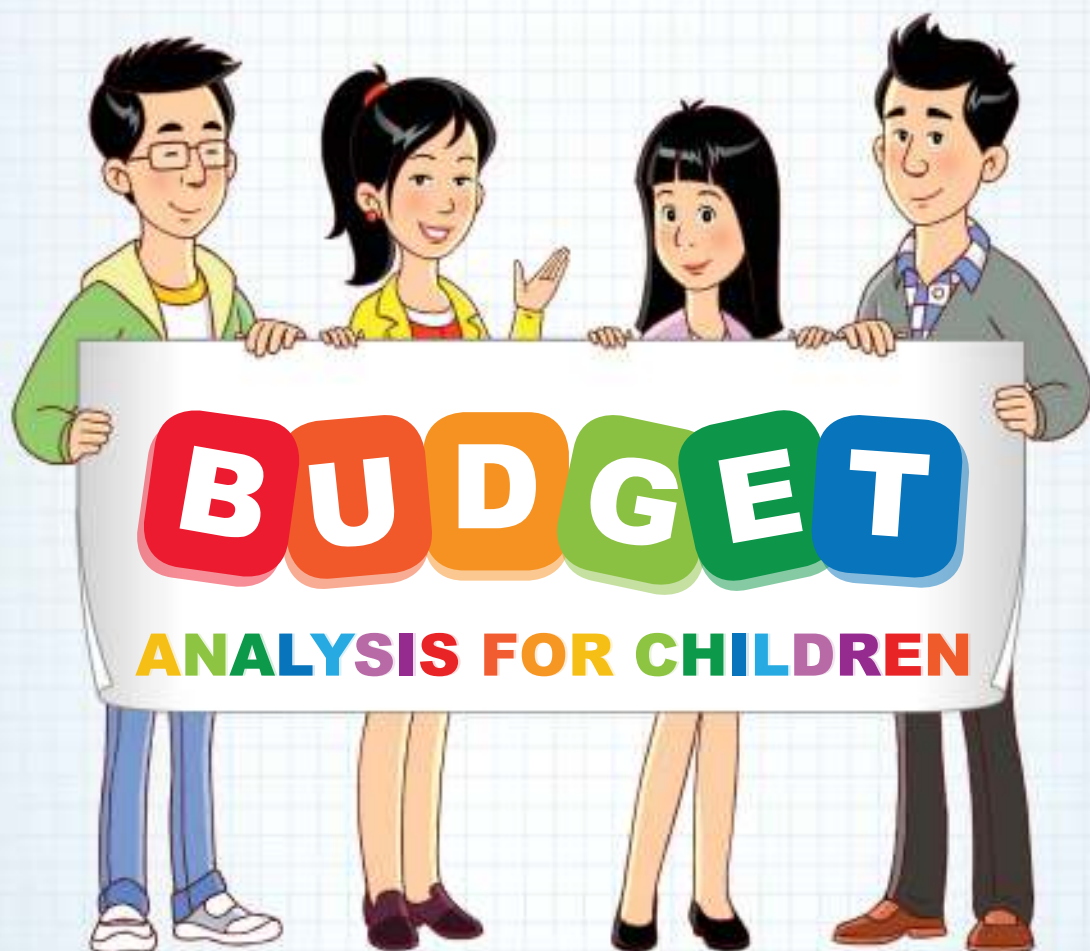




British Embassy
Ulaanbaatar



Save the Children



ANALYSIS OF STATE AND LOCAL BUDGETS
Handbook for Adolescents

Ulaanbaatar
2014

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The Handbook is an initiative of Child Rights Governance Program, Save the Children. It has been developed by Dr. Danzan Narantuya, Associate Professor, National University of Mongolia, and Mr. Yansanjav Ochirsukh, an economist. The Handbook is based on the 'Budget for Children' Handbook of Save the Children International and developed with the participation of children, with financial support of the British Embassy of Ulaanbaatar.



Ulaanbaatar
2014

FOREWORD

Dear Children,

The Mongolia Program of Save the Children hereby delivers you this illustrated handbook “Budget Analysis for Children”, compiling important information which will contribute to your knowledge as future citizens of our democratic society.

Why is knowledge of state and local budgets necessary for children?

When you exercise your rights, when you learn how to identify your problems and participate on your own with the help of adults and decision makers, provide your opinions and have them incorporated into decisions, you are developing yourself to be an active citizen of society.

The Government is responsible for the implementation of children’s rights. This means the Government shall be responsible for ensuring all children’s rights are protected, including being healthy and having a safe living environment, being able to develop and participate, and to regulate and make sure adults comply with children’s rights.

For these purposes, it is vital that you understand how the public budget is made, spent and reported in order to assess what share of tax payers’ money is allocated for children, how it is spent and how children benefit from it. Also to be able to contribute your opinions and actively participate in further discussions and allocations of the budget.

This Handbook aims to facilitate the participation of children as well as organisations working for children to enhance the government’s responsibility to ensure the wellbeing of children. The Handbook introduces basic understanding of the state and local budgets of Mongolia, budget information channels, how budgets are formed and distributed, as well as simple methods of budget analysis for children, together with some simple exercises.

Our deep gratitude is extended to: members of the Child Participation Group of Khoroo No. 6 and 13, Capital District of Chingeltei; students of Schools No. 49 and 50; the International School of Ulaanbaatar; the British School of Ulaanbaatar; the Joint Mongolian-Indian School; child-members of Young Red Cross Group at Red Cross Mongolia; Scout Association of Mongolia; Protection Club of Child for Child NGO, and the Mongolian Pupils Union, for the contribution of their opinions and comments in developing the Handbook.

Special thanks to the collective of the 11th class of industrial technologies and design (teacher B. Tungalag), High school of the University of Science and Technology, for their comments and advice on the printing design and illustrations. We also owe many thanks to M. Enkhkhushlen and Ts. Amina, students of the 11th year class of the International School of Ulaanbaatar (instructor Mr. Andrew Mewbourn), for help in editing the Mongolian and English versions of the Handbook.

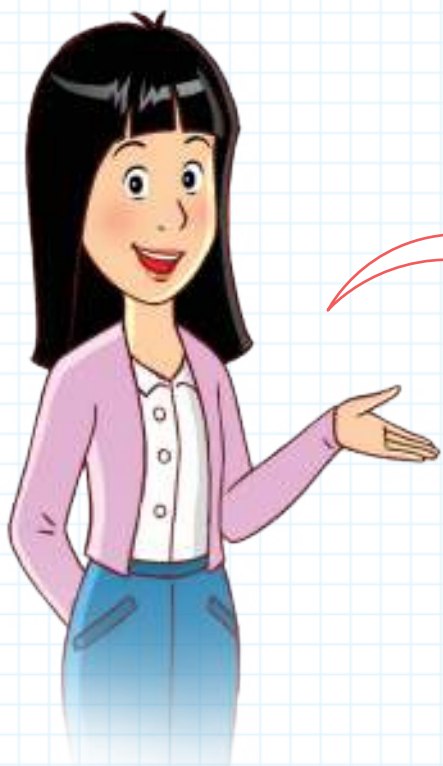
We also thank the Ministry of Finance of Mongolia, and the National Authority for Children, for sharing information and data. We are really grateful to the Women Parliamentarians Caucus of State Great Khural for their help in organizing the Handbook launch.

We shall always be open to everyone sharing their opinions on this illustrated Handbook “Budget Analysis for Children”. It is our duty to implement children’s rights to express their opinions with decision-makers on issues relating to children and ensure their meaningful participation for those issues.

We wish you success.

Child Rights Governance Program of Save the Children





"Good morning students. My name is Namuna. In our Social Sciences class, we work in teams to study interesting topics and perform assignments. I am preparing to present an interesting topic on "budgets" to my classmates that I learnt at a training session organized by Save the Children. Anand and I are a team but he said he does not know the topic well; so I will explain it to him and we will discuss budgets. This is a very interesting topic for us as children. Therefore, I urge all of you students in the classroom to pay attention and learn as much as possible about budgets while Anand and I discuss the topic in front of you.



STATE BUDGET,
in trillion MNT

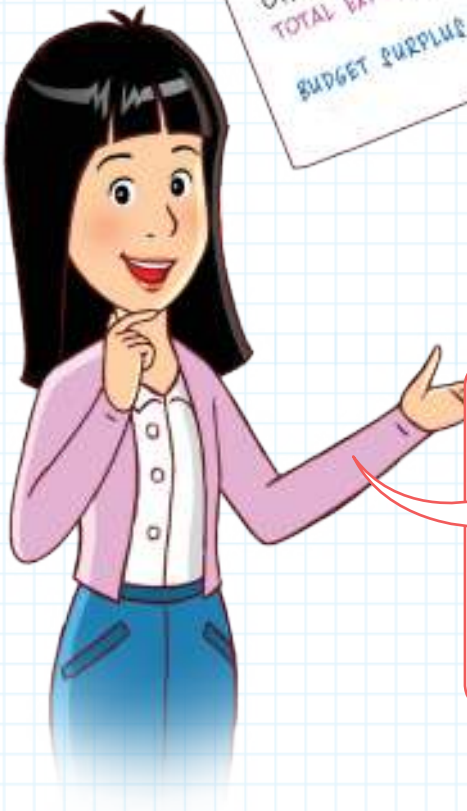
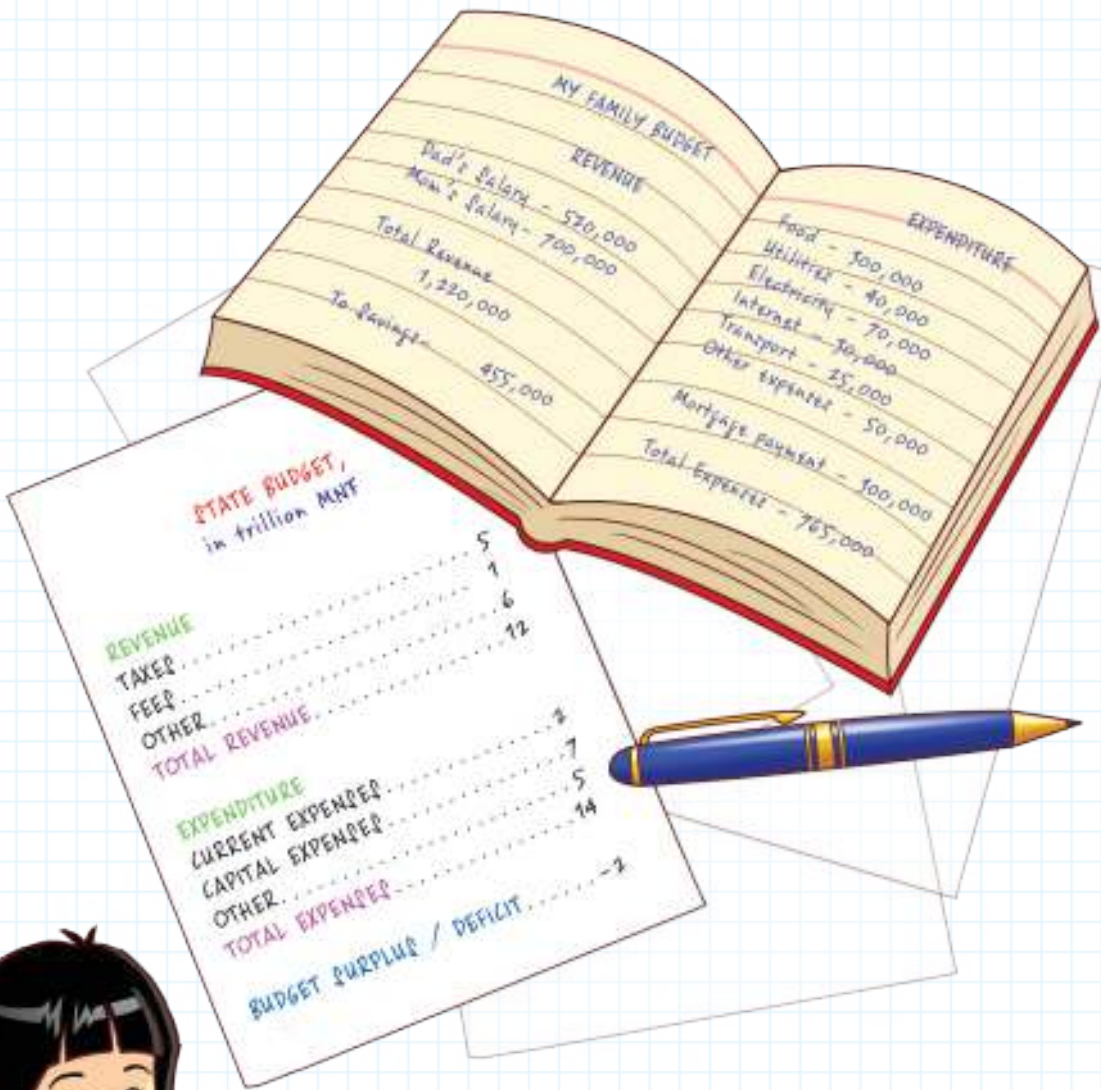
REVENUE	
TAXES	5
FEES	1
OTHER	6
TOTAL REVENUE	12
EXPENDITURE	
CURRENT EXPENSES	2
CAPITAL EXPENSES	7
OTHER	5
TOTAL EXPENSES	14
BUDGET SURPLUS / DEFICIT	-2



This is the first table
I want to show my
classmates.

What is this table
about? What can I
learn from it?



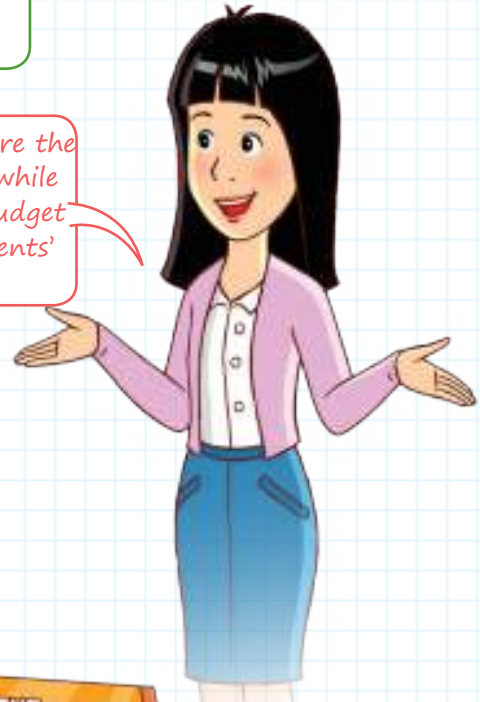


This table shows the State budget (sometimes called “centralized budget”) in trillion tugruks. Well, trillion may sound nice to us, but too remote, too big doesn’t it? To understand it in a simpler way let us compare the State budget with our family budget and deal with more familiar figures. Then the state budget table will be easy for us to understand. (See page 6)



But we don't have items like taxes and fees at home.

That's right. Taxes and fees are the income of the government while the income of your family budget mainly consists of your parents' salaries and wages.





Then, is such a table called the State budget?



Basically, a budget is an account of revenues and expenditures. It is actually approved in the layout of the table. The table consists of long rows with figures taking several dozen pages. But, if you look closer, you can find out many interesting things.

