PROGRAMME-BASED BUDGETING FOR HEALTH

HISTORY OF THE TRANSITION TO THE PROGRAM BUDGET IN MONGOLIA

- 1990: Introduced democratic and free market system
  - Faced challenges with leaving Soviet central planning system (Semashko model)
- 1994: Introduced health insurance system
  - State budget couldn't cover all health services without Soviet financial assistance (Bismark model)
  - Reform aimed to establish treasury system, output contracting and increase fiscal discipline, but caused centralization
- 2009 - 2015: Improvement of program budget classification
  - Revision of output-based budgeting and introduction of program-based budget classification and annual budgeting by the line ministries
- 2011 - 2013: Introduced Integrated Budget Law (IBL)
  - Introduced Program Based Budgeting – moving towards to program classification from line item budgeting
  - Budget decentralization – delegated budget authority to local governments including primary health care services, education and social protection
- 2019: Introduced PFM strategy
  - Alignment of budget with Government of Mongolia’s medium and long-term goals, SDGs and UHC

KEY OUTPUTS

- Support to health sector to better link operational budgets to long-term policy objectives
- Improved national health programmes to match budget law requirements for funding
- Support to increased allocation to primary health care (capitation tariffs, costing, DRG)
- Introduced medium-term budget forecasting model, and building capacity of sector planning and budgeting staff in costing, budgeting, strategic planning
- Support to develop an SDG focused monitoring framework
- Since 2013, output delivery agreements concluded with budget managers specifying performance framework linked to outputs and program specific targets

GOVERNMENT HEALTH BUDGET BY PROGRAM BUDGET CLASSIFICATION

<table>
<thead>
<tr>
<th>Programs</th>
<th>2012</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public health</td>
<td>11%</td>
<td>13%</td>
<td>10%</td>
<td>9%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Hospital services</td>
<td>78%</td>
<td>80%</td>
<td>89%</td>
<td>81%</td>
<td>82%</td>
<td>82%</td>
</tr>
<tr>
<td>Health administration and information</td>
<td>10%</td>
<td>8%</td>
<td>8%</td>
<td>18%</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Physical training and sports</td>
<td>0%</td>
<td>0%</td>
<td>3%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
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Source: Ministry of Health (Mongolia), 2018

MOVING FORWARD

- MTFF should be utilized more as a tool to strengthen medium-term budgeting, and in that approach strengthen further strategic resource allocation.
- Budget program structure should be redesigned to better match with sector policies and GoM’s desire to move towards “Budgeting for SDGs”.
- Service delivery agreements could have a cross-sectoral and SDG view to strengthen health outcomes by leveraging health-related outputs in other sectors (e.g. Water and Sanitation, Education, urban planning, infrastructure)

REMAINING CHALLENGES

- No national methodology for medium term planning that links to MTFF process; process for developing programmes and policies still not aligned with long-term policy objectives
- MOF and MOH budget classifications and programme coding structures not aligned
- Insufficient allocation for preventive health services or primary health care, with difficulty transferring across programmes
- Unreasonable costing of investments and recurrent expenditures in the short to the medium term (e.g. national programmes proposed for 2020 funding without appropriate costing)
- Implementation delayed by underlying systemic issues strongly influencing pace of change with capacity gaps in leadership, strategic planning and budgeting
- Significant structural challenges in introducing performance-based funding mechanisms
- No change in expenditure management; providers still receive funds by inputs