrative procedures	A	A	↔	The score remains the same. Taxpayers have easy access to information from the website of the tax authority and customs authority and from public service desks in each of the local tax offices.
(iii) Existence and functioning of a tax appeal mechanism.	C	B	+	The score improved compared to the previous assessment. Article 10 of the General Taxation Law authorizes the tax appeals mechanism.
<b>PI-14 Effectiveness of measures for taxpayer registration and tax assessment</b>	<b>C+</b>	<b>B+</b>	<b>+</b>	

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(i) Controls in the taxpayer registration system	C	B	+	Improved score as the taxpayer registration system is being implemented successfully in accordance with the latest approved Tax Package Law.
(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	B	A	+	There is an improvement in the score compared to the previous assessment. Penalties for all areas of non-compliance are set sufficiently high to act as deterrence and are consistently administered.
(iii) Planning and monitoring of tax audit and fraud investigation programs	C	B	+	The scored improved because tax audits and fraud investigations are managed and reported on according to a comprehensive and documented audit plan, with clear risk assessment criteria (which is regulated by the Article 8 of the Tax Package Law) for audits in at least one major tax area that applies self-assessment.
<b>PI-15 Effectiveness in collection of tax payments</b>	<b>C+</b>	<b>B+</b>	<b>+</b>	
(i) Collection ratio for gross tax arrears	C	B	+	The scoring improved as annual collections are now >75%.
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	A	↔	The scoring remains the same. Transfer of revenue is processed on a daily basis for more than 90% of revenues collected.
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury	A	A	+	The scoring remains the same as the complete reconciliation of tax assessments, collections, arrears, and transfers to Treasury takes place at the end of every month.
<b>PI-16 Predictability in the availability of funds for commitment of expenditures</b>	<b>D+</b>	<b>C+</b>	<b>+</b>	
(i) Extent to which cash flows are forecasted and monitored	D	A	+	Compared to the assessment in 2015, the score improved as cash flow forecast is now prepared for the fiscal year, and is updated weekly on the basis of actual cash inflows and outflows.
(ii) Reliability and horizon of periodic in-year information to ministries, departments, and agencies (MDAs) on ceilings for expenditure commitment	D	C	+	There is an improvement in scoring. MDAs are provided monthly commitment ceilings at the beginning of the year. However, commitment ceilings are subject to frequent changes.
(iii) Frequency and transparency of adjustments to budget allocations above the level of management of MDAs	C	B	+	Parliament makes significant in-year adjustments to budget allocations but not more than twice a year and amendments are done in a fairly transparent way.
<b>PI-17 Recording and management of cash balances, debt, and guarantees</b>	<b>C</b>	<b>B</b>	<b>+</b>	
(i) Quality of debt data recording and reporting	C	B	+	Compared to the assessment in 2015, the score improved as debt data are reconciled with Treasury data monthly (but with other primary sources, such as development partners' records and bank statements, quarterly).



Indicator/Dimension	2015	2021	Change	Description of requirements met and progress between 2015 and 2021 using 2011 PEFA methodology
(ii) Extent of consolidation of the government's cash balances	B	B	↔	The scoring remained the same. More than 90% of cash balances are calculated and consolidated daily and reported to the MoF. Extrabudgetary funds that remain outside this arrangement include some donor-funded projects, diplomatic missions, etc.
(iii) Systems for contracting loans and issuance of guarantees	D	B	+	Compared to the assessment in 2015, the score improved as government's contracting of loans and issuance of guarantees are made within limits for total debt and total guarantees, and always approved by a single responsible government entity.
<b>PI-18 Effectiveness of payroll controls</b>	<b>D+</b>	<b>B+</b>	<b>+</b>	
(i) Degree of integration and reconciliation between personnel records and payroll data	D	A	+	Compared to the assessment in 2015, the score improved significantly as the CSC launched IHRS and the MoF established IPS for civil servants. The data from both systems are reconciled on a monthly basis and the two systems are interconnected.
(ii) Timeliness of changes to personnel records and the payroll	D	A	+	There is a significant improvement in the score. IHRS hosted by CSC is used to upload the data to IPS. The implementation of IPS across the government is close to 97% of budget entities. Every budgetary entity has its own access to the IPS and imports data from IHRS and calculates monthly payroll and pays through the TSA to civil servants.
(iii) Internal controls of changes to personnel records and the payroll	B	A	+	The score increased compared to the previous assessment as an audit trail exists in both IHRS and IPS. In addition, hard copies are kept by budget entities. Authority and basis for changes to personnel records and the payroll are clear.
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers	C	B	+	An annual payroll audit exists and is conducted depending on the size of the budget. Audit firms or designated national auditors undertake payroll auditing and provide comments on payroll expenses.
<b>PI-19 Transparency, competition, and complaints mechanisms in procurement</b>	<b>D+</b>	<b>D+</b>		
(i) Transparency, comprehensiveness, and competition in the legal and regulatory framework	B	B	↔	The score remains the same as only five of the six requirements measured in the 2011 framework are met. Despite significant improvements recorded, such as lifting of the exceptions by the PPLM to procurement activities of the Development Bank of Mongolia (DBM) and complaints are made publicly available, some exceptions remain in place. Procurement of some SOEs for road maintenance and issuing and trading stocks at national and international financial markets remain outside of the PPLM mandate.
(ii) Use of competitive procurement methods	D	D	↔	Amendments to the PPLM in April 2019 makes open and competitive methods the default method of procurement and provides adequate grounds for public disclosure. Justification for the use of less competitive method is clearly identified in Chapter 31 of the PPLM. However, for contracts awarded by methods other than open competition (30.4% of total government procurement) reliable data is not available in the e-Procurement system. Thus, the score remains the same.