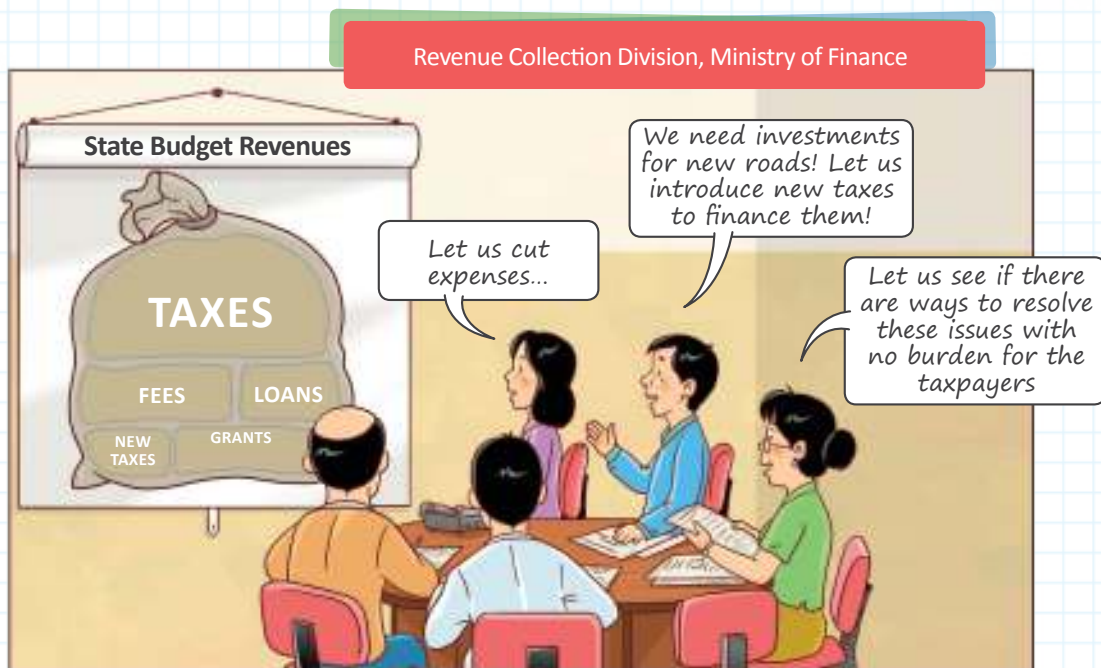
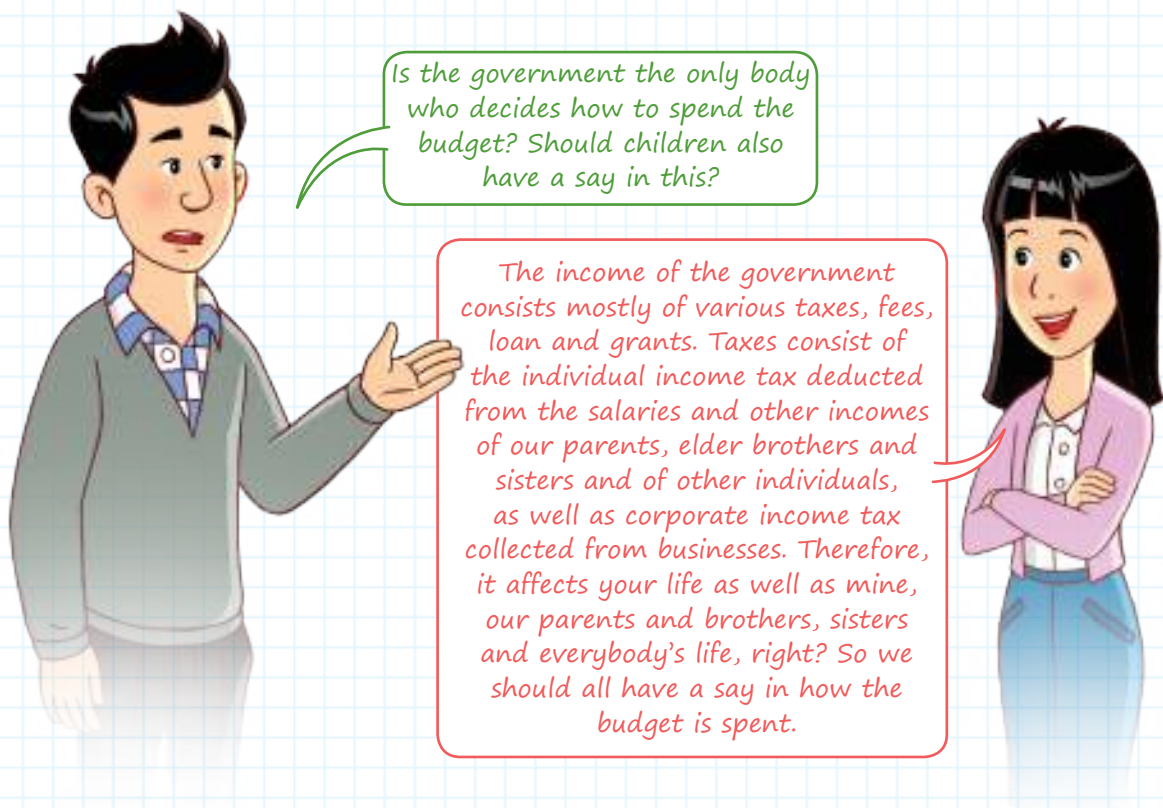




What can we find out?

For instance, the budget can show whether the government spends more on education, health or social welfare, which is closely related to children, or whether it invests more on military, police or other sectors. Thus the budget is a mirror of the government's true priorities.



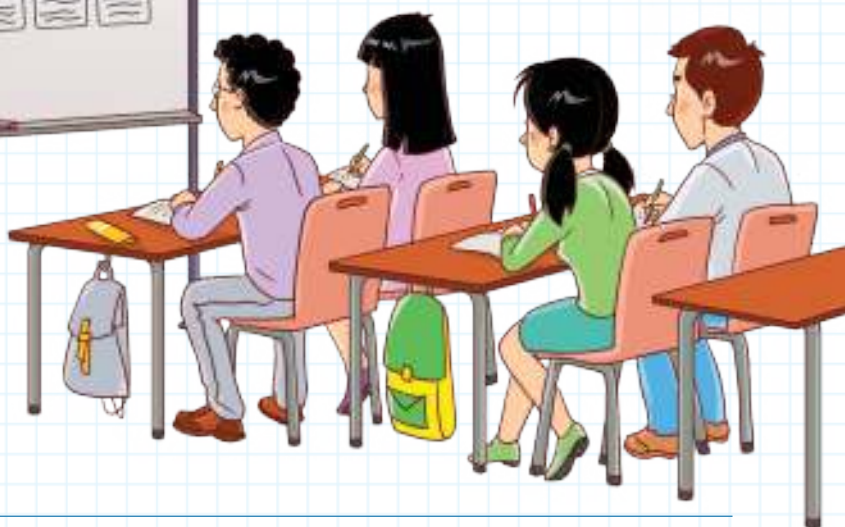
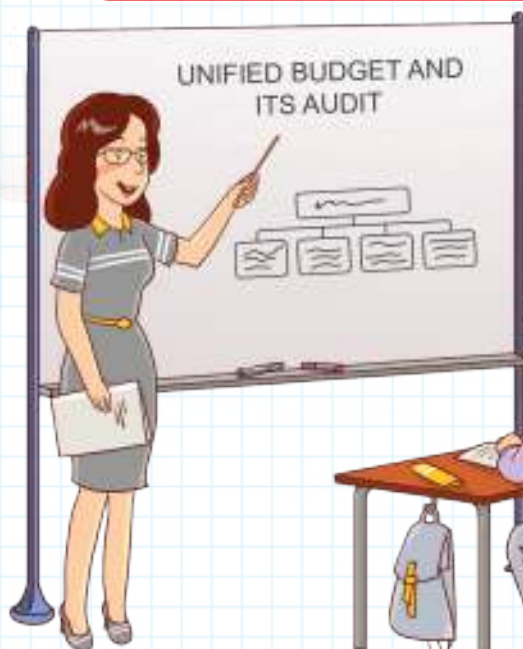




I see now. Then what does the government spend it on?



The government spends for the development of Mongolia; to finance roads and construction. It also has to spend taxpayers' money for many other purposes such as education, health, culture, arts and sports. The teacher also said that we all have to be informed about, as well as monitor, Government budget spending. It is our civil responsibility.





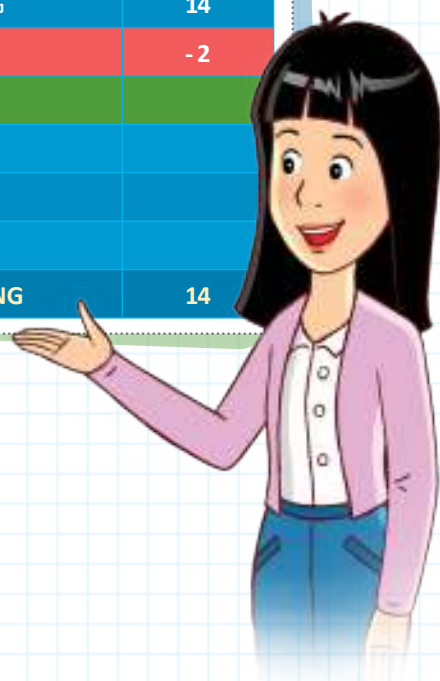
What if taxes and fees are not enough to cover all these spending?

In most cases the Government seeks loans domestically and from abroad. The table below will make it clear.



STATE BUDGET

REVENUE (in trillion MN₹)		EXPENDITURE (in trillion MN₹)	
TAXES	5	CURRENT EXPENSES	2
FEES	1	CAPITAL EXPENSES	7
OTHER	6	OTHER	5
TOTAL REVENUE	12	TOTAL SPENDING	14
BUDGET SURPLUS / DEFICIT			-2
FINANCING THE DEFICIT			
LOANS	1		
GRANTS	1		
OTHER			
TOTAL REVENUE	14	TOTAL SPENDING	14



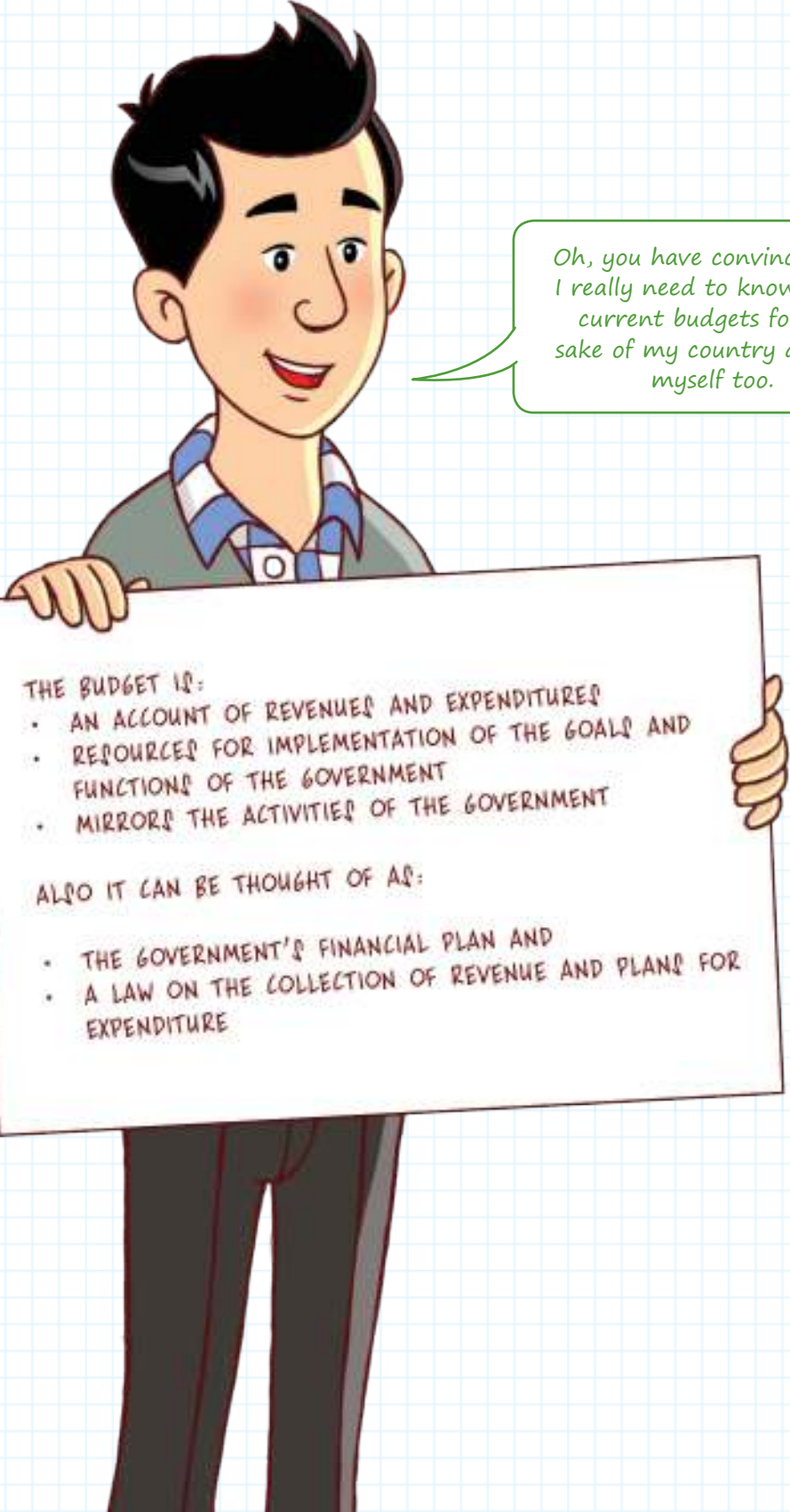


It is becoming clear now. Government revenues are comprised of taxes, fees, loans and grants. However, do children have the right to monitor the State budget? We do not pay taxes, do we?



Yes, children do not work and earn salaries or wages, nor can we own any businesses. But we pay the so called “VAT” or Value Added Tax when we buy candies, fruits or clothes from groceries or supermarkets with our own money. This means that we, children, pay taxes too. The government functions on the tax that we pay. And today Mongolia still receives loans from international markets for periods of up to 40 years. Loans may be named differently, but ultimately they have to be paid back. Therefore, loans are eventually paid by taxes, let us say future taxes. This means we, today’s children, shall pay loans that adults are receiving today, when we grow up. That is why, we have the right to know how the taxpayers’ money is spent, to contribute our opinions and monitor spending.





Oh, you have convinced me.
I really need to know about
current budgets for the
sake of my country and for
myself too.

THE BUDGET IS:

- AN ACCOUNT OF REVENUES AND EXPENDITURES
- RESOURCES FOR IMPLEMENTATION OF THE GOALS AND FUNCTIONS OF THE GOVERNMENT
- MIRROR THE ACTIVITIES OF THE GOVERNMENT

ALSO IT CAN BE THOUGHT OF AS:

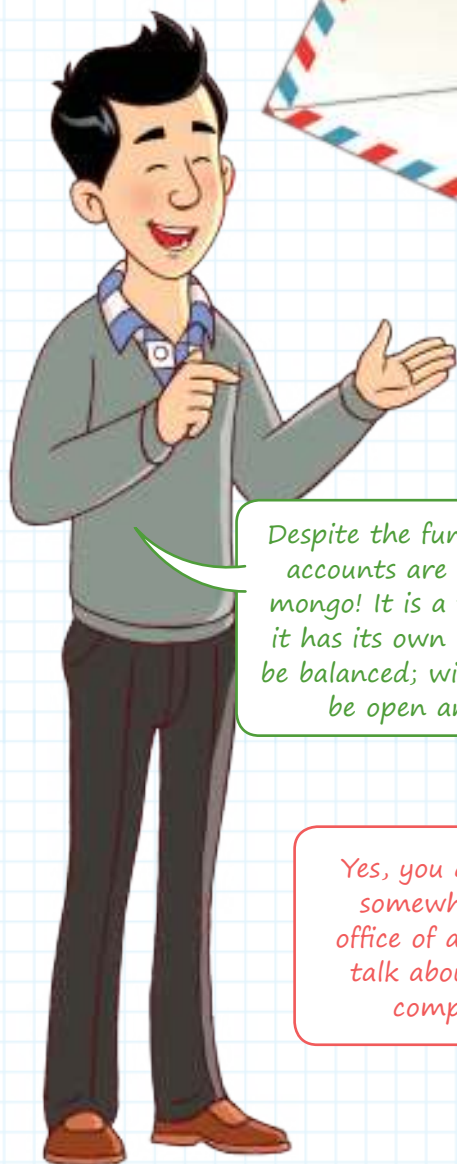
- THE GOVERNMENT'S FINANCIAL PLAN AND
- A LAW ON THE COLLECTION OF REVENUE AND PLANS FOR EXPENDITURE



They say that the budget must be open and transparent. What does this mean and why is it so important?

