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TOWARDS A HIGH PERFORMING CIVIL SERVICE: REFORM PROGRESS AND CHALLENGES

December 2020

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MONGOLIA



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Vice-President:	Victoria Kwakwa
Country Director:	Martin Raiser
Global Practice Director:	Hassan Zaman
Country Manager:	Andrei Mikhnev
Practice Manager:	Alma Kanani
Task Team Leader(s):	Badamchimeg Dondog Carolina Vaira

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(Exchange rate as of November 30, 2020)
Currency unit = Mongolian Tughrik (MNT)
US\$ 1 = MNT 2,850

Abbreviations and Acronyms

CSC	Civil Service Council
CSL	Civil Service Law
CRH	Citizens' Representative Hural
CSO	Civil Society Organization
CSRS	Civil Service Reform Strategy
EMDE	Emerging Markets and Developing Economies
EACMF	East Asia Country Mongolia Field
GDP	Gross Domestic Product
GFMIS	Government Financial Management Information System
GOM	Government of Mongolia
HR	Human Resources
HRMAD	Human Resources Management and Audit Department
HRMIS	Human Resource Management Information System
IAAC	Independent Authority Against Corruption
IBL	Integrated Budget Law
IFI	International Financial Institution
IMF	International Monetary Fund
IT	Information Technology
LM	Line Ministry
MDA	Ministries, Departments and Agencies
MECSS	Ministry of Education, Culture, Science and Sports
MLSP	Ministry of Labor and Social Protection
MNAO	Mongolian National Audit Office
MOF	Ministry of Finance
MOH	Ministry of Health
MP	Member of Parliament

NAOG	National Academy of Governance
NGO	Non-Government Organization
NSO	National Statistics Office
OECD	Organisation for Economic Co-operation and Development
POC	Public Oversight Council
PSMFL	Public Sector Management and Finance Law
SCD	Systematic Country Diagnostic
SOE	State-Owned Enterprise
UB	Ulaanbaatar
UNDP	United Nations Development Programme
WB	World Bank

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EXECUTIVE SUMMARY

Introduction

1. This report reviews Mongolia's civil service in the ten years since the World Bank's (WB) 2009 civil service assessment¹. Many of the challenges identified in 2009 still remain, including civil service grading and compensation, payroll administration, and personnel management. The performance of the civil service continues to be seen to be holding back Mongolia's development, as the country faces a severe implementation gap in achieving its development objectives. In these intervening years, there has been a lack of commitment to rule-based governance, and a continuing struggle to create a motivated and professional civil service, free from clientelism. Patronage-driven recruitment has led to high staff turnover and politicization, frequent re-organization of ministries and departments, and difficulty in retaining competent technical staff. This has inhibited the emergence of a well-functioning bureaucracy.

2. An important milestone was the passing of a new Civil Service Law (CSL) in late 2017, by the State Great Hural, which became effective January 1, 2019. This re-established the model of a career-based civil service, which had been undermined by the combination of politicization and the Public Sector Management and Finance Law (PSMFL), repealed in 2013, which had delegated substantial HR management responsibilities to budget managers without effective accountability

mechanisms. The new CSL requires competitive recruitment and promotion, assigns executive and oversight powers to a reconstituted Civil Service Council (CSC) and its Secretariat, and features a strong reform mandate to be reflected in implementing regulations. Building on the new law, Mongolia is poised to move forward building a merit-based, politically neutral, well-performing and ethical civil service.

3. This report reviews recent developments in the light of the new law, paying particular attention to three areas critical to successful implementation. They are:

- The governing structure of the civil service;
- HR management;
- Payroll administration, grading and compensation.

4. The report is optimistic that Mongolia, with stronger foundations in place, is now better placed to move forward improving the efficiency and effectiveness of the civil service. However, this will require determined leadership, with some important, challenging strategic and technical decisions to make on the way forward. The report ends with a chapter of conclusions and recommendations, with suggestions on sequencing and how to monitor and evaluate the new arrangements.

¹ 'Mongolia - Towards a high performing civil service' (World Bank 2009)

Governing structure of the civil service

5. Mongolia's civil service is divided into four categories. The first and smallest group (less than 2% of the 198,463 civil servants in 2019) is the political service (Prime Minister, ministers, governors, and their special advisers). The second is the public administration (about 10%, comprising professional managers and executives). The third is the special state service (19%, chiefly judicial and security sector staff). And the fourth is the public service (69%, including teachers and medical, social welfare and agricultural extension workers). Overall, the civil service has grown by about 34% in the past decade (2009-2019).

6. The report is focused on public administration, which is governed by the CSL. Together with the special state service, public administration forms the core of the civil service, and has in the past been heavily politicized with a high staff turnover. The public service is governed by the Labor Law and certain sector-specific laws, such as the Education Law. Setting sound governance arrangements for the core civil service will, in turn, benefit conditions for service delivery in areas like pay and grading and better management of staff numbers.

7. The PSMFL was replaced by an Integrated Budget Law (IBL) in 2013. This ended the tension between the PSMFL and an earlier CSL (passed in 1994) related to whether the civil service should become decentralized positions-based or a centrally led career-based service, with the latter model firmly adopted by the new CSL, passed in 2017. The new CSL protects the civil service from political influence, requiring that appointments to core civil service positions are made through professional competitive appointment rather than personal or political compatibility.

8. The new CSL re-establishes the influence of the CSC in the leadership of the civil service. The independently appointed CSC works closely with the Cabinet Secretariat and has extensive power and responsibility for both oversight and executive HR functions. The CSC, which reports to the State Great Hural, is the guardian of the merit principle and career-based promotion. Its by-laws cannot be changed by Cabinet. Comprehensive job descriptions are being prepared for all civil service positions and the CSC has been endorsing them. It supervises competitive entrance to the core civil service by examination and oversees mandatory professional training by the National Academy of Governance (NAOG). Vacancies will be filled from within the civil service. A new performance management framework is being introduced, based on both four-year strategic plans and annual performance plans for all entities and an annual performance plan for each core civil service employee. The CSC is charged with conducting regular HR audits and has the power to revoke unlawful personnel decisions taken by ministries, departments and agencies (MDA). Additionally, a Public Oversight Council is to be established to monitor public service delivery.

9. The report describes what is being done to implement the CSL, exploring the impact on the civil service and the decisions that will have to be taken to ensure it is fully operational. Three issues are highlighted which are critical to the successful development of a new governing structure for the civil service.