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(iii) Public access to complete, reliable, and timely procurement information	C	C	↔	The GoM makes available to the public complete and reliable information on procurement plans, bidding opportunities, contract awards, and data on resolution of procurement complaints through the e-Procurement system. However, the information made public is for contracts awarded under open competitive measures (which equates to 69.6% of total value of procurement operations); thus the score remains the same.
(iv) Existence of an independent administrative procurement complaints system	D	D	↔	Arrangements for procurement complaints are clearly defined in Chapters 54, 55, and 56 of the PPLM (2019) and are handled by bodies not involved in any capacity in the procurement transactions or in the process leading to contract award decisions. However, in Mongolia complaints are still handled entirely by the government, with no participation of private sector representatives and/or CSOs. Thus, despite meeting all the other requirements, since criterion (i) is mandatory, the score remains the same.
<b>PI-20 Effectiveness of internal controls for non-salary expenditure</b>	<b>D+</b>	<b>D+</b>	<b>↔</b>	
(i) Effectiveness of expenditure commitment controls	D	D	↔	The score remains the same as commitments are not recorded in the GFMS, so expenditure control is reliant on containing cash payments within the approved budget allocations and appropriations.
(ii) Comprehensiveness, relevance, and understanding of other internal control rules/procedures	B	B	↔	The scoring remains the same as internal control rules and procedures incorporate a comprehensive set of controls, which are widely understood, but may be causing excessive delays.
(iii) Degree of compliance with rules for processing and recording transactions	B	B	↔	The scoring remains the same. The degree of compliance with rules for processing and recording transactions is generally high and conducted in accordance with the Regulation on Treasury Operations.
<b>PI-21 Effectiveness of internal audit</b>	<b>C+</b>	<b>C+</b>	<b>↔</b>	
(i) Coverage and quality of the internal audit function	B	A	+	Compared to the assessment made in 2015, the score has improved. During the previous assessment, around 80% of line ministries and government agencies had full-time internal auditors. Today, in accordance with the Article 69.1 of the Integrated Budget Law of Mongolia, all budget governors established their own internal audit units, which are operational.
(ii) Frequency and distribution of reports	C	B	+	There is an improved score as a result of the introduction of an annual audit plan. Reports consistent with the audit plan were prepared for the majority of the planned audits. Reports are prepared and distributed to audit clients, including Internal Audit Committees, ministers, the Cabinet, and the SAI as deemed appropriate.
(iii) Extent of management response to internal audit findings	C	C	↔	There has been no significant change since the assessment in 2015, and there is insufficient evidence/consolidated records of implementation of recommendations.
<b>C (iii) Accounting, Recording, and Reporting</b>				
<b>PI-22 Timeliness and regularity of accounts reconciliation</b>	<b>B+</b>	<b>B+</b>	<b>↔</b>	
(i) Regularity of bank reconciliation	A	A	↔	The score remains as A, given reconciliations of bank accounts held in the TSA at the Central Bank and at commercial banks are processed on a daily basis at the aggregate and analytical levels between the Treasury Department and the Central Bank.