Being open and transparent means that the national government and local administrations should always report the approved budget plan to citizens (how much is to be spent for what, etc.) as well as the actual execution of collection and spending of budget funds. If budget data is not transparent, citizens will be unable to monitor what the budget is spent on and cannot hold the authorities accountable because they won't know what is going on. Let me tell you one interesting story.

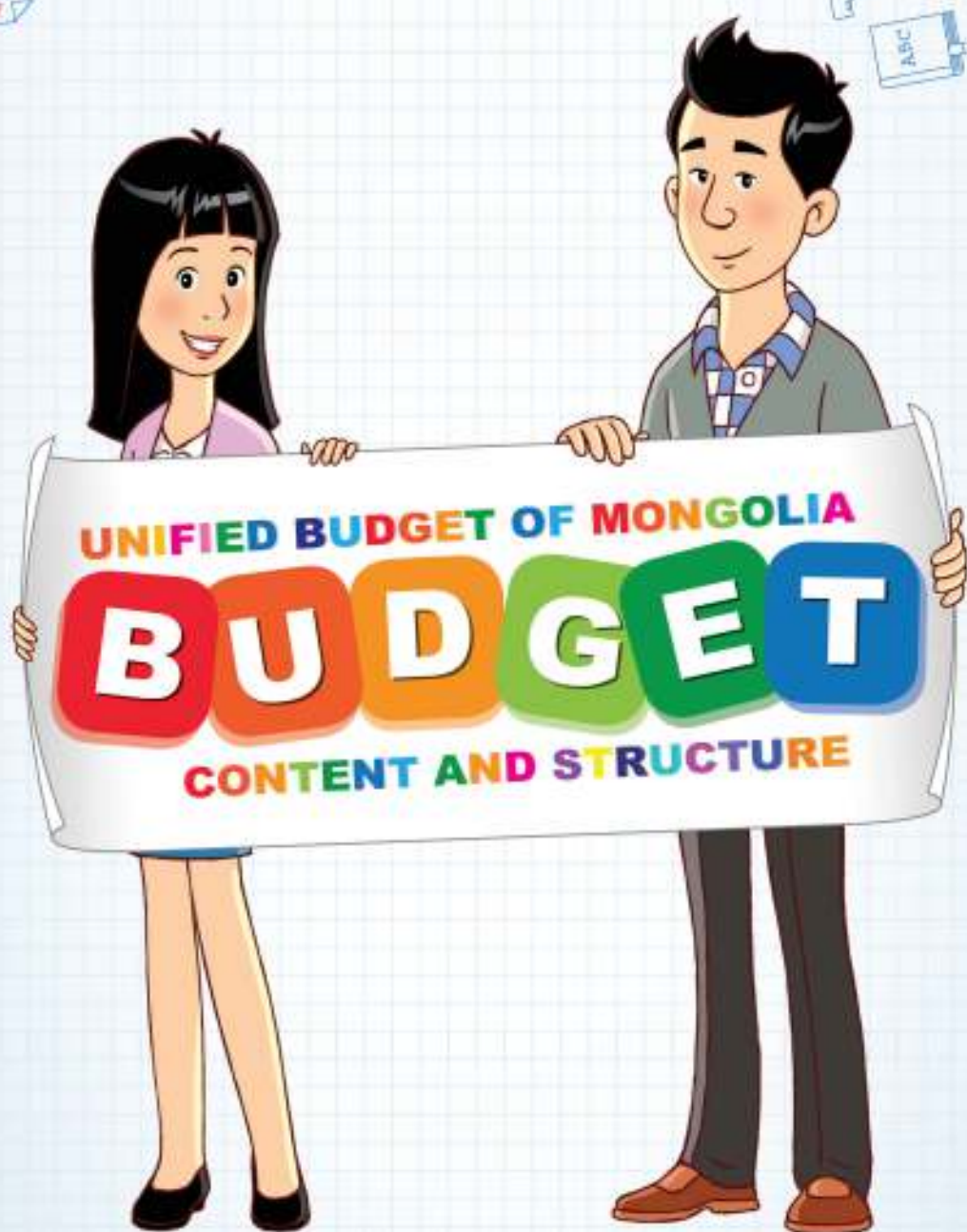
There were no computers in 1959, but there were coins with holes in the centre in circulation. Budget accountants used to spend lots of time trying to balance revenues with expenditures. An anecdotal case occurred once when a budget entity received a budget report with total revenues missing total expenses by one mungo (Mongolian cent); the one mungo was attached or sewn on to the back-cover of the report using the coin hole.



Despite the funny nature of the event, the accounts are really balanced by a single mungo! It is a truly interesting event, and it has its own moral! The budget needs to be balanced; with no mistakes allowed; and be open and transparent as well!

Yes, you are right. This did happen somewhere in a regional branch office of a budget entity. Now let us talk about the Unified Budget, its composition and structure.



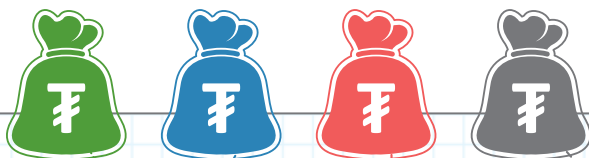


UNIFIED BUDGET OF MONGOLIA

COMPOSITION AND STRUCTURE

NATIONAL UNIFIED BUDGET

Plan for Government Revenues and Expenditures



STATE BUDGET

Approved by State Great Khural (the Parliament), generated and spent by the Central Government

LOCAL BUDGET

Approved by the Citizen's Representatives Khural (Local Parliament) of aimags, the Capital, soums and districts, generated and spent by the respective governors

HUMAN DEVELOPMENT FUND BUDGET

Approved by the State Great Khural, compiled from sources specified in the Law on Human Development Fund and expended according to this law

SOCIAL INSURANCE FUND BUDGET

Approved by the State Great Khural, compiled from sources specified in the Law on Social Insurance and expended according to this law in the specified fiscal year

DEFINITION OF UNIFIED BUDGET

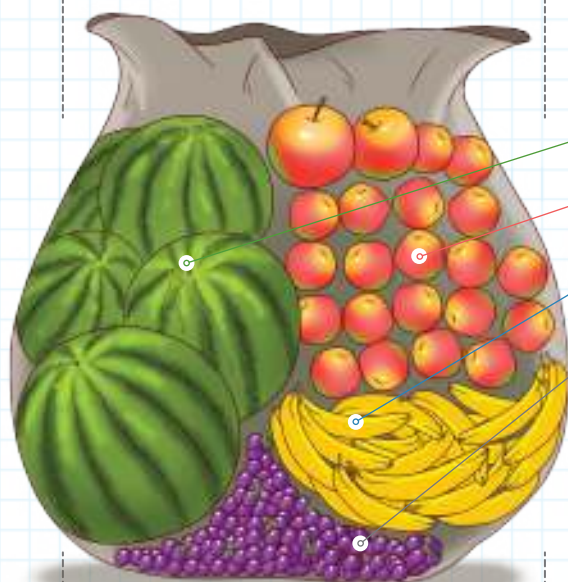
The Unified Budget of Mongolia is the balance of revenues and expenditures of the funds collected, allocated and spent within the authority of the state and for implementation of its government functions for a single fiscal year.

Let us consider the Unified Budget of Mongolia as a fruit basket to make it simple to understand. The state budget is represented by watermelons and apples represent local budgets. Local budgets are comprised of the capital city budget and aimag's budgets.

I see, and then let us use bananas for the Social Insurance Fund budget and the Human Development Fund budget will be represented by grapes.

Agreed, the sum of all these budgets is the Unified Budget of Mongolia. Now it is really easy to understand.

UNIFIED BUDGET OF MONGOLIA



State Budget

Local budgets

Social Insurance Fund budget

Human Development Fund budget

The Unified Budget of Mongolia consists of the State budget, local budgets, Human Development Fund budget and Social Insurance Fund budget.

Source: Law on Budget of Mongolia, 2002, Articles 3.1 and 3.2 <http://www.iltod.gov.mn/?p=2403>

STATE AND LOCAL

BUDGET PROCESS

State budget process refers to the process by which governments create and approve a budget in current and repetitious actions and events in a certain order and sequence. This is the established events and activities within the budget process which recur in a certain sequence.

The budget process is a cycle consisting of the following four phases:

1. DEVELOPMENT OF THE BUDGET PROPOSAL:

This stage is executed by the Government, namely by the Ministry of Finance. The Ministry of Finance compiles budget proposals from other Cabinet ministries, processes them and presents the draft budget to the Cabinet meeting. Then the Government presents the draft budget to the legislative power, which is the State Great Khural or the Parliament of Mongolia.



2. STATE BUDGET DRAFT DISCUSSIONS AND APPROVAL:

The State Great Khural reviews the draft budget through several stages of discussions and approves it. The state budget is a vital instrument of the State for the implementation of government functions. Hence, the State Great Khural has to finalize and approve the state budget before the 1st of December of the year proceeding the budgeted fiscal year. There is a legal provision for dismissal of the State Great Khural in case it fails to approve the budget on time. Once the state budget is approved by the State Great Khural it becomes a legally valid document or law.



3. ORGANIZATION OF THE APPROVED BUDGET EXECUTION:

The Government executes the approved budget mainly via its Ministry of Finance. This enables payment of the salaries of public officers, construction or repairs of public schools, kindergartens, and hospitals, and other works financed from the state budget.



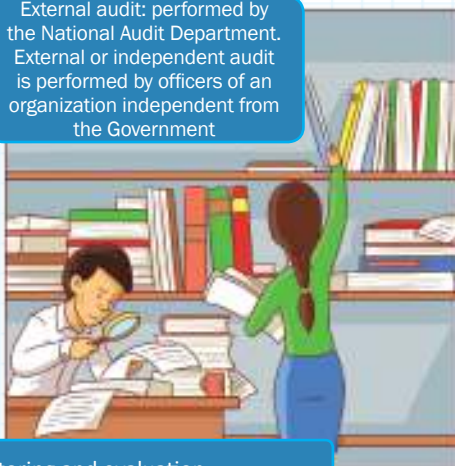
4. MONITORING AND EVALUATION OF THE BUDGET EXECUTION:

The budget, once approved by the parliament, is a law. Therefore, its execution will be monitored, evaluated and audited, if it goes as planned. The monitoring and evaluation are conducted as an internal audit and external audit. Internal and external imply whether the audit is organized internally within the Government or by an external, independent body. The internal audit is implemented by the State Specialized Inspection Agency, an agency of the Government. The external or independent audit is performed by the National Audit Department, an agency accountable to the State Great Khural.

Internal audit: implemented by the State Specialized Inspection Agency

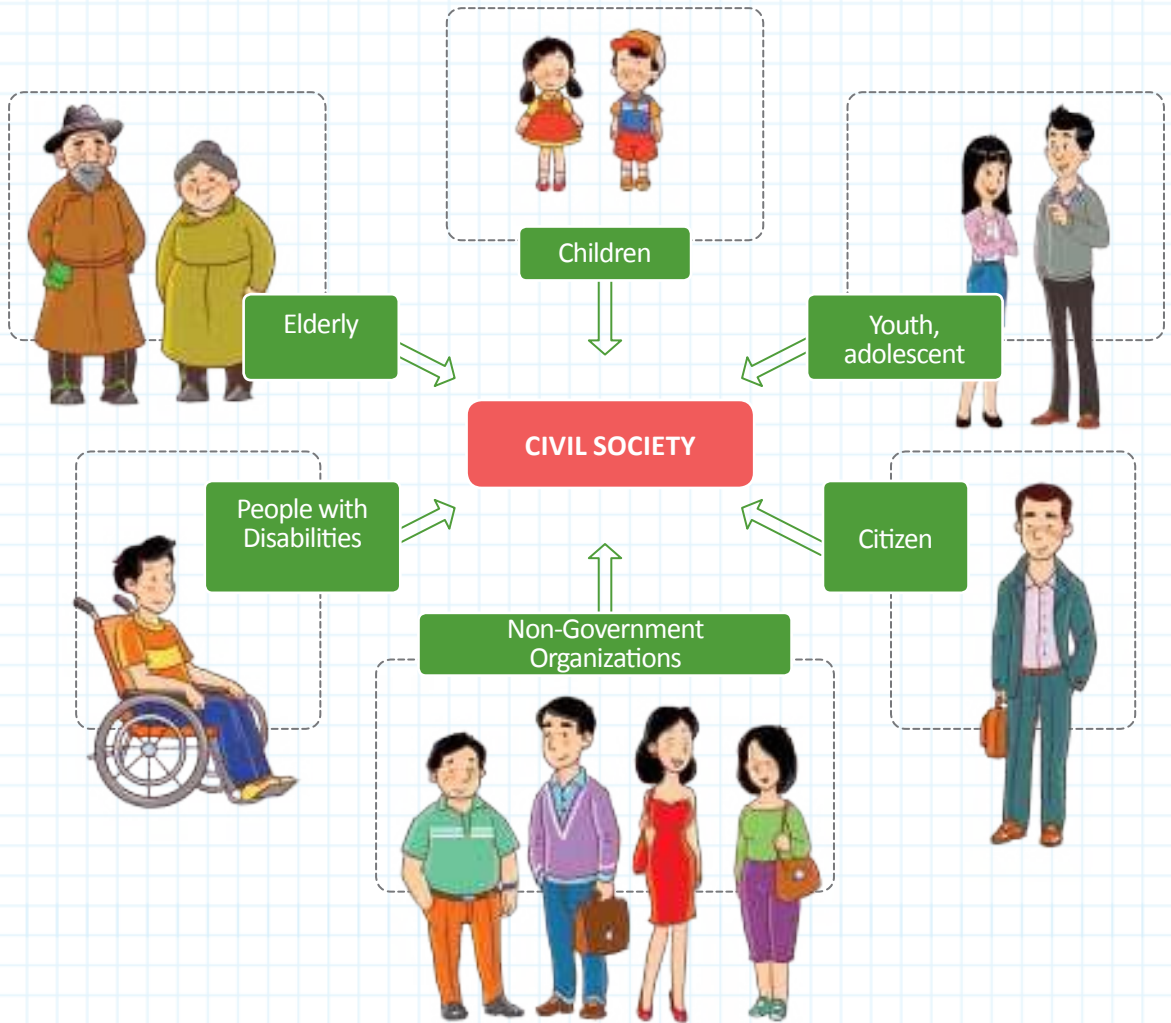


External audit: performed by the National Audit Department. External or independent audit is performed by officers of an organization independent from the Government



Audit means control, monitoring and evaluation.

In the future, civil society organizations or children's organizations may wish to conduct external audits of the State budget to analyze the Government's choices. This sort of civil society audit may even be funded by the State budget itself. This is an example of a public-private partnership (PPP) which occurs when certain functions of the government are delegated to the private sector and NGOs, which nowadays are common practice.