10. The first issue is to address the capacity of the CSC, particularly its Secretariat. Originally the Secretariat comprised of only 14 staff. While it has increased to 39, it remains short of the expected 56 positions formally approved by the Parliament. The CSC will need to continue to build its capacity, drawing on external expertise as required, to deliver its mandate and institutionalize the new arrangements for the civil service.

11. The second issue is to address the capacity of Branch CSCs. There are 48 Branch CSCs in MDA, aimags (provinces) and other regulatory bodies. They have a heavy workload and only part-time staff. As part of rolling out the regulatory arrangements for the civil service, the CSC will need to develop a clear delegation framework for HR functions to be carried out at the branch level and ensure that Branch CSCs have the capacity to fulfill them.

12. The third issue to be addressed is the relationship between the CSC as the legally designated central authority for the civil service, and other center of government bodies, such as the Cabinet Secretariat. The CSL bestows a hybrid role on the CSC, as supervisory, guaranteeing propriety and merit and investigating complaints, and an executive role, managing the civil service. The combination of the two roles is currently justified by the overriding priority of ending politicization and reasserting professionalism in a career civil service. As the new system becomes more embedded, Mongolia will need to focus the CSC on its oversight functions, as is the practice in many other countries. It will be necessary to build up the capacity of the Cabinet Secretariat to set civil service policy, consistent with the principles of the CSL, and effectively manage the civil service. An established and operational HR policy unit in the Cabinet Secretariat could form the core of a central civil service department or ministry, as found in other countries. A related challenge will be to work out a cooperative relationship between the Cabinet Secretariat and the Ministry of Finance (MOF), as joint center of government resource management agencies.

Human resource management

13. A new framework for HR management in the Mongolian civil service, as specified in the CSL, is being implemented. It provides for a strengthened civil service entrance examination process; clear rules on the duration of appointments including permanent roles, complemented by improved processes for performance appraisal, discipline and, where necessary, dismissal; comprehensive job descriptions; improved training both for new entrants and existing employees; CSC audits of HR to ensure compliance with the new procedures; and financial liability of managers for the legality of procedures they use.

14. The current major challenge is ending the pattern of politicization of appointments and dismissals that has characterized the civil service in the past decade. The politicization has mainly taken two forms: the illegal dismissal of existing civil servants, and the illegal appointment of unqualified or inappropriately selected staff, especially during election time. The consequence has been high staff turnover, peaking at 22.3% of public administration employees in 2019, resulting in the loss of civil service capacity, disrespect for the rule of law, increased corruption and decline in civil service morale. Job descriptions have been manipulated to benefit favored candidates, the use of short-term contracts has been abused, and there has been excessive resort to organizational restructuring to force the transfer of staff. Robust enforcement of the law by the CSC, and a change in culture on the part of politicians and civil servants is required to reduce politicization, through the inculcation of new ethical norms. The CSC can draw on global experience for primary laws, codes and regulations, which stress the need for leaders to model good ethical behavior, the value of ethics training, and the existence of an independent investigating body.

15. Three critical issues need to be addressed when moving forward with the new HR management framework. The first is re-establishing a competitive and fair entry process. The CSC is launching a general examination process comprising testing and analysis, with successful applicants joining a reserve from which to compete for vacancies that require special examination. In the short term, the priority is restoring confidence in the process. In the longer term, the challenge will be to incorporate testing of practical knowledge, such as teamwork and managerial skills, and introducing psychometric tests or group exercises, to assess the potential for personal development. The practice of allowing former ministers and governors direct access to the reserve list and improper issue of contracts will also need to be addressed.

16. The second critical area is training of new entrants and existing civil servants. The NAOG reviewed the training courses and developed and rolled out a new curriculum for the professionalization of selected civil servants, targeting the senior principal officers, principal officers and senior officers. Going forward, the training for civil servants will require an emphasis on competency-based training and investment in training-of-trainers to upgrade training skills.

17. The third issue to address is designing a new performance planning system. In the past, the majority of employees had been graded A or B, rendering the process of limited value from either a career development or disciplinary perspective. The Cabinet Secretariat is leading development of a new performance management system that requires an alignment of performance plans of the public organizations with their respective units and individual civil servants. The initial rollout of the performance management system had a delayed start in 2019; hence the performance evaluation results are currently pending. Setting a limit of 10% for the highest grade is suggested

with clarity of goal setting at the start of the year, describing the tasks assigned to each employee and the results expected, together with regular feedback from supervisors throughout the year.

Payroll administration, grading and compensation

18. The existing system for payroll administration, grading and compensation is complex and dysfunctional and requires attention. The CSL does not specify major changes to these arrangements other than outlining principles for pay and grading, such as equal pay for equal work and comparability with the private sector. Key issues to be addressed are the weakness of the current system of establishment control and payroll administration, and the arrangements for post classification and grading. Addressing these areas will require close cooperation between the CSC, the Cabinet Secretariat and the MOF, with clear-sighted system redesign and determined implementation.

19. Under the current arrangements, there is no central personnel office exercising establishment control. The MOF decides on entity personnel lists as part of the budget process by reference to financial availabilities, with no consideration given to manpower, workload considerations and the efficiency of staff use. This would be the case if there were a separate civil service ministry or department overseeing guidelines on the creation of new posts and organizational structures. A centralized payroll management system is required, operated by the MOF and linked to a Human Resources Management Information System (HRMIS) containing comprehensive personnel and position information.

20. Payroll control, through an integrated payroll system, is possible as the Public Sector Management and Finance Law (PSMFL) has been repealed and replaced by the IBL. A sequence of steps is suggested with the creation of a payroll system connected with the Treasury; and the integration of the payroll with the Government Financial Management Information System (GFMIS) and with the formal budget process. In turn, this could be linked to a new attempt to create a HRMIS, so that both the payroll and management of the civil service operate from a common data base.

21. Another challenge in professionalizing the Mongolian civil service is addressing the civil service post classification and compensation system. The current system works against achieving an incentivized and high-performing civil service consistent with the broader labor market in Mongolia.

22. There is also no consistency in compensation across services and sectors. Allowances based on educational attainment, length of service and rank, add an extra 30% on average to basic pay for administrative service staff, and 50% for public service staff. They exacerbate inequities as they are based on discretionary personal characteristics of the position holder and not on the job performed.