Indicator/Dimension	2015	2021	Change	Description of requirements met and progress between 2015 and 2021 using 2011 PEFA methodology
(ii) Regularity of reconciliation and clearance of suspense accounts and advances	B	B	↔	There is no change in scoring compared to the previous assessment. Reconciliation of suspense accounts take place at least monthly and reconciliation of advances is undertaken in reasonable time to ensure compliance with policy and contract requirements—at the latest, at the time of the quarterly consolidation process.
<b>PI-23 Availability of information on resources received by service delivery units</b>	<b>A</b>	<b>C</b>	<b>-</b>	Compared to the assessment in 2015, the score deteriorated. While financial reports of individual service delivery units, such as schools, are published on the Glass Account Portal, there is no consolidation or compilation of such data.
<b>PI-24 Quality and timeliness of in-year budget reports</b>	<b>C+</b>	<b>C+</b>		
(i) Scope of reports in terms of coverage and compatibility with budget estimates	C	C	↔	The scoring remains the same. In-year budget reports are produced with administrative, program, activity, and economic classification on a monthly basis, enabling a direct comparison with the approved budget. However, the reports provide information on expenditures only at the payment stage.
(ii) Timeliness of the issue of reports	A	A	↔	There is no change in scoring as the in-year reports are produced within eight days after the end of the month.
(iii) Quality of information	C	B	+	Compared to the assessment made in 2015, the rating of the country has improved. Budget entities are able to confirm their budget reports with the GFMS data through the online E-Huulga system, hence there are no material concerns regarding data accuracy. The staff responsible for internal control within the Treasury ensure integrity of data in accordance with the Treasury's regulation on internal control.
<b>PI-25 Quality and timeliness of annual financial statements</b>	<b>C+</b>	<b>D+</b>	<b>-</b>	
(i) Completeness of the financial statements	B	B	↔	The score remained the same, as a consolidated government statement is prepared annually. They include, with few exceptions, full information on revenue, expenditure, and financial asset/liabilities. Some major SOEs with ownership below 51% are not consolidated, and pension liabilities are not accrued.
(ii) Timeliness of submissions of the financial statements	A	A	↔	Financial reports are submitted for audit within six months of the end of the financial year for the last three completed fiscal years. Hence the score remains the same.
(iii) Accounting standards used	C	D	-	There is a decline in scoring compared to the previous assessment. The financial statements are stated to have been prepared on 'modified accrual basis' and this basis is applied consistently; however, the legally mandated basis of accounting and reporting is accrual-based IPSAS.
<b>C (iv) External Scrutiny and Audit</b>				
<b>PI-26 Scope, nature, and follow-up of external audit</b>	<b>B+</b>	<b>A</b>	<b>+</b>	
(i) Scope/nature of audit performed (including adherence to auditing standards)	B	A	+	All entities of central government are audited annually covering revenue, expenditure, and assets/liabilities irrespective of their source of funding.

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(ii) Timeliness of submission of audit reports to the Legislature	B	A	+	Compared to the assessment in 2015, the score improved. During the previous assessment, audit reports were submitted to the Legislature within eight months from receipt of the financial statements by the MNAO; however, this duration has been reduced to three months for the last three completed fiscal years.
(iii) Evidence of follow up on audit recommendations	A	A	↔	Compared to the assessment in 2015, the score remained the same. There is clear evidence of effective and timely follow-up by the executive and/or the audited entities on the audit recommendations issued by the MNAO.
<b>PI-27 Legislative scrutiny of the annual budget law</b>	<b>B+</b>	<b>B+</b>	<b>↔</b>	
(i) Scope of the Legislature's scrutiny	A	A	↔	The score remains the same, as the Parliament's review covers fiscal policies, the MTF, and details of expenditure and revenue.
(ii) Extent to which the Legislature's procedures are well established and respected.	A	A	↔	There is no change in the scoring compared to the previous assessment. The Parliament's procedures for budget review, involving internal organizational arrangements, are firmly established by Law and are strictly abided by.
(iii) Adequacy of time for the Legislature to provide a response to budget proposals - both the detailed estimates and, where applicable, for proposals on macrofiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)	B	B	↔	The score remained the same. The 2021 budget was submitted by the executive on September 30 and approved by November 15, giving Parliament six weeks to deliberate.
(iv) Rules for in-year amendments to the budget without ex-ante approval by the Legislature	A	A	↔	There is no change in the scoring compared to the previous assessment. Articles 34 and 42 of the IBL (2011) clearly state the extent and nature as well as strict limits for in-year budget amendments by the executive. These rules are always respected.
<b>PI-28 Legislative scrutiny of external audit reports</b>	<b>D+</b>	<b>D+</b>	<b>↔</b>	
(i) Timeliness of examination of audit reports by the Legislature	B	A	+	Compared to the assessment in 2015, the rating improved. During the previous assessment, scrutiny of audit reports was usually completed by the Legislature within six months from receipt of the reports, whereas today, the period is only three months.
(ii) Extent of hearings on key findings undertaken by the Legislature	B	B	↔	The score remained the same. In-depth hearings on key findings take place with most of the responsible officers from the audited entities that received a qualified or adverse audit opinion.
(iii) Issuance of recommended actions by the Legislature and implementation by the executive	D	D	↔	There is no change in the scoring comparing to the previous assessment. The reason is that there is no legal requirement for the Parliament to issue any recommendations based on its scrutiny. Parliament has not issued any such recommendations in the last three years.