CIVIL SOCIETY REFERS TO:

Non-profit and non-governmental organizations and voluntary clubs, in which citizens (children, young adults, senior citizens, women, etc.) unite by their common interests and viewpoints, define their goals and work together towards them. Individual citizens may express their opinions on the subject to the government also.

STATE BUDGET

PROCESS AND CYCLE

1. Drafting the State Budget The Government - Ministry of Finance



2. Budget Discussions and Approval Legislative power - The State Great Khural



1

2

4. Budget Execution Monitoring, Evaluation and Audit

1. Internal Audit - State Specialized Inspection Agency
2. External Audit - National Audit Agency

3. Organization of Budget Execution The Government – Ministry of Finance





Before we speak about the local budget, we need to clarify what the word local refers to. It refers to the capital, aimags, soums, districts, baghs and khoros.



A LOCAL BUDGET IS:

A summary of the monetary funds necessary for implementation of the planned activities in aimags, the Capital, soums, districts, baghs and khoros, together with a detailed plan for the collection and expenditure of funds.

Monetary expression of the local governance (governors and managing officials) plan to change/improve living conditions of the local population in quantitative and qualitative terms.

TERRITORIAL AND ADMINISTRATIVE HIERARCHY OF MONGOLIA

First level	aimags (21)
	Capital (1)
Second level	soums (330)
	districts (9) – in the Capital
Third level	baghs (1568)
	khoroos (152) - in the Capital

When we talk about “local” I used to think it meant something related to rural or countryside. From the law above, now I know that when we talk about local budgets this relates to Ulaanbaatar, the Capital city budget as well as its district budgets.



Mongolia is administratively divided into aimags and the Capital. The aimags are divided into soums and soums are divided into baghs, while the Capital is divided into districts and the districts into khoroos.

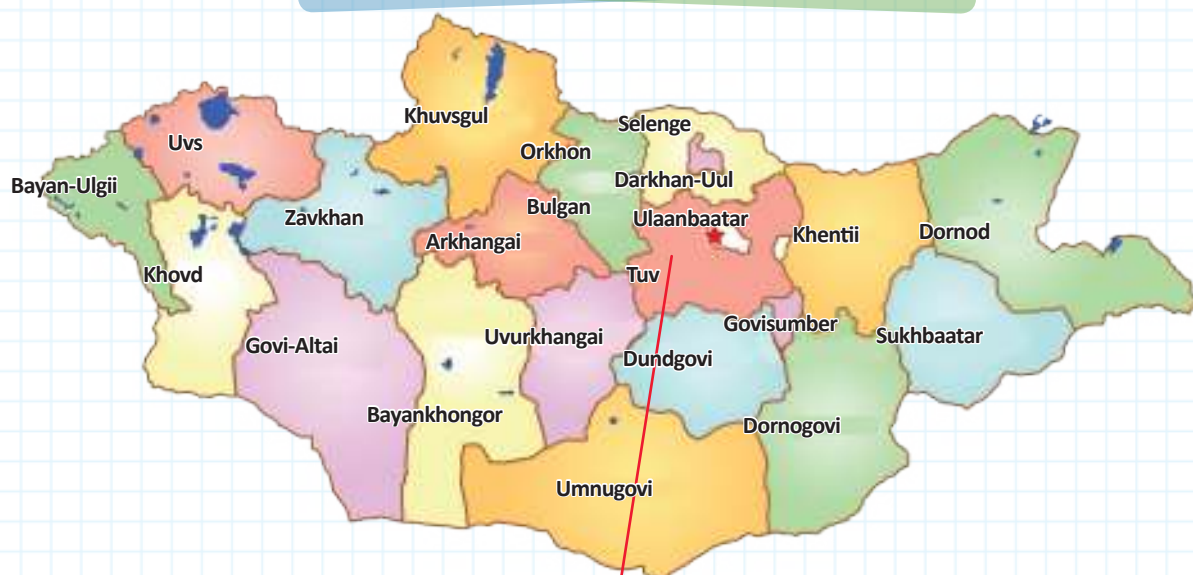
Aimags, the Capital, soums and districts are territorial, administrative, economic and social complexes with self-governance and certain functions.

The baghs are the lowest administrative units of the aimags and the khoroos are those of the districts in the Capital.

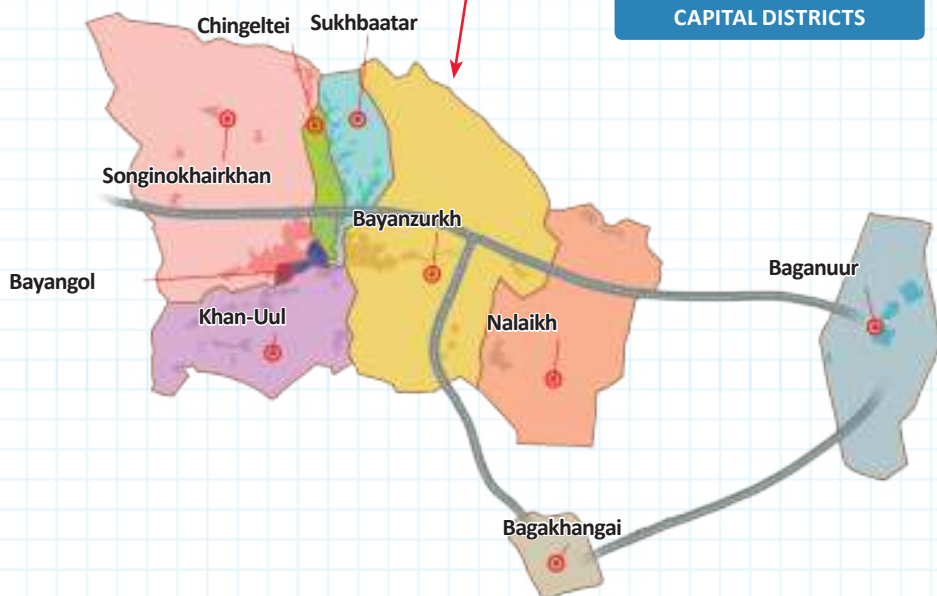
Source: Law on Territorial and Administrative Units of Mongolia and their Governance

TERRITORIAL AND ADMINISTRATIVE

MAP OF MONGOLIA



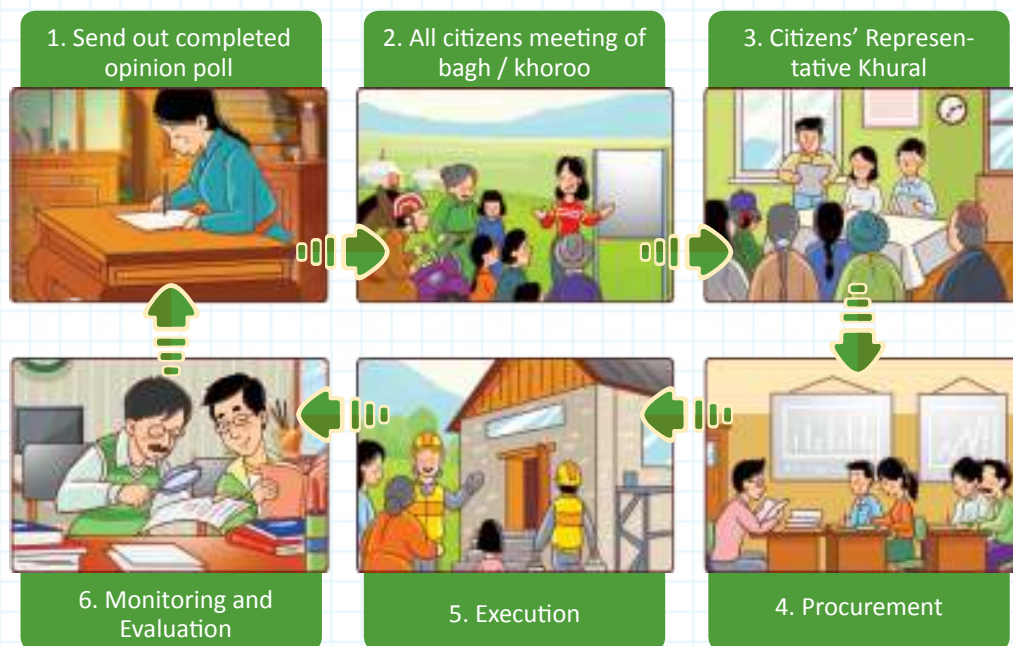
CAPITAL DISTRICTS



Mongolia comprises 21 aimags and 330 soums. It also includes the Capital which comprises 9 districts with 152 khorooos. Local budget refers to the budgets of the aimags, the Capital, soums and khorooos.

COMMUNITY DEVELOPMENT FUND

Your Participation in the Fund's Management as a Citizen.



As mentioned above, local refers to even the Capital city, its districts and khoroots. Then does this mean that the local budget is also our concern as we live in the Capital city Ulaanbaatar?

Yes. I live in the Capital District of Chingeltei and its budget is also a local budget. There is good news. The Capital city and district governments began collecting and considering the opinions of citizens in the development of budgets for Community Development Funds and local budgets to ensure the participation of its citizens.



OFFICE OF GOVERNOR OF
ULAANBAATAR CITY

BUDGET WITH CITIZEN PARTICIPATION- 2014 OPINION COLLECTION FORM FROM KHOROO CITIZEN

A

The Capital city 2014 Budget Discussion is on the go. Would you please select one project/activity from the below listed 5 categories of budget required works.

FOR YOUR INFORMATION

1. Please do not fold the list
2. Please fill rectangles in front of your favored answers in black ink or by black pencil

ABBREVIATIONS

SB - State Budget
CB - Capital Budget
CDF - Community Development Fund

Please select your district and khoroo

1. BAGANUR
2. BAGAKHANGAI
3. BAYANGOL
4. BAYANZURKH
5. NALAIGH
6. SOYONG-KHUBDRAAL
7. SUKHBAATAR
8. KHAN-LULU
9. CHINGELTEI

- KHOROO № 1
- KHOROO № 2
- KHOROO № 3
- KHOROO № 4
- KHOROO № 5
- KHOROO № 6
- KHOROO № 7
- KHOROO № 8
- KHOROO № 9
- KHOROO № 10
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- KHOROO № 29
- KHOROO № 30
- KHOROO № 31
- KHOROO № 32

THANK YOU VERY MUCH!

FOR SOCIAL PURPOSES

- 1 ELEMENTARY SCHOOL
- 2 KINDERGARDEN
- 3 SPORTS GROUND
- 4 PLAYGROUND

Financing Source

SB, CB
SB, CDF
CB, CDF
CB, CDF

INFRASTRUCTURE

- 1 PAVED ROADS WITHIN KHOROOS
- 2 GARAGE, PARKING
- 3 ELECTRIC LINE RENOVATION
- 4 HEATING RENOVATIONS
- 5 SEWAGE AND WATER PIPELINE RENOVATION

Financing Source

CB
CB, CDF
SB
SB
SB

SOCIAL SERVICES

- 1 PUBLIC TRANSPORT
- 2 EXTERNAL HEATING REHAB OF COMMON OWNED BUILDINGS
- 3 ELEVATOR, ROOF REHAB
- 4 BIKE & RUNNING SIDEWALKS
- 5 WIRELESS INTERNET

Financing Source

CB
CB
SB, CB
CB
CB

LANDSCAPING

- 1 LIGHTS
- 2 GREEN AREAS
- 3 SIDEWALKS AND BRIDGES
- 4 WASTE PICK-UP

Financing Source

SB, CB
CB, CDF
CB, CDF
CB

SECURITY

- 1 RUNWATER FACILITIES
- 2 POLICE POST
- 3 SECURITY CAMERAS
- 4 ROAD SIGNS, BREAKS
- 5 INVOLUNTARY RESETTLEMENT OF THE BUILDINGS AND FENCES BLOCKING FREE MOVEMENT OF FIRE BRIGADE, POLICE AND EMERGENCY VEHICLES

Financing Source

SB, CB
SB, CB
CB
CB
CB

FOR ENQUIRIES RELATED TO
THIS OPINION POLL PLEASE DIAL 12-00, 12-34
THE CAPITAL CITY INFORMATION CENTER

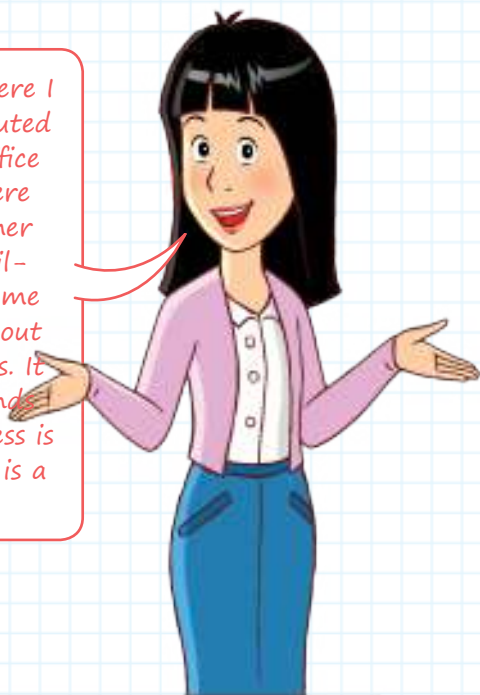


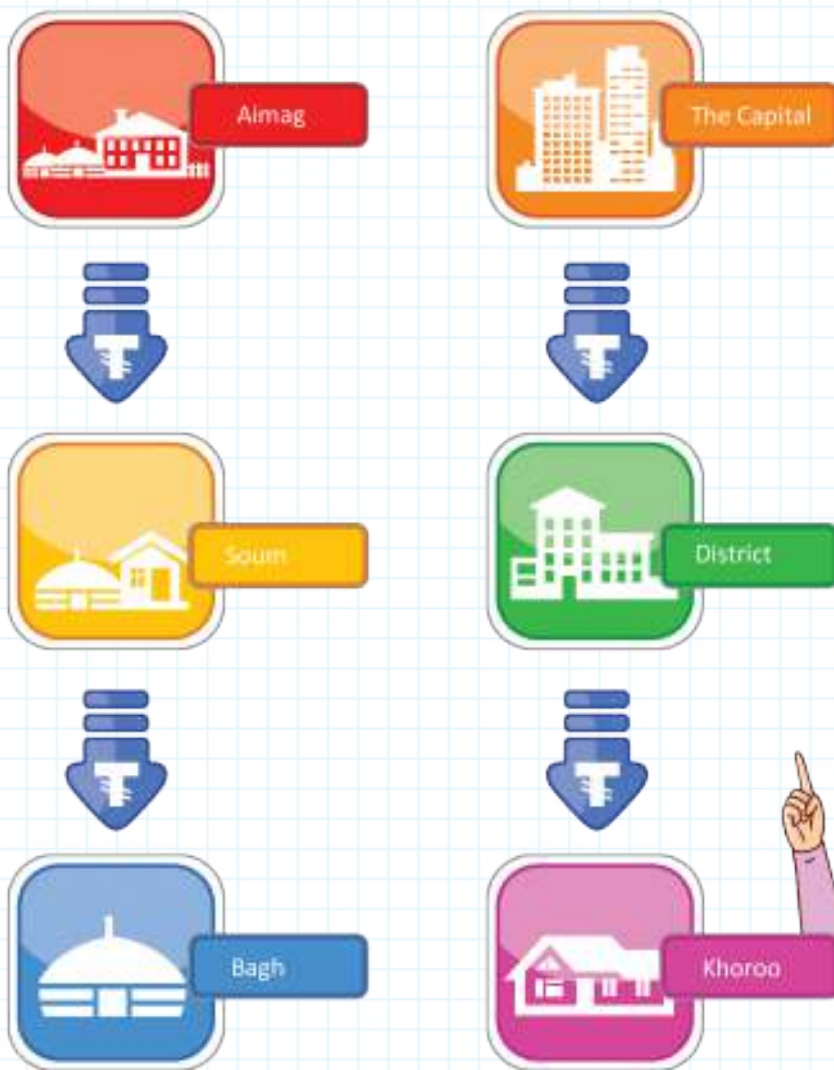
I think I have seen this form before. Last autumn a lady from our khoroo visited us and had my parents fill it in, but I did not pay much attention and had no idea what was going on. Only now have I begun to understand the meaning of this form.