23. The current grading system creates large inequities through the allocation of grades to jobs based on the status of the employing organization, in turn a function of distance from the administrative center, Ulaanbaatar (UB). This results in similar jobs graded differently and therefore paid differently, making it difficult to benchmark pay with the broader private sector, as the CSL requires. The result is a non-transparent compensation regime and staff demotivation. Pay scales are also highly compressed and overlapping.

The way forward, as the report outlines, is moving to a more job-based system within a career civil service similar to most Organisation for Economic Co-operation and Development (OECD) countries.

24. Job descriptions form the foundation of an effective grading system. The previous job descriptions were basic, lacking specific objectives and inadequately describing duties and the skills and abilities required to perform them. Since the new CSL was enacted, job descriptions for 73.8% of the public administration positions have been revised and endorsed by the CSC. A system of job evaluations to correctly assess a post against work criteria and measure the relative ranking of jobs within an organization has not yet been agreed. As a result, the current pay and grading scales are an artificial construct.

25. Since comprehensive job evaluation is time-consuming, the report suggests a sequenced approach to pay and grading reform. This can be achieved over the medium to long term, with different timing options for integrating allowances into basic pay. The starting point would be undertaking job evaluation for a representative sample of jobs following an upgrading of their job descriptions. These results could then be used to develop a grading structure which could be extended to all jobs in a new overall grading framework. It could be applied to a single universal pay spine with all possible pay points, enabling ranges to be specified for individual job categories. The final step would be to assign monetary values to the pay spine, benchmarked with the private sector and representative non-government organizations. Base pay would be the sum total of a civil servant's remuneration with the exception of a few job-specific allowances.

INTRODUCTION

Rationale for the report

1. The main objective of this report is to assess the latest developments and the current state of civil service management in Mongolia following the approval of a new CSL in 2017. The report builds on the last assessment conducted by the WB² in 2009. It assesses the extent to which the legal framework and the governing structure of the civil service, policy and institutions enable the achievement of the government’s objectives. At the same time, it seeks to identify the gaps to address to achieve a high-performing civil service and the implementation measures required. The report also provides a platform to inform the dialogue between the WB and the Government of Mongolia (GOM) in this important reform area.

2. Mongolia’s civil service has been highlighted as one of the main causes of the “implementation gap”, the need to implement, enforce and monitor regulations, in the country. According to the WB’s Systematic Country Diagnostic (SCD) of 2018, Mongolia faces a serious implementation gap with its lack of commitment to complying to fundamental rules of economic management. The SCD identified as core challenges the lack of a motivated, professional civil service free from clientelism and the “provisioning pact”³, in which

access to centrally controlled rents, patronage and clientelism dominate. As Mongolia strives to achieve sustainable economic development, the issues in the civil service are a major factor preventing it from addressing the country’s fiscal, physical and logistical infrastructure challenges.

3. The inadequate regulatory framework of the civil service poses challenges that continue to compromise its credibility, technical competence and effectiveness. Specific areas of concern include the lack of meritocratic principles applied in recruitment and promotion processes; ineffective control over civil service positions with patronage leading to an increase in the size of the civil service and growth of the wage bill; and the limited capacity to manage the public sector reform agenda within the Cabinet Secretariat and the CSC.

4. The principle of meritocracy in the civil service has been challenged and undermined through patronage-driven recruitment. In recent years, there has been a marked increase in the annual attrition rate in the civil service from around 9% in the period 2009-2012 to 22.3% in 2019. Each political change, usually associated

² The WB 2009 report “Mongolia: Towards High Performing Civil Service” was prepared by a team led by Zahid Hasnain, Senior Public Sector Specialist (TTL and Lead Author), drawing on background papers by Naazneen Barma, “Human Resource Management in the Education Sector” and Malcolm Green, “Civil Service Grading and Compensation Review.”

³ In resource-dependent states pacting arrangements, such as provisioning pacts, may arise. Provisioning rents can be (i) exchanged for campaign contributions (ii) targeted which implies that politicians can take credit and be seen as credible, and (iii) relatively stable only if voters re-elect particular politicians (i.e. commitment).

with parliamentary and local elections, brings major reshuffling in the civil service. The frequent changes of government, together with high turnover of staff due to the lack of a meritocratic system, has negatively affected the professionalism and integrity of the civil service. The departure of talented staff with valuable professional skills, exacerbating the existing skills gaps, has reduced the overall capacity and capability of the civil service to deliver public goods and services. Key stakeholders have identified the importance of restoring meritocracy, reducing the exodus of technical staff and adopting the design and implementation of contemporary HR management methods in the civil service⁴.

5. The civil service wage bill is currently the fastest growing and largest component of recurrent expenditure though its share of expenditure or revenue is lower than in peer countries. There is no clear explanation as to why the public sector has grown by 34% between 2009 and 2019. The number of civil servants per hundred citizens is significantly higher in Mongolia than in some other countries in the East Asia region. In part, this relatively large size is a reflection of the country's geography and the high unit costs of service delivery to a sparse and dispersed population.

6. Poor resource management in Mongolia has been associated with a weak and highly politicized civil service governance structure. The civil service framework adopted in 1995 was amended in 2002, 2008, and most recently in 2017 with the new CSL being enacted in 2019. While there have been some positive trends, the frequent reorganization of key ministries has presented many opportunities to dismiss existing staff and replace them with politically-affiliated appointees. Moreover, the use of temporary

appointments has provided an opportunity to place political functionaries among managerial staff in service delivery organizations as well as divisional and departmental heads across key national ministries. In recent years, aggregate turnover has reached about 22.3% across staff categories annually, a significant increase from the late 2000s, when turnover was around 9% annually.

7. The National Anti-Corruption Strategy (2016–2023) recognizes the need for a well-performing civil service, free of political interference. A key strategy objective is to strengthen the integrity in the public service by creating an accountable and transparent civil service that is based on merit and free from political influence in staff selection and appointment processes. However, the action plan for the strategy is declaratory rather than oriented towards effective action. Measures relating to recruitment, performance and sanction processes lack concrete targets and focus on legal changes rather than ensuring their enforcement, illustrating the existing implementation gap that affects the policy implementation and regulatory system in Mongolia.