## Annex 7. Calculation of budget outturns for PI-1, PI-2, and PI-3

### Part 1. Calculation Sheet for Dimensions PI-1.1, PI-2.1, and PI-2.3

Table 1 - Fiscal years for assessment

Year 1 =	2018
Year 2 =	2019
Year 3 =	2020

Table 2

Data for year =	2018					
Administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Minister of Finance	1,659,366,553,800	1,477,623,383,383	1,545,552,200,381.2	-67,928,816,998.1	67,928,816,998.1	0.04395
Minister of Education, Culture, Science and Sports	1,535,548,968,200	1,422,820,402,966	1,430,227,143,701.1	-7,406,740,734.8	7,406,740,734.8	0.00518
Minister of Labor and Social Welfare	1,244,759,916,600	1,206,816,963,841	1,159,383,033,026.5	47,433,930,814.3	47,433,930,814.3	0.04091
Minister of Health	766,306,055,200	721,880,790,290	713,745,861,074.2	8,134,929,216.2	8,134,929,216.2	0.0114
Minister of Justice and Internal Affairs	476,978,726,300	463,522,565,871	444,263,214,947.8	19,259,350,923.2	19,259,350,923.2	0.04335
Minister of Road and Transport Development	384,534,590,400	376,302,828,782	358,159,733,275.6	18,143,095,506.6	18,143,095,506.6	0.05066
Minister of Defense	237,063,872,000	217,962,304,144	220,803,889,388.7	-2,841,585,245.0	2,841,585,245.0	0.01287
The Prime Minister of Mongolia	203,278,394,000	186,283,201,645	189,335,724,778.3	-3,052,523,133.1	3,052,523,133.1	0.01612
Minister of Energy	139,159,098,500	136,247,370,798	129,614,309,989.1	6,633,060,809.1	6,633,060,809.1	0.05118
Minister of Food, Agriculture and Light Industry	162,003,784,000	130,234,186,627	150,892,100,517.4	-20,657,913,890.9	20,657,913,890.9	0.13691
Deputy Prime Minister of Mongolia	136,729,296,900	124,757,417,667	127,351,166,140.1	-2,593,748,473.4	2,593,748,473.4	0.02037
Minister of Construction and Urban Development	124,209,289,800	99,454,585,705	115,689,894,266.3	-16,235,308,561.5	16,235,308,561.5	0.14033
Minister of Nature, Environment and Tourism	88,160,008,800	82,241,457,529	82,113,198,723.0	128,258,806.1	128,258,806.1	0.00156
Minister of Foreign Affairs	71,730,845,000	61,269,549,299	66,810,895,441.4	-5,541,346,142.0	5,541,346,142.0	0.08294
General Council of the Judiciary	48,604,771,300	48,108,813,565	45,271,016,858.6	2,837,796,706.2	2,837,796,706.2	0.06268
Office of the State Great Hural	33,113,174,200	30,683,964,273	30,841,973,480.3	-158,009,206.8	158,009,206.8	0.00512
Attorney General	29,238,024,800	28,923,170,608	27,232,616,844.6	1,690,553,763.3	1,690,553,763.3	0.06208
Cabinet Secretariat of Government	33,531,285,500	25,115,868,069	31,231,406,929.0	-6,115,538,859.9	6,115,538,859.9	0.19581
Minister of Mining and Heavy Industry	26,397,054,200	25,012,350,409	24,586,505,681.3	425,844,728.1	425,844,728.1	0.01732
Anti-Corruption Agency	14,845,462,000	14,444,351,722	13,827,226,062.4	617,125,660.1	617,125,660.1	0.04463
Other	295,218,468,100	302,197,302,076	274,969,717,763.8	27,227,584,312.5	27,227,584,312.5	0.09902
allocated expenditure	7,710,777,639,600	7,181,902,829,271	7,181,902,829,270.9	0.0	265,063,062,491.1	
interests						
contingency	27,482,725,173	25,000,000,000				
total expenditure	7,738,260,364,773	7,206,902,829,271				
aggregate outturn (PI-1)						93.1%
composition (PI-2) variance						3.7%
contingency share of budget						0.3%