Then Anand, ask your parents about it when you get home. It would be even more wonderful if you ask whether any work like landscaping or other improvements are going on in your khoroo upon the opinions of your parents. This is a form of budget monitoring by citizens.



I live in the Capital district of Chingeltei. Here I have brought to show you the form distributed to my household last autumn from the Office of the Governor of Chingeltei district. There should be similar forms distributed by other districts and aimags as well. I urge all children here to try to find these forms at home or to at least ask your family members about what they wrote or selected in these forms. It is about the Community Development Fund (CDF), and the civil opinion collection process is the same as for local budgets. Besides CDF is a part of our local budget.

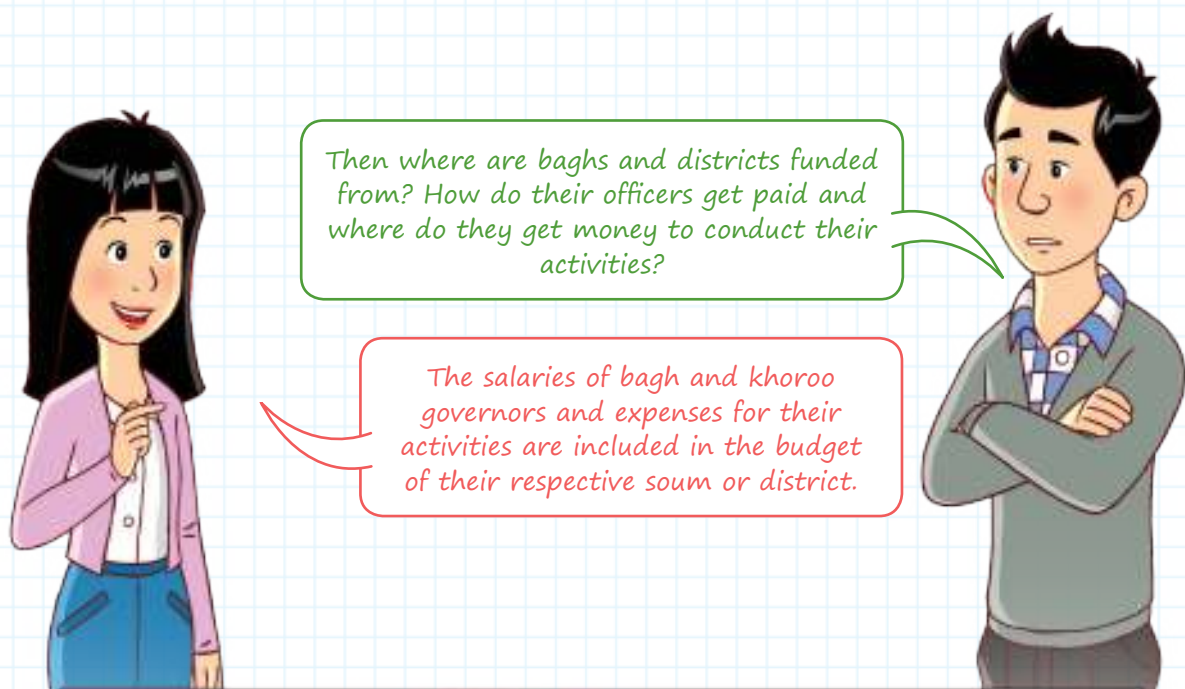




To date the laws currently in force do not mention anything about the budgets of baghs and khorooos. They only state “aimags, the Capital, soums and districts shall have their budgets”

Source: Law on Territorial and Administrative Units of Mongolia and their Governance





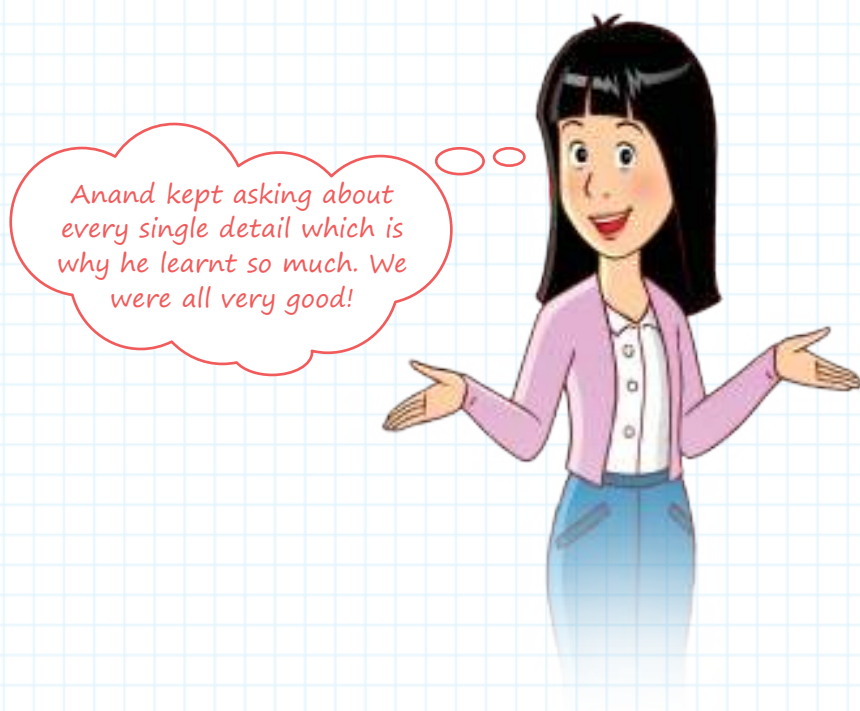
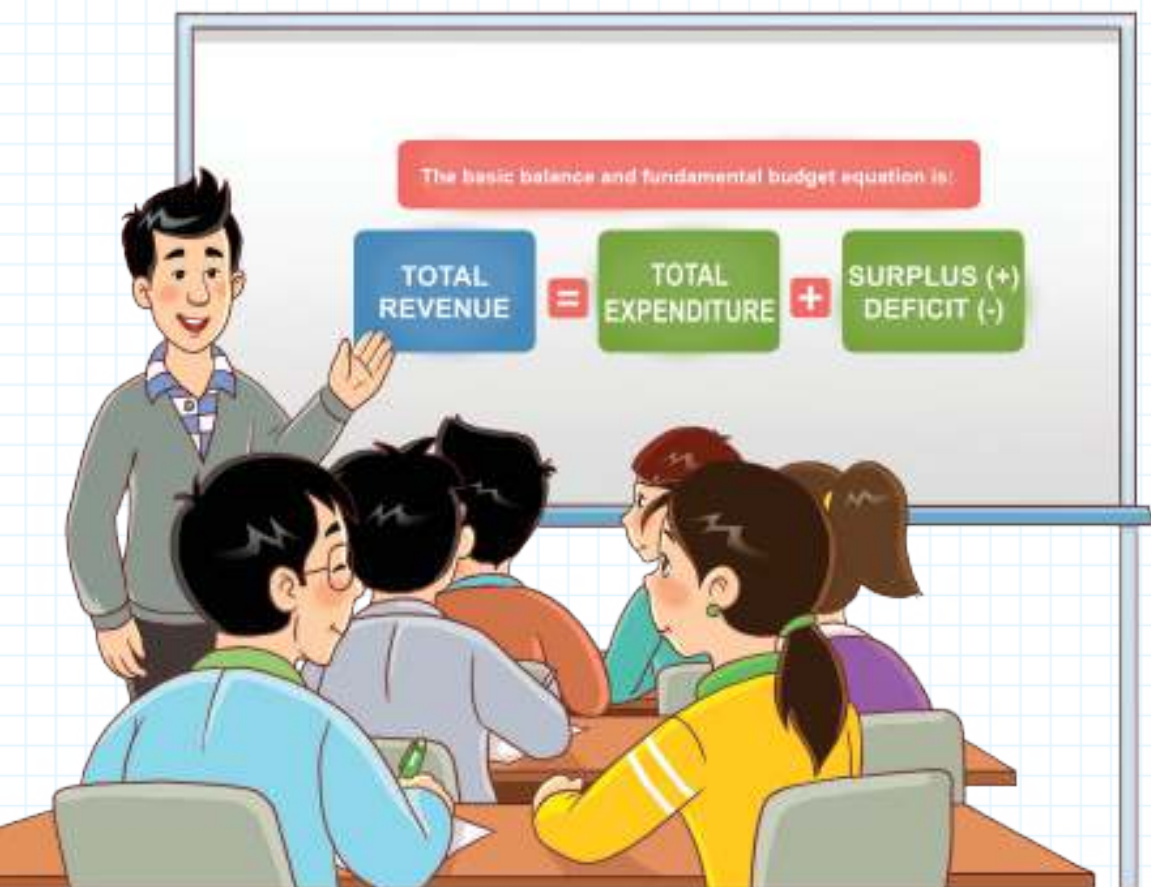
Then where are bags and districts funded from? How do their officers get paid and where do they get money to conduct their activities?

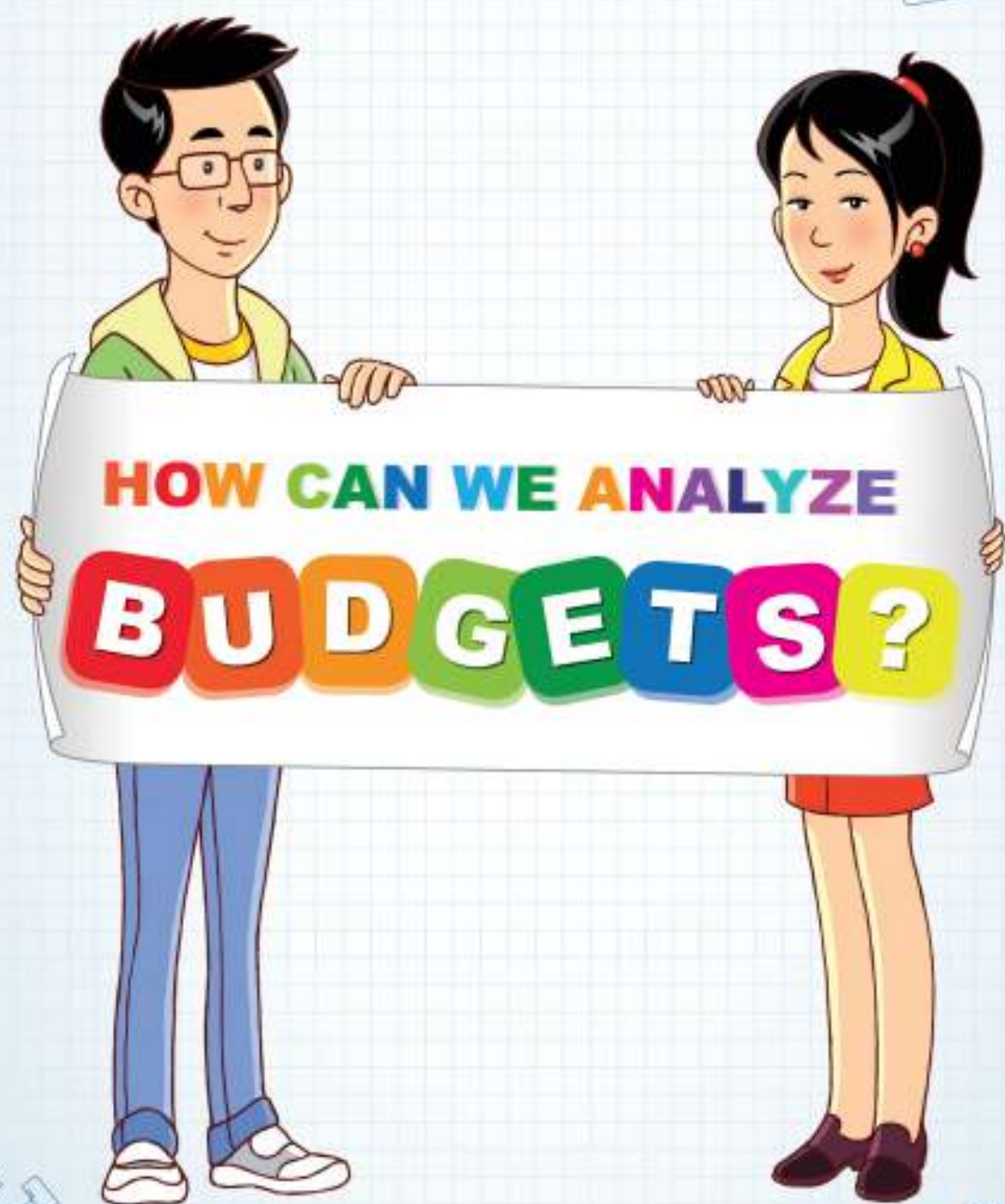
The salaries of bagh and khoroo governors and expenses for their activities are included in the budget of their respective soum or district.



Governors of bags and khoros may hold a monetary fund for their operations and to provide incentives and aid to local inhabitants. Expenditure of this fund is reported to the soum/district governor and Civil Representative Khurals.

Source: Article 28.8 Law on Territorial and Administrative Units of Mongolia and their Governance





Hello, children. My name is Zoloo.

Hi, my name is Bilguun. We will tell you about state budget analysis based on earlier discussions. I want to be an economist so I chose the topic of budget analysis. Since Zoloo and I are in the same group, I need to explain this to Zoloo so that we can prepare our presentation. I hope that you can learn about budget analysis from our discussions. It is a quite simple, easy, practical and useful topic for us children.





What is the benefit of children analyzing the state budget?

Let me explain it to you in simple words. If a country or a government mismanages its taxpayer's money or keeps spending it unwisely, then that country will become poor and run into debt. Who would want to live in a poor country? We all want to save and prevent our country, ourselves and our parents from poverty, right? Well, in order to do so, we should know about where or what source the state budget allocated for children comes from and be able to make our own judgment on whether public money is spent wisely or not. To do so, we need to use official statistical data.



**If you are not in debt, regard yourself rich,
and if you are not sick, regard yourself happy.**

Mongolian proverb



Do you think we as children can do such analysis?

Of course we can, it is not very difficult. The analysis will involve addition, subtraction, division and multiplication and require a little bit of knowledge about computers. We might also need some help from adults.





Well, it sounds like we can do this. Can you tell us how it is done?



Budget analysis is conducted by taking 7 steps.

- ① Identify sources for the necessary information
- ② Select the particular area of interest i.e. whether it is the state budget, sector-specific or ministry budget, or the Capital city or district budget, etc.
- ③ Find and select statistical information relevant to children from the selected area of interest.
Statistical information specifically related to children or indirectly related to children can be selected. For example, education, health sector, etc.
- ④ Enter the selected information into Microsoft Excel program.
- ⑤ Organize statistical data.
- ⑥ Describe data and visually illustrate the findings of the analysis.
- ⑦ Summarize data and make conclusion.

It has so many stages and sounds like a difficult exercise to do.

It is not difficult at all. To make it easier to understand, let's work on a particular case. For example, let's do a sector-specific budget analysis. First, we will need to identify our source of information.