8. The new CSL approved by the legislature in December 2017 takes important steps to re-establish meritocratic principles in recruitment and promotion, providing new opportunities for creating an accountable and transparent civil service. The new reform agenda could provide the capacity to manage civil service reform within the Cabinet Secretariat and the CSC; rationalize the distribution of salaries and allowances; and develop and implement a new HRMIS linked to the MOF's financial information system. While ongoing government efforts in implementation of the new law are receiving some support from external actors like the United Nations Development Programme

⁴ Survey data from 2011 indicate that nearly 100% of the population believe that there are laws to prevent nepotism and cronyism within the civil service, as well as laws to ensure that the civil service is neutral, independent and fairly managed. However, less than 50% feel that existing laws governing the civil service are effective.

(UNDP), the complex nature of the reforms needed for Mongolia calls for a more in-depth assessment of the current situation, focusing on capacity and implementation gaps as well as the political economy of the reforms.

Structure of the report

9. This report assesses the current and ongoing reform actions within the context described in the introduction and using the 2009 WB report⁵ as a reference point. The report identifies and examines the main changes introduced during the period, the improvements achieved, what remains unchanged and the areas that still need to be addressed. The report also updates core statistical information (updated in June 2020 with information as of end-2019) and maps relating to legal and institutional changes implemented during the past decade.

10. Specifically, the current assessment report examines three key aspects of civil service development in Mongolia:

11. First, it considers the governing structure of the civil service and, in particular, the extensive changes in the legal framework in recent years. The repeal of the PSMFL and the introduction of the new CSL have both impacted on the architecture of the civil service. The new law has reaffirmed and strengthened the principle of a career professional civil service and introduced measures to prevent politically-inspired appointments and dismissals. The CSL has also made a number of technical but important changes, including a requirement for individual job descriptions, provision of training for civil servants and strengthening of the role of the CSC.

12. Second, the report reviews the formal rules governing HR management following the implementation of the new CSL, examines how they are working in practice and the challenges preventing the implementation of a meritocratic system. It considers in depth the measures enshrined in the law to counter politicized employment in the civil service. This politicization has become a substantial problem in the past decade, with deleterious effect both on the quality of public administration and the capacity of institutions to serve the public and support economic development. These measures appear well-designed and are being observed and enforced. However, they will be tested after the 2020 elections, as the post-election period has usually seen increased politicization of the civil service.

13. The report examines the strengthening of the administration and integrity of the civil service entrance examination, the introduction of specific job descriptions, and strengthening of civil service training. While in the early stages of implementation, they appear to be making a positive impact. A new system of performance planning has been introduced. Its effectiveness will not be known until the end of the first appraisal cycle in 2020. Finally, this report also reviews the work of the CSC, reconstituted and given new powers under the new law. The CSC is implementing the reforms purposefully and systematically, sending a strong message throughout the system of governance that it proposes to enforce the law conscientiously, including investigating complaints about politicization.

⁵ Three main areas emerged as priority areas for improvement in the assessment: i) the civil service grading and compensation structure; ii) a centralized payroll administration to enhance expenditure controls and; iii) improving personnel management.

14. Third, the report reviews the arrangements for grading, compensation and payroll administration. Aligned with the recommendations in the WB's 2009 report, the analysis conducted reveals that relatively few new developments have taken place since 2009. There is a long-standing need for reform of the post classification and compensation structure, to provide the appropriate incentives for recruiting, retaining, and motivating skilled staff, in particular through the principle of equal pay for equal work. This requires a threefold approach: simplifying the pay system by merging allowances into basic pay; rationalizing the grading structure and benchmarking pay across other sectors, and the introduction of centralized payroll management to provide more effective management of the payroll and to facilitate expenditure control. Different options exist for sequencing these reforms, particularly whether the merging of allowances into basic pay should proceed or follow the process of writing job descriptions, carrying out job evaluations and developing a new pay and grading system.

15. The final section summarizes conclusions and recommendations for future action. This section draws conclusions from the key findings of the preceding chapters and makes recommendations that are crucial to sustain the reform momentum. The recommendations focus primarily on the role of the CSL and related secondary legislation with reform enforcement requiring further action to have a real impact on the civil service in Mongolia.

16. The analysis and recommendations in this report focus principally on the public administration category of civil servants, approximately 10% of the total number of civil servants. This category is principally responsible for advising on the formulation of public policies, ensuring the implementation of policy decisions and managing public administration. It is crucial to the development of policy decisions which affect most profoundly the economic and social development of the country. This is also the category that has felt the brunt of the politicisation that has characterised the Mongolian civil service in the past decade or longer. It is most likely to be improved under the new CSL.

17. Many of the recommendations will also relate to the special state service, 19% of the civil service which, together with the public administration category, is termed the core civil service. The special state service category provides judicial, security and rule of law services.

18. Recommendations in this report are less applicable to the public service category, 69% of the civil service which is governed by the Labor Law and other special laws. The 2% of public servants who constitute the political service, the ministers and their equivalents in sub-national government, and their advisers and assistants, are also less relevant to the recommendations. However, the exception is the chapter on civil service pay which applies across all four categories of the civil service as they have the same pay rules.

CHAPTER 1

THE GOVERNING STRUCTURE OF THE CIVIL SERVICE

CIVIL SERVICE

THE GOVERNING STRUCTURE OF THE CIVIL SERVICE

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1 THE GOVERNING STRUCTURE OF THE CIVIL SERVICE

1.1 The legal framework

1. Civil servants possess a distinct legal status within the labor market and are governed by a specific set of laws and regulations.

These arrangements define their rights and responsibilities, classification, grading, structure of compensation, modes of recruitment and other aspects of personnel management. Mongolia's legal framework for the civil service has evolved considerably since the transition from socialism in 1990. The present arrangements center on the CSL, which came into force on January 1, 2019.

2. These de jure arrangements are the starting point for an understanding of civil service performance. This chapter also provides a broad overview of the structure of the civil service, its size, geographic distribution, skill mix, and basic demographic characteristics. It provides the context for more detailed analysis in the subsequent two chapters. As a preview, the main findings of this overview can be summarized as follows:

- One of the fundamental principles of the Mongolian civil service remains its organization in four categories: political service; public administration service; special state service;

and public service. Two thirds of civil servants fall into the last category. This review focuses on public administration service positions, with some limited treatment at the aggregate level of supporting civil servants.