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Table 3

Data for year =	2019					
Administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Minister of Finance	2,576,312,800,700	2,443,912,182,363	2,545,774,274,231.7	-101,862,091,868.7	101,862,091,868.7	0.04001
Minister of Education, Culture, Science and Sports	1,808,763,939,800	1,737,764,610,563	1,787,323,614,139.4	-49,559,003,576.0	49,559,003,576.0	0.02773
Minister of Labor and Social Welfare	1,619,397,537,000	1,561,202,382,773	1,600,201,880,892.9	-38,999,498,119.6	38,999,498,119.6	0.02437
Minister of Health	839,948,812,700	823,033,550,854	829,992,413,367.7	-6,958,862,513.9	6,958,862,513.9	0.00838
Minister of Justice and Internal Affairs	538,362,197,200	536,478,046,847	531,980,678,541.1	4,497,368,305.5	4,497,368,305.5	0.00845
The Prime Minister of Mongolia	308,030,050,300	298,667,166,332	304,378,791,865.2	-5,711,625,533.6	5,711,625,533.6	0.01876
Minister of Defense	261,271,324,400	250,320,939,517	258,174,324,201.3	-7,853,384,684.2	7,853,384,684.2	0.03042
Minister of Road and Transport Development	251,298,984,800	235,572,517,689	248,320,192,513.3	-12,747,674,824.3	12,747,674,824.3	0.05134
Minister of Food, Agriculture and Light Industry	176,173,520,600	161,891,653,992	174,085,233,913.5	-12,193,579,921.5	12,193,579,921.5	0.07004
Minister of Construction and Urban Development	158,384,727,200	155,478,338,908	156,507,301,375.6	-1,028,962,467.8	1,028,962,467.8	0.00657
Deputy Prime Minister of Mongolia	147,038,619,100	141,004,497,514	145,295,685,260.6	-4,291,187,746.9	4,291,187,746.9	0.02953
Minister of Energy	116,037,664,400	105,084,498,162	114,662,202,816.0	-9,577,704,653.7	9,577,704,653.7	0.08353
Minister of Nature, Environment and Tourism	93,761,365,500	90,907,584,374	92,649,957,777.6	-1,742,373,403.9	1,742,373,403.9	0.01881
Minister of Foreign Affairs	76,272,820,000	67,808,015,532	75,368,714,127.5	-7,560,698,595.3	7,560,698,595.3	0.10032
Cabinet Secretariat of Government	61,903,185,700	55,060,837,239	61,169,411,418.2	-6,108,574,179.7	6,108,574,179.7	0.09986
General Council of the Judiciary	51,072,688,100	50,581,189,329	50,467,293,973.6	113,895,355.3	113,895,355.3	0.00226
Office of the State Great Hural	40,356,451,400	39,222,252,426	39,878,083,028.4	-655,830,602.9	655,830,602.9	0.01645
Minister of Mining and Heavy Industry	38,917,249,700	35,500,205,045	38,455,941,019.0	-2,955,735,974.0	2,955,735,974.0	0.07686
Attorney General	34,377,841,200	34,177,186,416	33,970,340,754.7	206,845,661.5	206,845,661.5	0.00609
Anti-Corruption Agency	17,124,415,900	16,905,028,648	16,921,430,288.9	-16,401,640.9	16,401,640.9	0.00097
Other	191,775,509,900	454,507,364,791	189,502,283,805.9	265,005,080,984.6	265,005,080,984.6	1.39843
allocated expenditure	9,406,581,705,600	9,295,080,049,312	9,295,080,049,312.4	0.0	539,646,380,613.8	
interests						
contingency	24,461,144,325	20,593,329,180				
total expenditure	9,431,042,849,925	9,315,673,378,493				
aggregate outturn (PI-1)						98.8%
composition (PI-2) variance						5.8%
contingency share of budget						0.2%