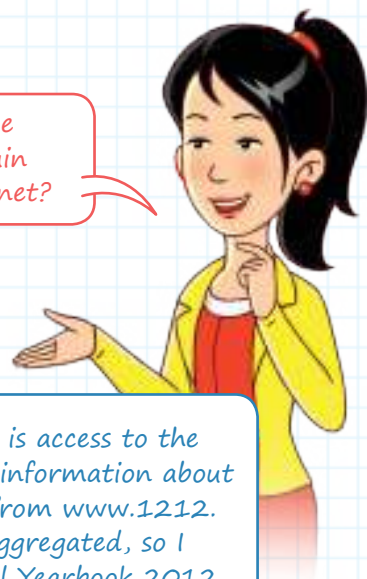
The information and statistics used in this Handbook are obtained from the following organization's official websites:

- Ministry of Finance
- National Statistical Committee
- Ministry of Education and Science
- Ministry of Health
- Ministry of Population and Social Protection

- Office of Governor of the Capital City (OGCC)
- Open Society Forum
- National University of Mongolia and
- Governor's offices of the Capital city districts



Can the internet be a source of information? Can we obtain statistical data from the internet?



Of course it is possible, all you need is access to the internet. The latest general statistical information about the Unified Budget can be obtained from www.1212.mn. However, the data is not disaggregated, so I mainly used the Mongolian Statistical Yearbook 2012 for this analysis. The Yearbook can be purchased from the National Statistical Committee or borrowed from libraries.



Key statistical data related to the state and local budget can be obtained from the following sources:

- Mongolian Statistical Yearbook 2012, National Statistical Committee
- State Budget Investments in Local Communities, Ministry of Finance, 2012
- www.1212.mn
- www.iltod.gov.mn
- www.tusuv-oronnutag.mn
- www.ulaanbaatar.mn
- http://www.chingeltei.gov.mn/?page_id=1622

Then we select our sector of interest. In this case, let's select the education and health sector.



Why did you choose these sectors?

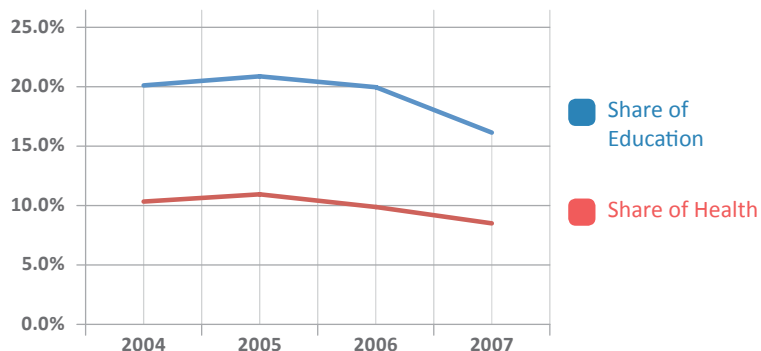
Although not directly aimed at children, children benefit most from investments and expenditures made in education, health and social activities. Therefore, children can monitor how much money is spent on these sectors and how such budgets change each year by undertaking sector-specific budget analysis.

Social Service Sectors' Share in GDP and Total Budget Expenditures in 2004-2007

	2004	2005	2006	2007	Comparison 2007:2004
GDP, in million tugrugs at current prices	1,910.9	2,266.5	2,891.7	3,305.4	1,394.5
Total Budget Expenditures	752.5	764.6	1,046.5	1,428.0	675.5
Percentage of GDP	39.4%	33.7%	36.2%	43.2%	3.8%
Education and culture sector expenditure	151.2	159.0	208.2	229.2	78.0
• Percentage of GDP	7.9%	7.0%	7.2%	6.9%	-1.0%
• Percentage in Total Budget Expenditures	20.1%	20.8%	19.9%	16.1%	-4.0%
Health sector expenditure	77.6	83.7	103.1	120.4	42.8
• Percentage of GDP	4.1%	3.7%	3.6%	3.6%	-0.4%
• Percentage of Total Budget Expenditures	10.3%	10.9%	9.9%	8.4%	-1.9%

Source: L Otgontuya, *Understanding and Analyzing Budget. Training for NGOs, 2008.12.03, p.19*
http://forum.mn/pdf/public_meeting/NGOs_training_budget.pdf

Share of Education and Health in Unified Budget Expenditures, 2004-2007



Yes, the table is very helpful to understand. The share of the two sectors in total budget expenditure continuously fell during 2005-2007.

If we also compare and analyze 2007 data with 2004, the percentage of education and health sector expenditure fell in the total budget expenditure. Education and health sector expenditure as a percentage of GDP also appears to have fallen. These changes are demonstrated more clearly when shown in graphs.



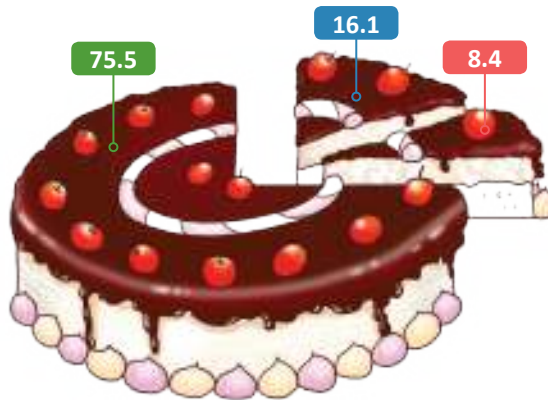


The table shows that in 2007 the education sector share of total budget expenditure was 16.1%, and the human health sector was 8.4%.



It may be easier to understand if the composition is shown in a pie chart.

Structure of Unified Budget Expenditures in percent 2007



- Share of Education sector
- Share of Health sector
- Other sectors

Certainly, statistical information is shown more clearly when visually illustrated.

In order to have a thorough understanding of the analysis, let's now use statistics that are already available in the Mongolian Statistical Yearbook 2012. On page 130 of the Yearbook in the table named "Gross Domestic Product", we can find rows for education, human health and social activities sectors.



Gross domestic product by sector composition and classification of economic activities, at current prices (percentage of total)

Sector	2009	2010	2011	2012
GDP	100.0	100.0	100.0	100.0
Agriculture, forestry and fishing	-	-	-	-
.....	-	-	-	-
Education	4.7	4.0	4.0	4.7
Human health and social activity	1.9	1.7	1.7	2.1
.....	-	-	-	-

Source: Mongolian Statistical Yearbook – 2012, National Statistical Committee, p.130.



Yes, you are right. We can see from the table that these two sectors share of GDP fell slightly in 2010 and 2011, but increased in 2012. In 2012, the education sector accounted for 4.7 percent and the human health and social activity sectors accounted for 2.1 percent of GDP. Is this correct?

We need to pay attention to one particular issue. It is not actually related to expenditure and it is used for analytical purposes only. Furthermore, current price means that it is referring to price from each year. Since, price changes through years it does not show, real picture of changes when we compare them. Therefore, price for a particular year should be selected as the base or as a constant price and compared with prices from other years which are also converted to the constant. Now let's use the table on GDP by production method, and by classification of economic activities at 2005 constant prices (page 128). The information in this table shows the data in absolute prices rather than percentage of GDP.



Gross domestic product by production method, sector composition and by classification of economic activities, in 2005 comparative prices

Indicators / Year	2009	2010	2011	2012
GDP	3,913,673.2	4,162,784.9	4,891,840.4	5,492,723.0
Education	100,168.8	99,089.4	100,752.2	102,230.4
Health	47,910.3	50,138.4	45,365.5	50,946.0

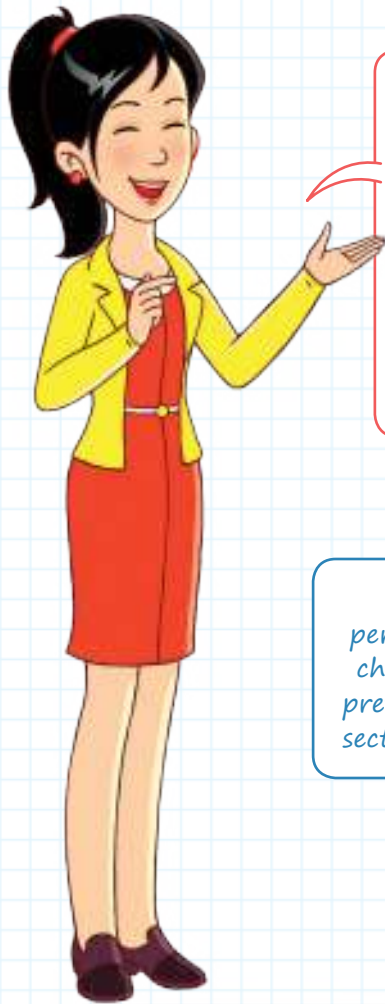
Source: Mongolian Statistical Yearbook – 2012, National Statistical Committee, p.128.

It seems that the analysis is quite complicated. I think it is important to know which statistical information to select and where to obtain such information.

It is not very difficult; all you need to understand is what the table is illustrating. We can ask our teachers or parents. Now let's select statistical information for education, human health and social activity and enter them into one of the computer programs. Let's create a table using Microsoft Excel since it is easier to do calculations in Excel.

Gross domestic product, by classification of economic activities, in 2005 comparative prices, (in MNT million)

	A	B	C	D	E	F
1	Indicators / Year		2009	2010	2011	2012
2	GDP		3,913,673.2	4,162,784.9	4,891,840.4	5,492,723.0
3	Education		100,168.8	99,089.4	100,752.2	102,230.4
4	Human health and social activities		47,910.3	50,138.4	45,365.5	50,946.0



Oh, I see. Changes to sector-specific budgets over time can be determined by the difference in figures. Education sector figures observed in 2010 decreased slightly from those in 2009 and increased a bit in the following years. As for the health sector, we can see that the figures decreased from 2009 and then increased and decreased again. It is very interesting. However, it may be difficult for children to memorize these big multi-digit numbers.

Then, we can analyze how the percentage of GDP for each sector has changed over the last four years. It is pretty easy to determine the education sector as a share or percentage of GDP.



2009 GDP FOR ALL SECTORS WAS

IF 3,913,675.2 MILLION = 100%
THEN, 100,168.8 = 1

THE EDUCATION SECTOR AS A PERCENTAGE OF GDP WAS

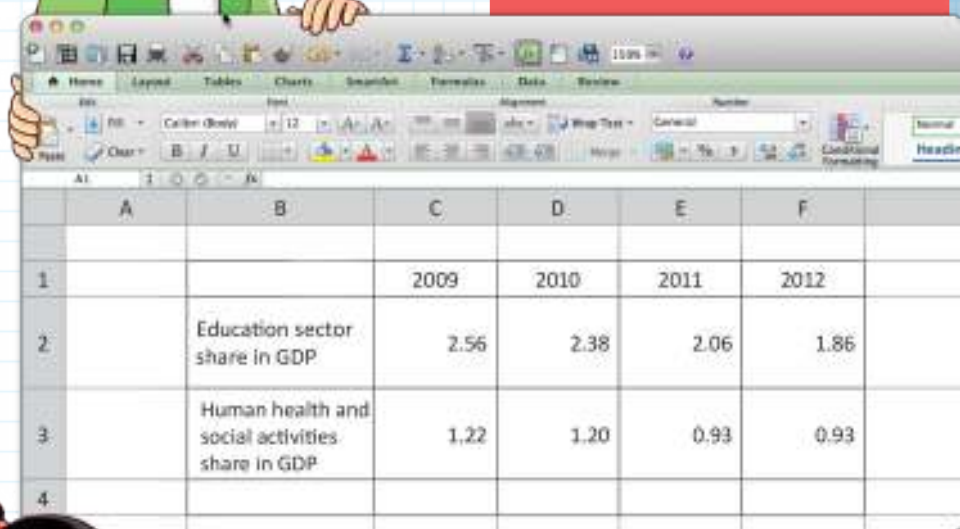
$(100,168.8 \times 100\%) / 3,913,675.2 = 2.56\%$



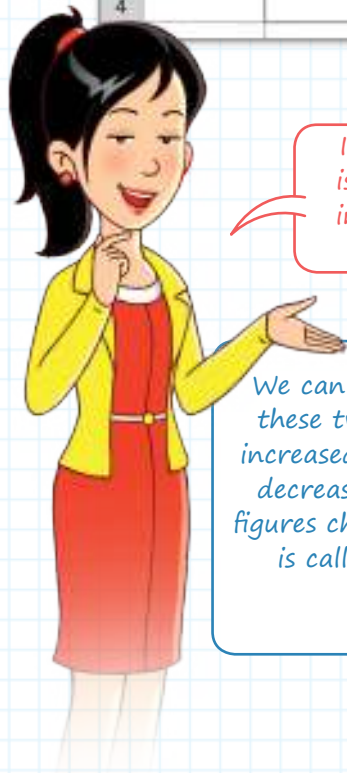


Using the same method, let's look at the table showing the calculation for 2010-2012.

Education and Health and Social Sectors' Share in GDP (%)



	A	B	C	D	E	F
1			2009	2010	2011	2012
2		Education sector share in GDP	2.56	2.38	2.06	1.86
3		Human health and social activities share in GDP	1.22	1.20	0.93	0.93
4						



It seems the calculation is simple to do. And the information has become easier to understand.

We can see clearly that GDP share of these two sectors has fallen. It never increased but instead continuously decreased. The analysis of how figures change from year to year is called dynamic analysis.





Really? Are there other methods of analysis?

Of course, there are. The determination of the GDP percentage of these sectors is called structural analysis. The education sector as a share of GDP was only 1.86 percent at constant prices and the health and social sectors were not even one percent in 2012. But do you remember that the education sector as a percentage of GDP in current prices was 4.7 percent and it was 2.1 percent for the health sector?

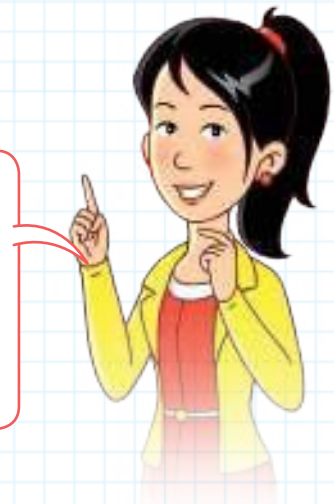


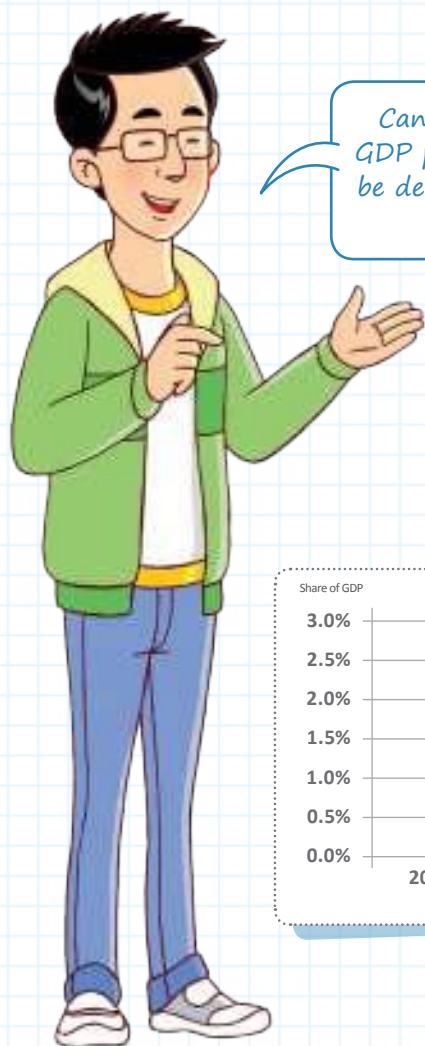
GDP, by classification of economic activities, in 2005 comparative prices (in MNT million)

Calculating the education sector as a percentage of GDP with Microsoft Excel program

	A	B	C	D	E	F
1		Indicators / Year	2009	2010	2011	2012
2		GDP	3913673.2	4162784.9	4891840.4	5492723.0
3		Education	100168.8	99089.4	100752.2	102230.4
4		Human health and social activities	47910.3	50138.4	45365.5	50946.0
5						
6		Indicators / Year	2009	2010	2011	2012
7		Education sector share in GDP	$=\frac{C3}{C4} * 100$	2.38	2.06	1.86

In order to determine the education sector as a percentage of GDP with Microsoft Excel program, we need to use rows (3 and 4) and column (C) where data are located and do the calculation. Similarly, we can also determine the percentage of the health sector and the social sector. I got it now!