- The legal framework governing the civil service has been extensively revised and clarified in the past few years. The PSMFL which previously regulated certain aspects of the civil service has been repealed. This has removed a source of conflict between the PSMFL and the CSL of 1994. The PSMFL delegated powers to appoint and manage civil servants to budget managers (essentially a decentralized position-based civil service), while the 1994 CSL provided for a centralized career-based civil service.
- In reasserting and strengthening the principle of a career-based civil service, the CSL reserved promotion to upper grades for those who had previously served as civil servants for a stipulated number of years. The new law also strengthened provisions on civil service impartiality, the prevention of political influence on appointments, provision of training and other measures to strengthen civil service management.

- The number of civil servants has grown by 34% over the past decade. The number of civil servants per hundred citizens is significantly higher in Mongolia than in some other countries in the East Asia region. There is no obvious justification for this increase, which places significant strain on Mongolia's economy.
- The aggregate skill level of the Mongolian civil service appears higher than in many developing countries. The civil service is relatively youthful, with a stable average age of 38-40 years. Women constitute some 60% of civil servants, but most of them work in the public service category.

3. As in many other countries, the public sector in Mongolia comprises a range of employment regimes with distinct legal statuses. "Civil servants" are defined under the CSL as the following four sets of public sector employees:

- **Political positions** are those holding political posts, including the president, speaker and members of parliament, prime minister, ministers and deputy ministers, governors of the aimag (province), capital city, soum (village), and district and their deputies, and advisors and assistants to these political positions.
- **Public administration** positions are those holding administrative posts, responsible for providing professional advice on developing public policies, supporting policy implementation and public administration management. They include management and executive positions in the ministries, regulatory bodies, agencies financed from the government budget, aimags, capital city and soums. They also include lower level local administrations and other managerial positions in the parliament secretariat, Citizens' Representative Hural (CRH) (local assemblies), and higher-level courts. The administrative civil service positions are

further classified into five categories: Senior Principal Officer; Principal Officer; Senior Officer; Associate Officer and Assistant Officer. There is a 15-level pay rank structure, as discussed in detail in Chapter 3.

- **Special state service** positions consist primarily of public sector employees providing judicial, security and rule of law services. They include judges and public prosecutors of courts of all levels, managerial positions in the armed forces, police, intelligence services, border security, diplomats, as well as managerial and executive positions in organizations responsible for rule of law functions.
- **Public service positions** cover key service delivery staff, such as teachers, medical professionals, social welfare workers, and agricultural extension workers, including managerial and executive staff in public service organizations under ministries and agencies or financed from the state budget.

4. The four - fold categorization of the Mongolian civil service is long-standing within civil service legislation and appears generally to be accepted as one of its organizing principles. However, the precise boundaries of each category are not always easy to discern.

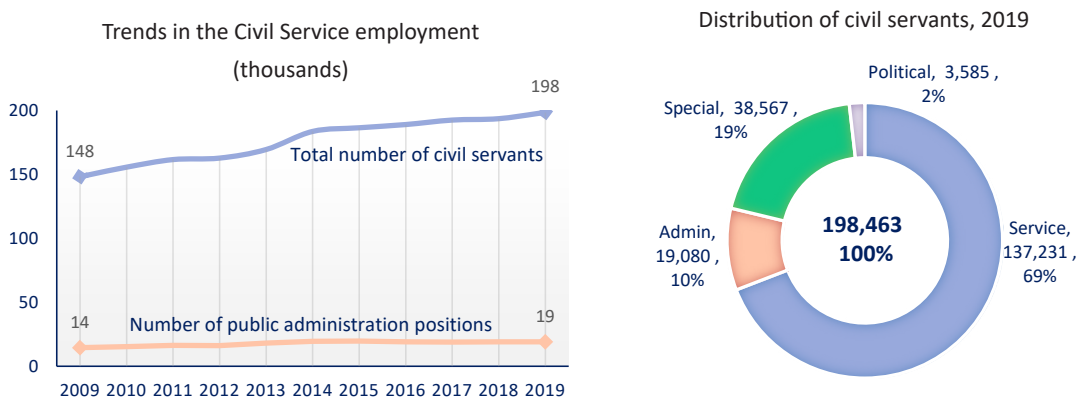
5. Those in the public administration and special state service positions are categorized as "core civil servants" in the CSL. They are governed by special provisions for personnel management under this law and enjoy particular rights and protections. Those in the public service category, by virtue of being civil servants, also have certain rights and obligations. Their overall personnel management is not governed by the CSL but by the Labor Law and other specific laws pertaining to their sector of operation. For example, the Education Law applies to schoolteachers. These sectoral laws generally have provisions on the structure of compensation. Personnel management of those

civil servants is similar to the arrangements in place for the private sector and governed by the general provisions of the specific labor law, with no additional significant protections.

6. The definition of civil servants excludes, as it should, employees of state-owned enterprises and contract workers who provide some basic tasks. These include janitorial services in government offices, or people who are hired as consultants or specialists particularly for the execution of development schemes. Following this definition, the size of the civil service in Mongolia, as measured in sanctioned government posts, declined steadily following the transition from socialism. It fell from 154,000 employees in 1995 to 122,000 in 2007. Then it

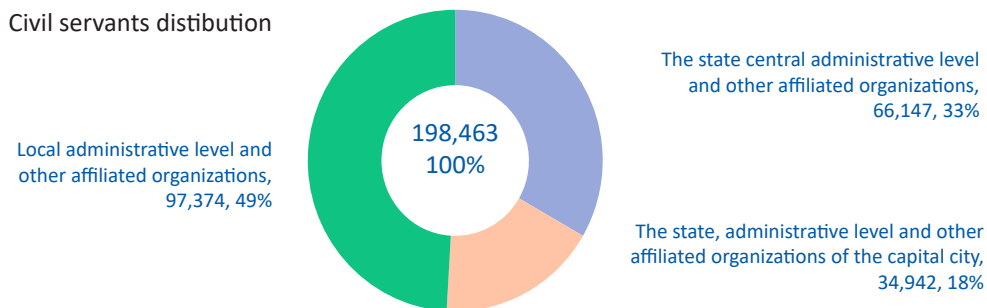
increased to almost 144,000 in 2008 and to over 198,000 in 2019 (Figure 1.1). Actual numbers of civil servants filling these posts will have been lower due to staff vacancies, but the trends are likely to be the same. At the end of 2019, there were 198,463 civil servants on budget: 137,231 (69.15%) were in public service positions, 38,567 or 19.43% in special state service positions, 19,080 (9.61%) in public administration positions and 3,585 (1.81%) in political positions. There were 33.3% of civil servants working at the state central administrative level and in other affiliated organizations while 17.6% worked in the organizations of the capital city and 49.1% worked at the local administrative level and in other affiliated organizations (Figure 1.2).