Table 4

Data for year =	2020					
Administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Minister of Finance	3,089,856,625.9	2,840,324,021.8	2,846,541,919,460.6	-6,217,897,633.4	6,217,897,633.4	0.2%
Minister of Labor and Social Welfare	2,379,867,459.6	2,229,805,356.3	2,192,461,756,874.7	37,343,599,435.3	37,343,599,435.3	1.7%
Minister of Education, Culture, Science and Sports	1,717,062,083.2	1,552,981,659.1	1,581,849,836,388.9	-28,868,177,262.3	28,868,177,262.3	1.8%
Minister of Health	1,058,645,338.6	986,905,645.8	975,280,959,286.8	11,624,686,558.0	11,624,686,558.0	1.2%
Minister of Justice and Internal Affairs	625,792,473.1	621,116,038.6	576,513,645,529.8	44,602,393,061.7	44,602,393,061.7	7.7%
Cabinet Secretariat of Government	433,011,892.2	410,339,938.7	398,913,817,696.4	11,426,120,953.6	11,426,120,953.6	2.9%
Minister of Food, Agriculture and Light Industry	360,156,686.4	328,409,884.6	331,795,688,129.4	-3,385,803,509.9	3,385,803,509.9	1.0%
Minister of Defense	287,679,056.3	268,935,323.4	265,025,401,581.6	3,909,921,819.1	3,909,921,819.1	1.5%
Minister of Road and Transport Development	279,244,368.0	253,959,160.9	257,254,913,584.8	-3,295,752,689.8	3,295,752,689.8	1.3%
Minister of Construction and Urban Development	203,302,051.5	161,369,661.2	187,292,771,792.8	-25,923,110,590.8	25,923,110,590.8	13.8%
Ministry of Culture	180,810,757.3	129,486,576.8	166,572,583,280.9	-37,086,006,448.1	37,086,006,448.1	22.3%
Deputy Prime Minister of Mongolia	178,658,516.8	175,817,428.8	164,589,823,708.0	11,227,605,072.6	11,227,605,072.6	6.8%
The Prime Minister of Mongolia	160,002,267.6	150,111,583.6	147,402,684,679.4	2,708,898,914.7	2,708,898,914.7	1.8%
Minister of Nature, Environment and Tourism	157,769,265.4	132,500,037.0	145,345,523,089.7	-12,845,486,047.1	12,845,486,047.1	8.8%
Minister of Foreign Affairs	92,885,580.3	73,133,434.9	85,571,186,643.8	-12,437,751,747.2	12,437,751,747.2	14.5%
Minister of Energy	61,924,367.0	45,457,189.5	57,048,053,629.4	-11,590,864,087.7	11,590,864,087.7	20.3%
General Council of the Judiciary	56,310,295.7	54,748,023.2	51,876,069,544.4	2,871,953,650.4	2,871,953,650.4	5.5%
The Atonement Commission	54,374,496.4	54,357,940.1	50,092,707,232.7	4,265,232,882.4	4,265,232,882.4	8.5%
Office of the State Great Hural	47,256,195.6	44,444,519.1	43,534,946,120.8	909,572,941.5	909,572,941.5	2.1%
Attorney General	43,678,087.1	41,610,448.1	40,238,600,344.7	1,371,847,734.4	1,371,847,734.4	3.4%
Other	184,974,136,000.0	179,797,128,400	170,408,111,407.6	9,389,016,992.4	9,389,016,992.4	5.5%
allocated expenditure	11,653,262,000.0	10,735,611,000,007	10,735,611,000,007.2	0.0	283,301,700,032.5	
interests						
contingency	73,235,568,039	65,000,000,000				
total expenditure	11,726,497,568,039	10,800,611,000,007				
aggregate outturn (PI-1)						92.1%
composition (PI-2) variance						2.6%
contingency share of budget						0.6%