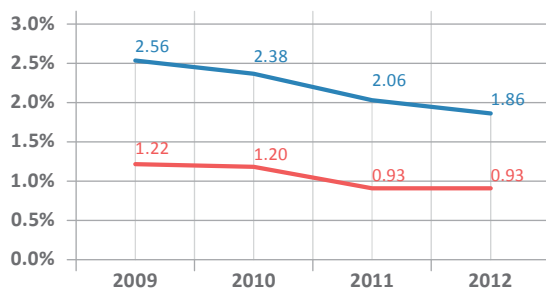




Can you also see that the changes in GDP percentage of different sectors can be demonstrated more clearly if we use graphs, Zoloo?

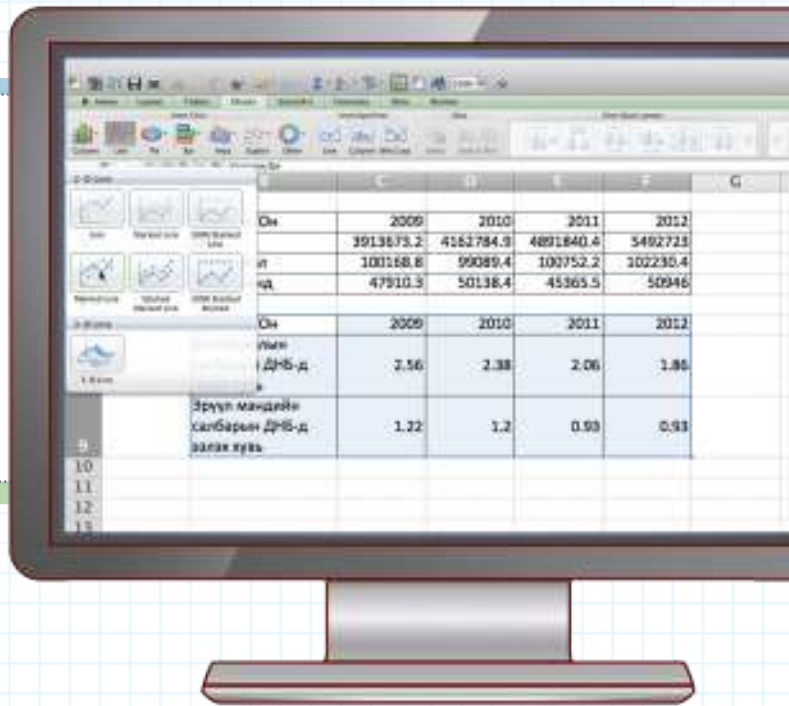
Education and Health Shares of GDP

Share of GDP



Yes, I see. We can also compare and analyze the two sectors. We can see that the education sector has a higher percentage than the health sector. From the graph, I can see that the education sector as a percentage of GDP was 2.56 percent in 2009 and it decreased continuously and reached 1.86 percent in 2012. As for human health and social activity sector, the percentage fell from 1.22 percent to 0.93 percent in the same years.

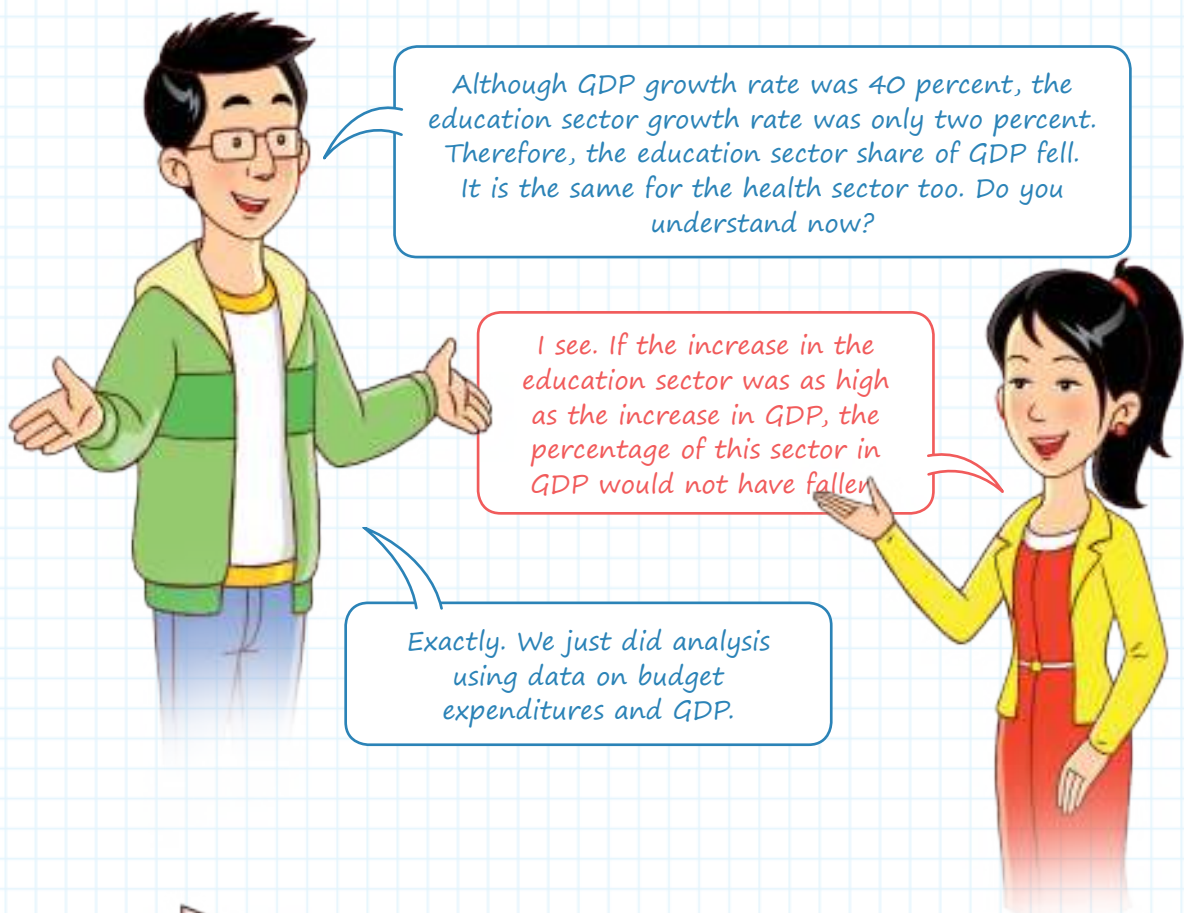
In order to show the education, health and social sectors as a percentage of GDP using the Microsoft Excel program, we first need to highlight the table by clicking on the left side of the mouse. Then, we need to select the command "Insert Line" and create a line graph. It is preferable to create pie charts for illustrating proportion, and line, bar or column charts for illustrating changes over time.

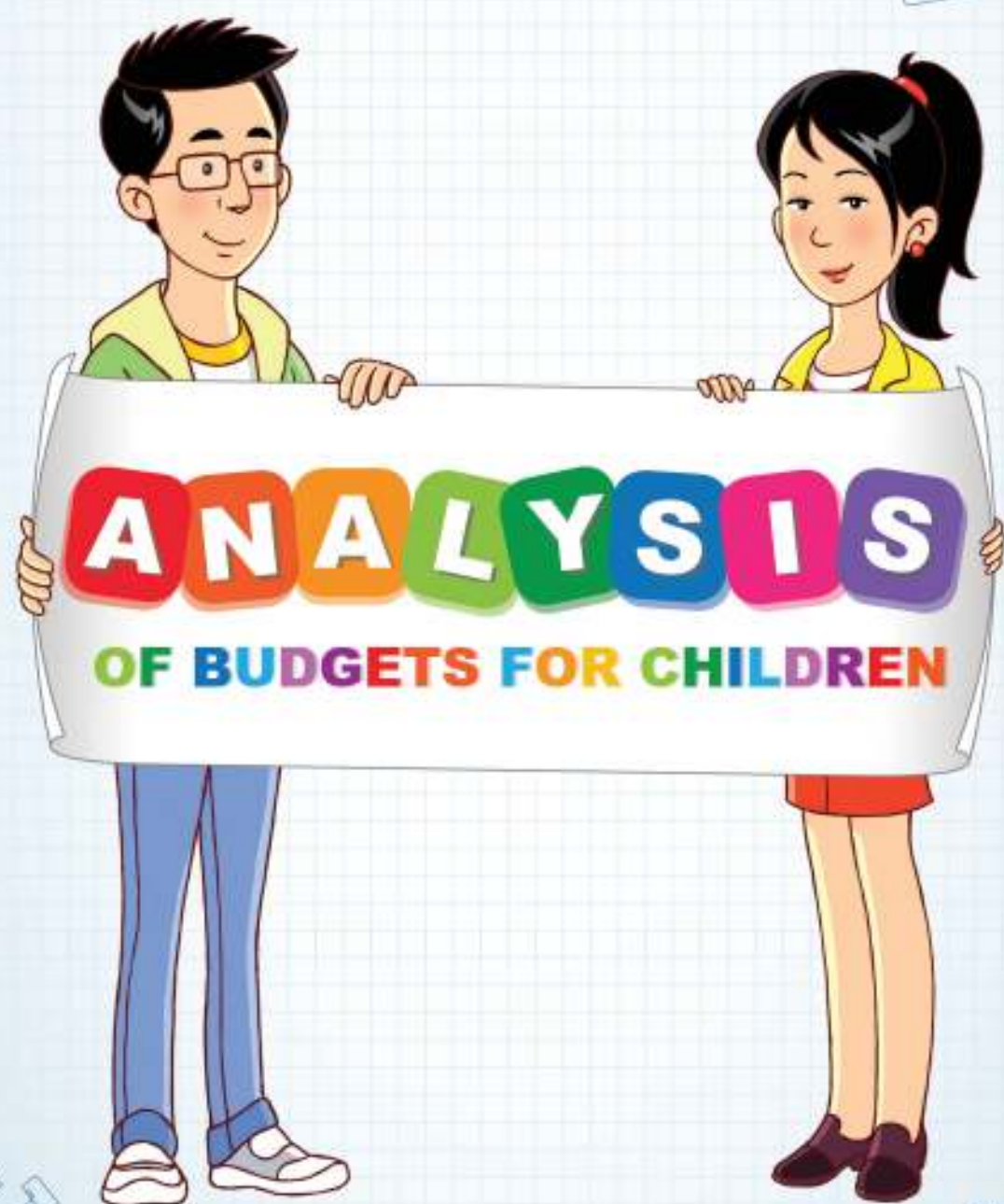


The table shows that the actual figures have increased but why did their share in GDP decrease continuously?

Between 2009 and 2012, GDP growth increased continuously and at substantial rates.









Now let's analyze budgets which are more relevant to us. In order to do so we need to visit the following sites



www.iltod.gov.mn



2012 Unified Budget Execution Figures

The budget for children was under the section on budget for specific groups of the population. Let's look at this in a table below:



Expenditures for Children (in million tugrugs)

	2009 Execu	2010 Execu	2011 Plan	2011 Amend	2012 Plan	2012 Amend1	2012 Amend2
Lunch	13,818.8	16,561.0	16,313.1	16,311.1	17,502.7	17,502.7	16,488.4
Costs of textbooks for general education schools	928.5	1,562.3	3,173.4	3,173.4	3,172.8	3,172.8	3,172.8
School accessories for disadvantaged students	1,138.4	0.0	1,000.0	0.0	0.0	0.0	0.0
Non-repayable tuition fee grant	12,203.5	13,002.1	7,412.4	7,412.4	16,422.1	16,422.1	16,422.1
Livelihood benefit for students	14,045.0	15,242.2	20,183.1	17,335.0	21,821.3	21,821.3	16,556.9
One Laptop Per Child Program	687.1	1,739.2	767.1	767.1	767.1	767.1	767.1
Total	42,821.3	48,106.8	48,849.1	44,999.0	59,686.0	59,686.0	53,407.3



Source: <http://www.iltod.gov.mn/wp-content/uploads/2013/11/04-Budget-amendment-2-2012-09-07-v258-value-iltod.pdf>

Note: This link was active when the Handbook was developed (January 2014). However, there is a chance that the link may break and data disappear. In this case please proceed as instructed earlier.



Expenditure for children is included in the current expenditures. So, let's calculate its share as executed, as well as by changes in the Amendments to Budget.



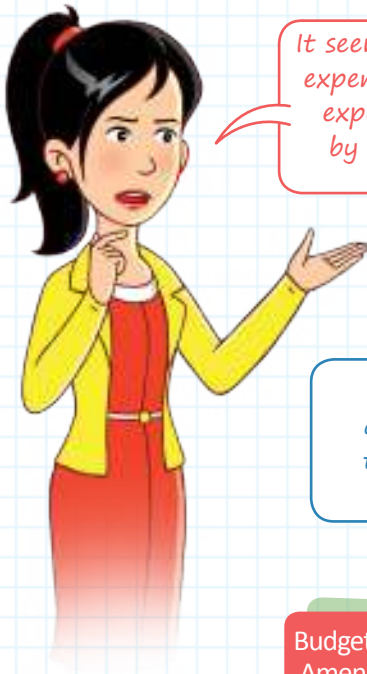
What does Amendments to Budget mean?

Share of Expenditure for Children in Current Expenditures (in million tugrugs)

	2009 Execu	2010 Execu	2011 Plan	2011 Amend	2012 Plan	2012 Amend1	2012 Amend2
Current expenditures	1,406,273.3	1,610,168.5	1,951,939.4	2,082,106.5	3,180,754.0	3,342,206.7	3,215,514.0
Expenditures for children	42,821.3	48,106.8	48,849.1	44,999.0	59,686.0	59,686.0	53,407.3
Percentage of expenditures for children in current expenditures, %	3.05	2.99	2.50	2.16	1.88	1.79	1.66



Changes made to the budget are called Amendments to Budget. There are occasions where the approved budget is amended or revised once or even more times during the same fiscal year.



It seems that the share or percentage of expenditure for children in the current expenditures decreased continuously by budget planning, execution, and amendments?



Yes. Let's look at the budget in detail as originally planned and the amendments for 2011 and 2012.

Budget plan for expenditure for children and Amendments to Budget (in million tugrugs)

	2011 Plan	2011 Amend	2012 Plan	2012 Amend1	2012 Amend2
Expenditure for children	48,849.1	44,999.0	59,686.0	59,686.0	53,407.3



The table above and the graph below clearly show that the planned budget for children was cut in both 2011 and 2012.