Figure 1.1 Mongolia’s civil service: trends and composition



Source: Civil Service Council: Annual Report 2019

Figure 1.2 Total number of civil servants by location



Source: Civil Service Council: Annual Report 2019

Table 1.1 Civil service categories and the scope of the report (shaded area is the main focus)

Civil service classification	Type of posts	Category	Governing Law
Political	President, Members of Parliament, Prime Minister, Ministers, Deputy Ministers, Governors, Advisers		
Public administration	Executives and officers of ministries, senior staff of aimags, heads of agencies, and other general managers	Core civil servants	Civil Service Law
Special state	Officers of the Armed Forces, police, judges, diplomats		
Public service	Teachers, medical professionals, managers and support positions of public service organizations		Laws relevant to the particular sector: 33 laws in total

Source: Civil Service Law of Mongolia

7. This report focuses on administrative civil servants with some treatment, at the aggregate level, of the public service category of civil servants. For ease of presentation, the categories and the scope of this report are delineated in the schematic below (Table 1.1).

8. In Mongolia, core civil servants are the group that most closely meet the traditional definition of a civil servant. This is because the essence of civil service status is that the legal basis for employment must be different from that found elsewhere in the public sector. This framework is intended to provide stronger due process and tenure protections than afforded by the country's labor laws. It aims to support civil servants, while they are governed under an employment regime that resembles the private sector. It is similar to structures in many other countries.

9. The new CSL is the main governing framework for core civil servants and has helpfully removed a number of uncertainties and ambiguities that had existed for some years. The provisions of the new legal framework are discussed in some detail below.

1.1.1 The legal regime for core civil servants

10. From the beginning of the transition period in Mongolia, there was an obvious need to create a modern, professional public administration able to implement public policies and deliver effective services to citizens. A key step forward was the CSL of 1994 which defined the status of the civil service, laid out fundamental policies for its management and created an independent CSC. In essence, this law created the civil service as a centralized, professional career public service.

11. The revisions to the CSL in 2002 and further amendments in 2008 required civil servants to refrain from party affiliation. Following changes to the electoral law in 2011, civil servants are now also required to resign six months before standing in parliamentary elections, to prevent candidates from misusing public positions for the election campaign. These amendments to the CSL enhanced the purview of the CSC on pay and grading. It also strengthened its powers for oversight and dispute resolution, in particular giving authority to overturn any personnel decision violating the law.

12. The creation of a modern, professional civil service was complicated by the adoption in January 2002 of the PSMFL, which operated until its repeal in 2013. The PSMFL, together with connected amendments to the CSL, sought to create a decentralized system of civil service management, devolving to public service managers powers intended to allow them to improve public services. The three most significant provisions of this law were:

- It allowed vacancies in core civil service positions to be filled either by selection from existing core civil servants or, if that was not possible, through open recruitment from the market;
- Senior managerial positions of budgetary bodies had to be publicly advertised by the CSC, which then nominated a shortlist of candidates from whom the appointing authority would select one, to be appointed for a fixed-term period; and
- More junior members of the core civil service would be appointed by the relevant general manager who would report on the appointment criteria used to the CSC, which had no authority to intervene in the appointment.

13. This hybrid CSL/PSMFL system created some difficulties. The existence of two parallel laws governing core civil servants gave rise to ambiguities and tensions. For example, details of recruitment modalities were not clear. The PSMFL superimposed the concept of a General Manager - a civil servant with budgetary accountability - over the core civil servants defined in the CSL, resulting in differing interpretations of the applicable law. More generally, there was considerable tension between the centralized model laid out in the CSL, and the implied, though not stated, decentralized system in the PSMFL. The performance contracts for civil servants

stipulated in PSMFL contradicted the provisions of the CSL, since performance contracts under that system implied decentralized authority over many aspects of employment. Overall, this hybrid system marked a substantial, though not clearly defined, movement away from a career-based system in which the emphasis is on civil servants having established career paths, and towards a position-based system in which the emphasis was placed on selecting the best candidate for each position, whether by internal mobility or external recruitment. The new system did not provide adequate protection for civil servants against political pressure. It was open to misuse through the appointment to core civil service posts of candidates on personal or political grounds rather than for reasons of professional competence (an issue considered further in Chapter 2).

14. In 2013, the PSMFL was repealed and replaced by a revised IBL, returning to a centralized system of public service management. This shift was further confirmed and clarified by the passing of the most recent CSL, enacted in 2017 and operative from the start of 2019. The new CSL reasserts the principle of a professional career civil service. In particular, it stipulates that promotion to senior executive posts will be on the basis of a minimum length of service within the civil service.

Security of tenure

15. Appointments to core civil service positions are permanent, and no longer for specified periods of time, unless otherwise specified by law. Civil servants are not to be appointed nor terminated in response to political appointments or as a result of restructuring. If the number of posts is reduced, remaining posts are to be filled from existing incumbents.

Box 1 Key changes to the Civil Service Law

Several changes were made to the Civil Service Law in December 2017. The following summarizes the most important changes and the main features of the revised legal framework:

- ✓ Merit principle and career-based promotion to a senior position have been thoroughly stipulated. Specific requirements for the candidates to positions of senior, principal and senior principal officers have been provided indicating minimum years of employment not only in the civil service but also in the immediate junior position, as well as requirement of completion of mandatory package professionalization training.
- ✓ Provision on temporary replacement have been included directly into the law, preventing the Cabinet from making changes in the by-laws which had been the main channel for appointing outside people to the civil service.
- ✓ Job descriptions of public administration positions are required to be approved by an appointing authority based on endorsement by the CSC, whereas previously the CSC did not have the right to endorse them.
- ✓ A mandatory package of professionalization training, specific to each position, which considers responsibilities and functions of a given position, has been provided by the NAOG.
- ✓ For core civil service, special examination for a given position is to be introduced in addition to general examination.
- ✓ A performance management framework consisting of four-year strategic plan, annual performance plan for an organization and annual performance plan for core civil servants will be developed.
- ✓ A POC to monitor the quality, access and impacts of public services will be established for the first time.
- ✓ Composition of the CSC has been changed to consist of five full-time members including two members representing civil servants, whereas previously it involved three full-time and four part-time members.
- ✓ The CSC has been assigned a new function to conduct HR audits on activities of state bodies for compliance with the civil service legislation and the merit principle.
- ✓ The CSC's power to revoke unlawful decisions has been strengthened and the damage incurred by the state compensated by the official who makes the wrongful decision.