Table 5 - Results Matrix

	for PI-1.1	for PI-2.1	for PI-2.3
Year	Total exp. outturn	Composition variance	Contingency share (%)
2018	93.1%	3.7%	
2019	98.8%	5.8%	0.4%
2020	92.1%	2.6%	

## Part 2. Calculation Sheet for Expenditure by Economic Classification Variance PI-2.2

Table 1 - Fiscal years for assessment

Year 1 =	2018
Year 2 =	2019
Year 3 =	2020

Table 2

Data for year =	2018					
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Cost of goods and services	2,106,217,263.3	1,993,675,678.4	1,961,753,850,178.2	31,921,828,240.9	31,921,828,240.9	1.6%
Interest	1,150,740,000.1	1,046,419,829.7	1,071,811,852,027.7	-25,392,022,333.4	25,392,022,333.4	2.4%
Subsidies	702,477,870.7	698,745,023.6	654,295,590,261.9	44,449,433,381.2	44,449,433,381.2	6.8%
Current transfer	2,013,774,466.9	1,974,689,406.9	1,875,651,616,131.0	99,037,790,723.4	99,037,790,723.4	5.3%
Capital costs	1,484,188,415.5	1,206,425,148.4	1,382,389,361,834.0	-175,964,213,439.6	175,964,213,439.6	12.7%
Net loan after deposit payment	253,379,623.1	261,947,742.3	236,000,558,838.0	25,947,183,427.6	25,947,183,427.6	11.0%
<b>Total expenditure</b>	<b>7,710,777,639,600</b>	<b>7,181,902,829,271</b>	<b>7,181,902,829,270.9</b>	<b>0.0</b>	<b>402,712,471,546.1</b>	
composition variance						5.6%

Table 3

Data for year =	2019					
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Cost of goods and services	2,459,084,579	2,359,460,560	2,429,935,659.2	-70,475,099.3	70,475,099.3	2.9%
Interest	865,585,468	860,980,817	855,325,194.5	5,655,622.7	5,655,622.7	0.7%
Subsidies	714,266,753	705,770,013	705,800,144.9	-30,131.9	30,131.9	0.0%
Current transfer	2,498,879,570	2,427,263,543	2,469,258,938.0	-41,995,394.5	41,995,394.5	1.7%
Capital costs	2,740,659,966	2,548,153,564	2,708,173,374.6	-160,019,810.7	160,019,810.7	5.9%
Net loan after deposit payment	128,105,365	393,451,674	126,586,860.0	266,864,813.8	266,864,813.8	210.8%
<b>Total expenditure</b>	<b>9,406,581,701</b>	<b>9,295,080,171</b>	<b>9,295,080,171.2</b>	<b>0.0</b>	<b>545,040,872.9</b>	
composition variance						5.9%



Table 4

Data for year =	2020	(million MNT)				
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Cost of goods and services	3,147,016	2,921,888	2,899,200.3	22,687.8	22,687.8	0.8%
Interest	972,576	932,820	895,989.6	36,830.3	36,830.3	4.1%
Subsidies	633,608	564,733	583,713.7	-18,980.2	18,980.2	3.3%
Current transfer	4,052,876	3,805,380	3,733,727.5	71,652.9	71,652.9	1.9%
Capital costs	2,828,570	2,487,462	2,605,830.5	-118,368.6	118,368.6	4.5%
Net loan after deposit payment	18,615	23,327	17,149.2	6,177.8	6,177.8	36.0%
<b>Total expenditure</b>	<b>11,653,262</b>	<b>10,735,611</b>	<b>10,735,610.8</b>	<b>0.0</b>	<b>274,697.6</b>	
composition variance						2.6%