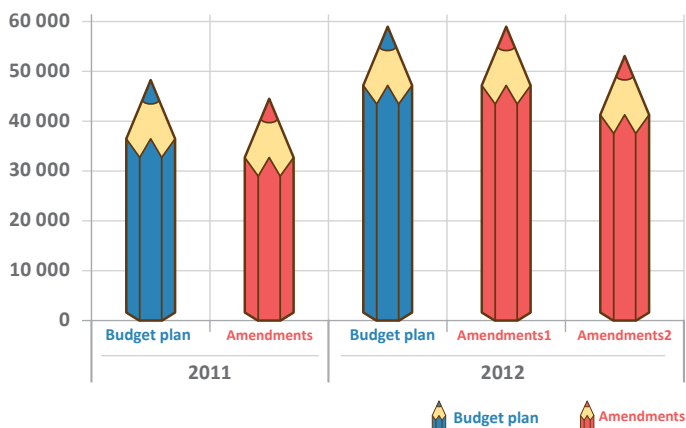
Why was the budget for children cut despite an increase in GDP as well as in budget expenditure?





It may have been reduced so that other expenditures could be increased or it may have been planned without thorough analysis or estimation in the first place. It seems that we need to pay attention to other expenditures.

Budget for Children
(in million tugrugs)



Well, does the Capital city allocate a budget for children?

I have heard that Ulaanbaatar city and districts make investments for children. Information on such investments can be obtained from <http://ulaanbaatar.mn>. For example, let's look at "Income, expenditures and investments made in November 2013 as per the classification of the mandate of general budget governors of the Capital city and aimags" which can be obtained from the site below. This report has several indicators. The table shows the plan and its execution as well as implementation progress for each indicator. Now let's look at the statistical information relating to children.



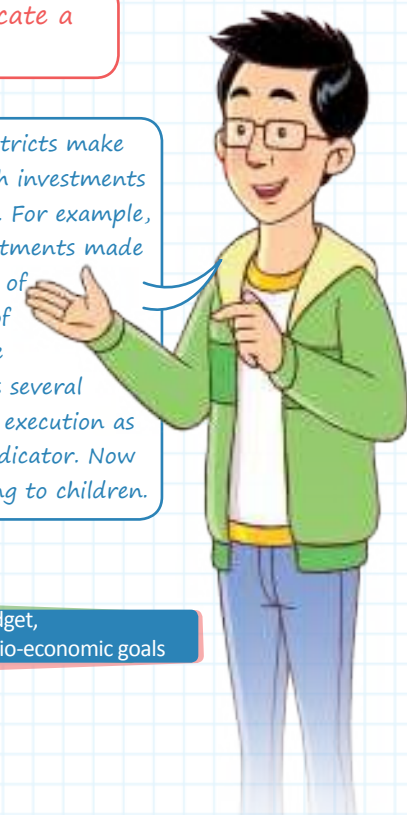
www.ulaanbaatar.mn



Data and
Information



Budget,
Socio-economic goals





There are many indicators in this report. Plan, execution and implementation percentage on all indicators are provided. Let us have a look at the expenditures concerning children only.

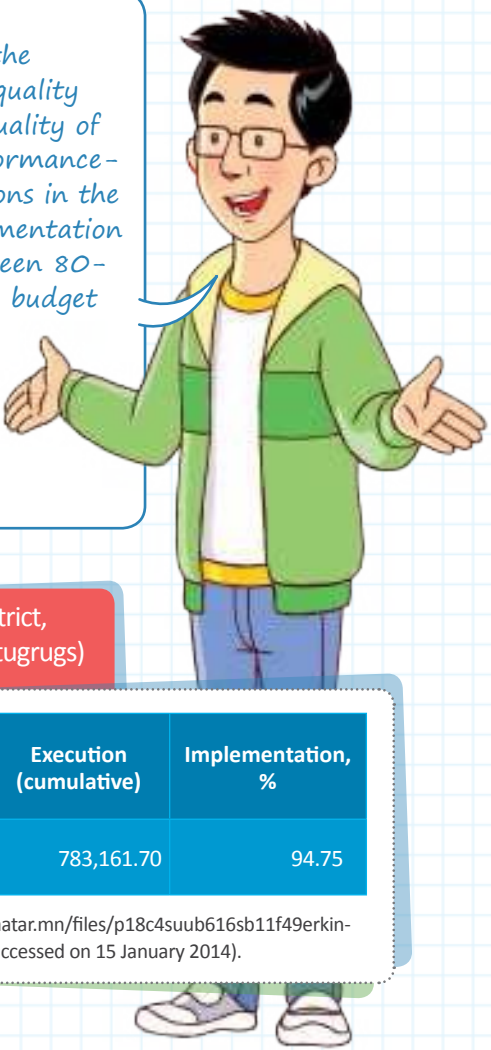
Income, Expenditures and Investments for November 2013 as per the classification of the mandate of general budget governors of the Capital city and aimags (in thousand tugrugs)

No	Indicator	Plan	Execution	Execution vs Plan Index
18	Exercise of mandate other than those specified in law	13,898,057.70	7,861,572.50	56.57
18,12	Ulaanbaatar - Indexing of training quality of secondary schools and kindergartens of the Capital city	1,000,000.00	445,328.70	44.53
18,13	Ulaanbaatar - Performance based incentive mechanism for health institutions in the Capital city	1,000,000.00		0.00
20	Exercise of government's power in the local area	251,684,254.00	179,740,028.40	71.41
2	Population development and social protection services	1,718,413.50	1,561,976.10	90.90
2,1	Ulaanbaatar - Children's development and protection center	342,207.40	283,965.70	82.98
2,2	Ulaanbaatar - Children's orphanage center	1,132,245.00	1,065,231.90	94.08
2,3	Ulaanbaatar - Children's department	243,961.10	212,778.50	87.22
3	Educational services	182,135,939.10	177,510,094.19	97.46
3,1	Ulaanbaatar - Kindergartens	61,754,944.76	60,161,053.60	97.42
3,2	Ulaanbaatar - Schools	120,380,994.34	117,349,040.59	97.48
22	Total	452,512,352.10	375,377,619.29	82.95

Source: <http://ulaanbaatar.mn/files/p18c4suub616sb11f49erkinmhs1.pdf> (as accessed on 15 January 2014).

Note: This link was active when the Handbook was developed (around 15 January 2014). However, there is a chance that the link may become broken and data disappear. In this case please proceed as instructed earlier.

From the above table, we can see that the implementation of the work on improving quality i.e., the Ulaanbaatar – Indexing of training quality of secondary schools and kindergartens and performance-based incentive mechanism for health institutions in the Capital city are extremely poor, but the implementation progress for other planned activities are between 80-98 percent. Further, only 83 percent of the budget allocated for children’s development and the protection center has been spent. Similarly, we can see the budget plans for children and their execution at district level by visiting the district websites.



Lunch Program Budget, Chingeltei district, November 2013 Execution (in thousand tugrugs)

No	Indicator	Plan (cumulative)	Execution (cumulative)	Implementation, %
1	Lunch	826,553.00	783,161.70	94.75

Source: <http://ulaanbaatar.mn/files/p18c4suub616sb11f49erkin-mhs1.pdf> (as accessed on 15 January 2014).



Yes, I see. Section A on current expenditures of Chingeltei district reflects lunch costs for primary school students.



Implementation of the budget allocated for lunch spending is at 94.75 percent. It seems that the spending of the budget allocated to children never reached 100 percent. How do you know if a budget is a good budget?

I learnt that a good budget must meet the following criteria:



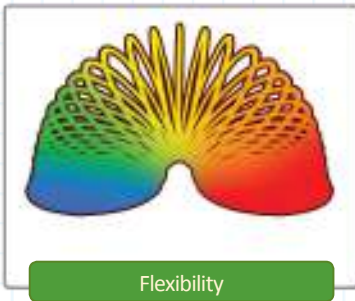
No deficit



Transparency



Accountability



Flexibility



Participatory



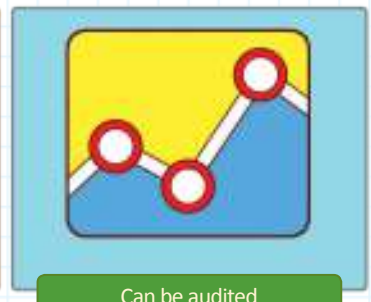
Sustainability



Ability to drive growth



Comprehensiveness



Can be audited

Participation is one of the criteria for a good budget. It seems that children do not express their views on what they need or participate in the process. Where can we start participating?



Children are one of the first groups of people who should monitor whether the budget allocated for children is reaching children. You can visit the site below to check whether money is allocated for children at the aimag, city, soum or district or khoroo where you live.



www.tusuv-oronnutag.mn

For example, 40 million tugrugs was planned to be spent on creating a children's playground at street 32 of Zuun Bayan Uul of Khoroo No 10, Songino-Khairkhan district, Ulaanbaatar city, and 40 million was spent from the Community Development Fund budget. If we want more information about this project we can click on the window that says "Details". From there, we can see that the financing of this project was decided by the votes of 24 citizens. Therefore, our participation starts from attending the khoroo meeting and communicating our views.





Does this mean that we have to make our voice heard at the khoroo government level?

Yes. Let's review the information provided by Chingeltei district of Ulaanbaatar city on how citizens can deliver their opinion and proposals on issues that can be resolved or funded from the Community Development Fund (CDF).



HOW YOU, THE CITIZEN CAN HAVE YOUR OPINION DELIVERED AND FORMALIZED?

You, the Citizen, will deliver your opinion through



1

Focus Group discussions

Opinion Polls

Online

8



You, the citizen, are able to resolve pending issues concerning public or development problems through the Community Development Fund as mentioned earlier. In order to do this you need to provide your opinion on the issues to your khoroo Government by filling out forms and questionnaires, focus group discussions or online. See the below diagram showing how your opinion or proposal gets formalized into official decisions.

Your Khoroo Governor



2

All Citizen Meeting (Khural)



3

Office of the Capital District Governor



4

District Governor



5

District Citizen's Representatives' Khural (District Parliament)



6

District Community Development Fund (part of the Local Budget, i.e., District Budget)



7

Children can communicate their views to the local khoroo governor through participating in discussions or completing a proposal form. The khoroo governor then combines the proposals and presents the outcomes to the All Citizen Khural (meeting). Citizen proposals undergo further steps to be supported by the CDF. The CDF finances activities which we have proposed and voted. Proposals to be incorporated into draft budgets of other districts, aimags, soums and local areas go through the same process. Most importantly, children's participation is ensured when relevant government officials listen to the views of children and make necessary decisions and start implementing them in practice. In order to participate, children should be knowledgeable and informed. They also need to share their knowledge and advocate for their participation.



Yes, I agree. We should be more active for our own benefit. I think this is what we call meaningful participation. Thank you for helping to improve my knowledge and motivating me, my dear friend.



We have learnt a lot today. Now we know what a budget is, how its revenues are generated and spent, why we should analyze budgets, and also how to analyze budgets. We also made an attempt to conduct an analysis of the budget for children. Children have to be more active in this field and we need to be knowledgeable and informed. Most of all, we learnt that, **BUDGET ANALYSIS FOR CHILDREN IS AN ESSENTIAL TOOL FOR ENSURING OUR CHILDREN'S RIGHTS**. We need to conduct budget analysis on a regular basis.

KEY WORDS

Audit: Independent activities of budget control aimed at the effective and efficient use of budget resources and managing risks.

Grant: Non-repayable subsidies (like the pocket money your dad or mum gives you from time to time).

Gross Domestic Product (GDP): Monetary sum of all products produced and all services provided in a certain country in a definite time (conventionally in a year).

Loan: Money borrowed from others on repayable conditions and usually with an interest to pay above the principal amount borrowed. Loans can be of different types like credit, concessional and non-concessional, short- and long-term, bonds, T-bills, and other debt instruments.

Social Insurance Funds' budget: The budget with revenues collected and expended in accordance with the Law on Social Insurance and approved by the State Great Khural in the particular year.

Social Security contributions: An advance payment an insurer and an employer pay to the Social Security fund within the term specified in the law.

Value Added Tax (VAT): Tax on the consumption of goods and services. It is a tax only on the value added to a product, material, or service, from an accounting point of view, by this stage of its manufacture or distribution. The value added to a product by a business is the sale price charged to its customer, minus the cost of materials and other taxable inputs. A VAT is like a sales tax in that ultimately only the end consumer is taxed. So everybody, businesses, citizen and you, the children, even pay it when you buy goods and services.

Revenue transfer: Funds to be allocated from the revenue of the upper level budget to the local budget, to support the local budget.

Local budget: A budget approved by aimag, capital city, soum and district Citizens' Representative Khural and money collected, allocated and expended by general budget governors subordinated to the budget of the respective level.

General Community Development Fund: Funds reallocated from the state budget to local budgets in order to support local development and to ensure equity of regions.

Financial support: Funds to be allocated to finance budget deficits.

Tax: A financial charge or other levy imposed upon a taxpayer (an individual or legal entity) by a state such that failure to pay is punishable by law.

Budget: Balance of revenues and expenditures.

Budget deficit: Expenditures that exceed revenues.

KEY WORDS:

Budget surplus: Revenues that exceed expenditures.

General Budget Governor: An official who is authorized to plan budgets for the area within his/her authority and allocate, oversee, manage and report on the execution of approved budgets in accordance with legislation.

Budget expenditure: Funds allocated from the approved budget for financing activities, programs, projects and measures implemented by budget governors.

Budget revenue: Revenues that are collected in accordance with legislation that support state and local budgets and revenues generated from budget entities' own operations.

Budget balance: The difference between total budget expenditure and total budget revenue of a particular fiscal year.

Special purpose transfers: Funds to be allocated from the state budget to aimag and capital city budgets, in accordance with specifically determined purposes, conditions and requirements, to finance functions specified in Law.

State budget: A budget approved by the State Great Khural and generated, allocated and expended by general budget governors subordinated to the Government and the state budget.

Capital expenditures: Expenses made in order to generate long-term benefits, usually meaning buildings and infrastructure.

Investments: Capital expenditures to be financed from the budget and to be transferred into the ownership of a legal body that is associated with the budget of the respective level.

Fees: Payment for receiving services.

Personal Income tax: Tax levied by the state on every citizen's income. They are mostly taxes collected by the government out of your parents' salaries and wages.

Human Development Fund budget: The budget with revenues collected and expended in accordance with the Law on Human Development Fund and approved by the State Great Khural in the particular year.

Health insurance: Citizen and her/his employer pays a health insurance premium as contribution to the Health Insurance fund according to state law, for the purposes of protecting and ensuring financial support for citizens in the case of health related risks.

Save the Children is a worldwide independent children's rights organization established in 1919 in the United Kingdom. Save the Children is a leading international non-government organization that promotes children's rights, provides relief and helps support children in developing countries. It is a non-profit organization and it is independent of politics and religion.

Its founder, Eglantyne Jebb, first promoted the idea of children's rights, and drafted the first declaration for children's rights that was adopted by the League of Nations in 1924, making Save the Children the first children's rights agency in the world. This declaration evolved into the United Nations Convention on the Rights of the Child (UNCRC), adopted in 1989, and is now the most widely ratified rights convention in the world. The principles, rights and responsibilities set out in the UNCRC provide the key framework for Save the Children's work.

There are 30 member-countries of Save the Children International, a global network of non-profit organizations supporting Save the Children's operations in over 120 countries around the world. Save the Children has worked continuously in Mongolia since 1994. Save the Children supports Mongolian children's development and wellbeing, and is recognized as one of the leading child rights organizations in the country as a result of its years of productive partnerships with Government, academia, non-government organizations, communities and children. The Mongolia Program Office has operated in Mongolia with management support from Save the Children UK in 1994-2009, and from Save the Children Japan since 2009. Our principle is to promote sustainable long-term favorable changes in the lives of children and strive to find realistic and systemic solutions to existing problems. The Mongolia Program Office supports three programs: Education, Child Protection and Child Rights Governance. We have branch offices in Arkhangai, Dornod and Uvurkhangai aimags.

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