Political neutrality and prohibition of political influence in appointment

16. Civil servants are required to behave in a neutral fashion and refrain from undue political influence. They may not engage in the activities of any political party or movement during their employment in the civil service. Existing party members must, on appointment, provide evidence of suspension of their party membership. Civil servants proposing to stand for election are required to resign from the civil service, usually by January 1 of an election year. The law requires that the selection and

appointment of civil servants are immune from any form of influence or pressure from political individuals or organizations.

Ethical framework

17. The CSL sets out a catalogue of obligations and prohibitions binding on civil servants that is consistent with international good practice. The government approved a code of Ethics for administrative and public service officials in 2019. The code defines the ethical norms for civil servants regarding independence from political influences and adherence to the rule of

law. An ethics council to enforce the Code is to be established within every public organization with the exception of those with fewer than 25 staff members. Ethics councils are mandated to conduct reviews following complaints received from citizens and other organizations. All complaints need to be resolved within 14 calendar days.

Recruitment and promotion

18. The CSL asserts the merit principle where the person is appointed who best meets the requirements of knowledge, education, qualifications, professional skills, competencies, experiences and work performance. The CSL reaffirms the general examination system as the sole means of creating a pool of candidates for the core civil service. The general examination tests candidates' skills in management, analysis, problem-solving, leadership, language, teamwork and organization. Those who pass are registered in the reserve of the core civil service for three years. In addition, special examinations are held for positions requiring specific skills. The CSL provides designated minimum lengths of service for the top three ranks of public administration positions (Table 1.2). As a result, promotion to the top three ranks is restricted to career civil servants in the public administration category.

19. Vacancies are filled by selection from civil servants working in the same or related government organizations. However, those who have previously held high civil service positions are entitled to be registered as reserve candidates for managerial positions and may be considered for vacancies when they arise. This is a mechanism for bringing in capable people who have previously served in high civil service positions but have left the civil service. These external candidates can only fill vacancies if suitable candidates cannot be found from within civil service ranks.

Requirements for professional positions and job descriptions

20. There is an established generic procedure for developing the special requirements for managerial and executive positions in the core civil service. Within the framework of this new procedure, a job description must be developed for each public administration position.

Prohibition of discrimination

21. The CSL contains explicit provisions prohibiting discrimination. Article 31.4 states: "The right to employment in the civil service of a citizen who met requirements for a given civil

Table 1.2 Minimum service requirement for the public administration service

Category of post	Minimum service requirement
Senior principal officer	16 years of employment in civil service, at least 8 of these in principal officer positions
Principal officer	12 years of employment in civil service, at least 4 of these in senior officer positions
Senior officer	8 years of employment in civil service, at least 4 of these in positions of associate officer

In addition, for all three categories, the candidate must have attended and completed the relevant package of professionalization training.

Source: Civil Service Law of Mongolia

service position shall not be violated due to discrimination based on ethnicity, race, age, sex, social status, wealth, employment, job positions, religion, viewpoints, affiliation with political and other non-governmental organizations". This mirrors similar provisions in the Labor Law.

Pay and grading

22. The CSL contains provisions on pay and grading, described in Chapter 3 of this report.

Transfer and rotation

23. Members of the core civil service may be moved between government organizations either by their consent or if they have worked in the same position for over 10 years if required by the civil service. Such transfers may be necessary to share skills or knowledge, to perform urgent and complicated tasks, or to improve an organization's operations, structure or services. This can be for a period of up to two years, extendable for a further year. The employee's grade and salary are protected during this time.

Performance management

24. Each core civil servant must develop an annual performance plan, including performance targets and indicators. Their performance must be periodically evaluated against that plan in accordance with the Government Resolution no. 38 of 2019. Core civil servants may be demoted by their budget manager for unsatisfactory performance. They may also be dismissed if they have received an unsatisfactory performance evaluation three or more times.

25. The CSL also requires the government to establish a system to assess the performance of government organizations which includes the evaluation of civil servants, and their training and professional development. Government

organizations are required to prepare strategic plans and annual performance plans. While not specified, it is assumed that civil servants' performance plans are harmonized with the organizational performance plans. The performance management provisions are described only in general terms, and the CSL requires the government to prepare regulations detailing the new system. The regulations have been approved by the Cabinet, while the new system is still in the course of implementation. Due to a delay in implementation, organizational objectives and those of individual civil servants have not been harmonized as intended.

26. In general terms, the performance management system is consistent with international practice, whereby national plans are cascaded down to corporate/strategic plans, and then to annual management or performance plans for each entity, from which individual performance plans are elaborated. In this way, the linkages between national outcomes, organizational outputs and individual performance are documented. Employees have clear goals and can see what is expected of them, with regular feedback on their performance and capability gaps identified, and remediated.

Discipline

27. The CSL contains provisions for discipline and dismissal broadly in line with international good practice. Core civil servants may be dismissed for misconduct or if they have received an unsatisfactory performance evaluation three or more times, with the right of appeal to the CSC or to the law courts. International practice underlines the importance of continuous review of employee performance by supervisors through the year, documenting results, and developing remedial plans for poor performers before outright dismissal.

Training

28. A package of professionalization training has been introduced for each position, appropriate to the responsibilities and functions of the role. The Head of the CSC and the Cabinet Secretariat jointly approved the curriculum for the professionalization training of civil servants in 2018 (Order no. 37/33). Accordingly, the NAOG, under the Cabinet Secretariat, developed the professionalization training packages for all positions and delivered the training to civil servants in senior principal, principal and senior positions. Additionally, short-and-medium term training packages, by Government resolution no. 299, were prepared, in accordance with the curriculum approved in 2019, and delivered to selected public officials, proposed by their respective organizations and accepted by the CSC.

Oversight and redress

29. The CSC exercises oversight of the implementation and enforcement of the law, delivering both managerial and supervisory functions. In particular, it supervises recruitment of core civil servants; may investigate suspected irregularities in recruitment or HR management on its own initiative or in response to complaints and petitions; and has the right to order remedial action and to revoke unlawful decisions. The role of the CSC is considered in more detail later in this chapter.