Table 5 - Results Matrix

year	composition variance
2018	5.6%
2019	5.9%
2020	2.6%

### Part 3. Calculation Sheet for Revenue by Economic Classification Variance PI-3.2

Table 1 - Fiscal years for assessment

Year 1 =	2018
Year 2 =	2019
Year 3 =	2020

Table 2

Data for year =	2018					
Revenue Composition	budget	actual	adjusted budget	deviation	absolute deviation	percent
Future Heritage Fund	508,744,290.04	620,693,559.33	667,081,366.0	-46,387,806.7	46,387,806.7	7.0%
Stabilization Fund	122,747,200.00	206,986,649.75	160,949,953.6	46,036,696.2	46,036,696.2	28.6%
Income tax	691,397,292.66	1,276,931,359.27	906,581,674.7	370,349,684.6	370,349,684.6	40.9%
VAT	1,517,318,443.73	2,195,907,230.85	1,989,555,224.4	206,352,006.4	206,352,006.4	10.4%
Excises	684,315,032.12	754,440,177.83	897,295,194.0	-142,855,016.2	142,855,016.2	15.9%
Special tax	12,057,152.94	13,063,740.95	15,809,714.6	-2,745,973.7	2,745,973.7	17.4%
Tax on foreign trade	536,906,708.52	682,218,223.59	704,008,806.7	-21,790,583.1	21,790,583.1	3.1%
Other taxes and fees	393,035,650.02	508,074,577.51	515,360,591.7	-7,286,014.2	7,286,014.2	1.4%
Non-tax Income	1,372,306,959.35	1,397,738,654.16	1,799,411,647.4	-401,672,993.3	401,672,993.3	22.3%
<b>Total revenue</b>	<b>5,838,828,729.40</b>	<b>7,656,054,173.23</b>	<b>6,988,972,807.19</b>	<b>46,387,806.71</b>	<b>1,199,088,967.61</b>	<b>17.2%</b>
composition variance						17.2%

Table 3

Data for year =	2019					
Revenue Composition	budget	actual	adjusted budget	deviation	absolute deviation	percent
Future Heritage Fund	1,068,520.000	1,040,219,891.04	1,113,516,089.7	-73,296,198.6	73,296,198.6	6.6%
Stabilization fund	322,000.000	94,596,581.78	335,559,634.7	-240,963,052.9	240,963,052.9	71.8%
Income tax	1,240,000,000.00	1,660,572,459.01	1,292,217,226.8	368,355,232.2	368,355,232.2	28.5%
VAT	2,321,100,000.00	2,486,268,106.15	2,418,843,068.6	67,425,037.5	67,425,037.5	2.8%
Excises	837,800,000.00	863,406,516.69	873,080,316.6	-9,673,799.9	9,673,799.9	1.1%

Special tax	12,200,000.00	16,355,040.05	12,713,750.1	3,641,289.9	3,641,289.9	28.6%
Tax on foreign trade	743,020,000.00	790,178,368.66	774,309,067.6	15,869,301.0	15,869,301.0	2.0%
Other taxes and fees	600,570,000.00	676,708,348.09	625,860,403.1	50,847,944.9	50,847,944.9	8.1%
Non-tax Income	1,598,983,441.18	1,484,111,945.90	1,666,317,700.1	-182,205,754.2	182,205,754.2	
<b>Total revenue</b>	<b>8,744,193,441.18</b>	<b>9,112,417,257.39</b>	<b>9,112,417,257.4</b>	<b>0.0</b>	<b>1,012,277,611.2</b>	<b>11.1%</b>

composition variance						11.1%
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Table 4

Data for year =	2020	Million MNT				
Revenue Composition	budget	actual	adjusted budget	deviation	absolute deviation	percent
Future Heritage Fund	943,205.00	914,085.52	869,135.1	44,950.4	44,950.4	5.2%
Stabilization fund	55,151.22	66,242.88	50,820.2	15,422.7	15,422.7	30.3%
Income tax	1,736,434.09	1,398,473.10	1,600,072.0	-201,598.8	201,598.8	12.6%
VAT	2,277,958.46	2,208,953.72	2,099,070.4	109,883.3	109,883.3	5.2%
Exises	734,906.08	776,886.25	677,193.9	99,692.3	99,692.3	14.7%
Special tax	15,957.94	17,071.70	14,704.8	2,366.9	2,366.9	16.1%
Tax on foreign trade	770,967.00	740,742.39	710,423.0	30,319.4	30,319.4	4.3%
Other taxes and fees	559,587.25	547,975.42	515,642.9	32,332.6	32,332.6	6.3%
Non-tax Income	1,380,720.41	1,138,923.67	1,272,292.5	-133,368.8	133,368.8	10.5%
<b>Total revenue</b>	<b>8,474,887.44</b>	<b>7,809,354.66</b>	<b>6,940,219.54</b>	<b>(44,950.40)</b>	<b>624,984.87</b>	<b>9.0%</b>

Table 5 - Results Matrix

Year	Composition variance (%)
2018	17.2%
2019	11.1%
2020	9.0%







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