30. Overall, the new CSL framework is considerably stronger with greater clarity than the previous arrangements. The repeal of the PSMFL and introduction of the new CSL helpfully clarify and simplify the framework by removing the ambiguities and contradictions created by

the existence of two parallel and sometimes incompatible laws governing the civil service. The new CSL strongly reiterates the political neutrality of the civil service and seeks to strengthen its insulation against improper political influence, in particular seeking to protect the civil service from the politicization of civil service appointments, by both direct and indirect means. The CSL firmly moves back from a position-based to a career-based system, in which the emphasis is on entry to the civil service by initial examination with vacancies filled from within the service, and eligibility based on previous years of service. The arrangements for strengthening performance appraisal and training are a necessary corollary of this change since, if the civil service is to be insulated from external competition, there must also be an obligation to ensure high standards of performance, and the necessary managerial and staff development mechanisms to provide this. It also strengthens the position of the CSC in charge of the administration and supervision of the civil service.

31. While the existence of a robust legislative framework is a necessary precondition for a well-managed, professional and impartial civil service, effective implementation is also of critical importance. Past practice in Mongolia has shown that success depends on how the framework is implemented in reality which is explored further in Chapter 2 of this report. It also depends on the capacity of the mechanisms that exist to manage and oversee the civil service which will be examined later in this chapter.

1.2 The structure of the civil service

1.2.1 Size and wage bill

32. The Mongolian civil service has grown considerably over the past decade with the number of government organizations increasing from 3,800 in 2009 to 4,374 in 2019 (Figure 1.3). This pattern of growth can be seen both at the level of state central administrative bodies, local administrative and other affiliated organizations of the capital city, and at the aimags level too. However, organizational expansion has levelled off in the past four years, though total civil service employment has continued growing.

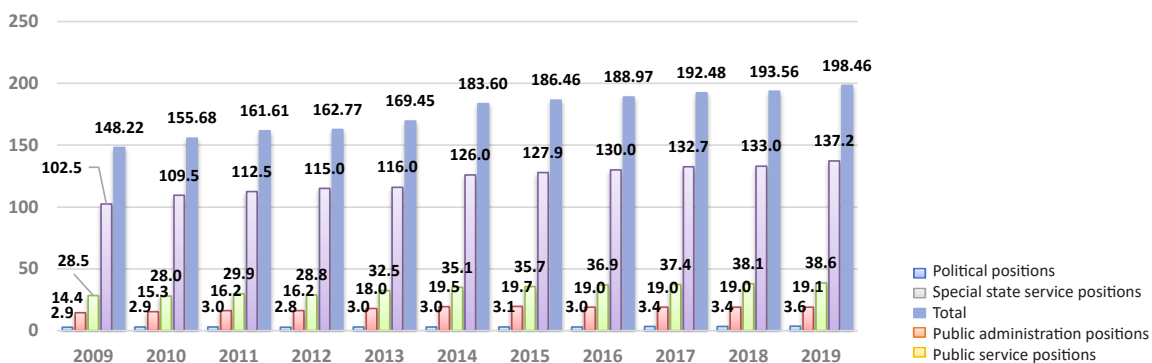
33. Similarly, as noted above, the size of the civil service has increased significantly. While it shrank during the transition period from 154,000 employees in 1995 to 122,000 in 2007, the civil service has expanded significantly in recent years, to almost 144,000 in 2008 and over 198,000 in 2019. The steady growth of total civil service numbers over the period from 2009 to 2019, by a total of 50,240, is shown in Figure 1.4 below.

Figure 1.3 Growth in the number of government organizations



Source: Civil Service Council: Annual Report 2019

Figure 1.4 Growth in the number of civil servants, in thousands



Source: Civil Service Council: Annual Report 2019

34. Figure 1.4 shows the number of civil servants in each of the four categories of civil servants. While the proportion in political positions is small, the proportion in public administration and special state service is considerably larger. The public service is by far the largest at over two thirds of all civil servants.

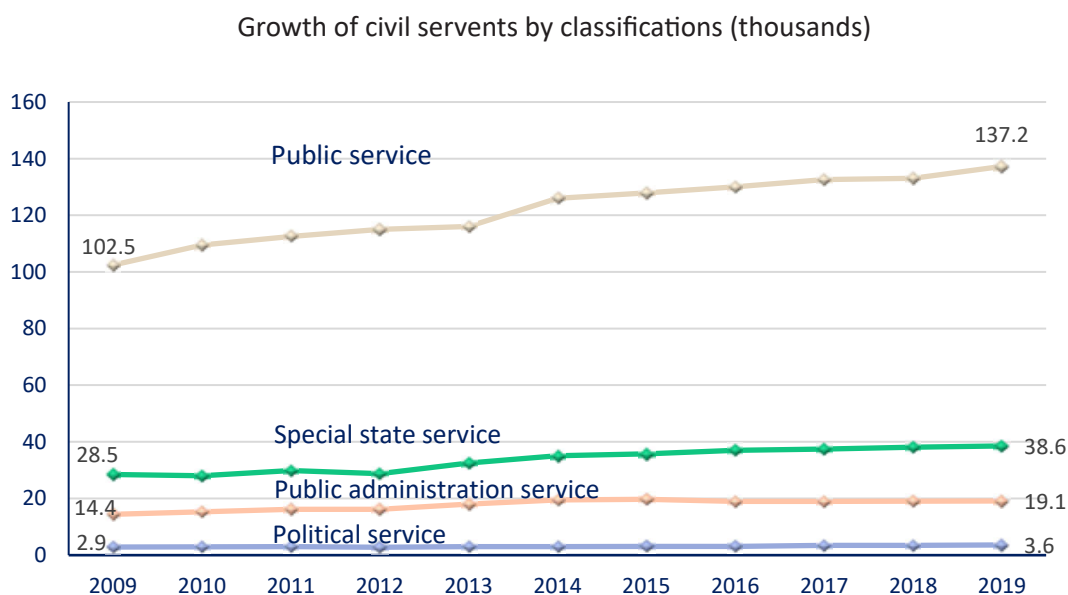
35. The number of civil servants in all four categories has grown over the past 10 years (Figure 1.5). The political positions has shown the lowest growth, at 25%, while the other three categories have grown in the range of 32%-35%.

36. There is no justification for an overall increase of 34% in civil service numbers over the period between 2009 and 2019. The 2009 WB analysis observed that Mongolia's civil service, at 4.4 civil servants per 100 population, was significantly larger than some other countries in the East Asia region and this remains true today. In 2009, civil servants formed 12% of the total labor

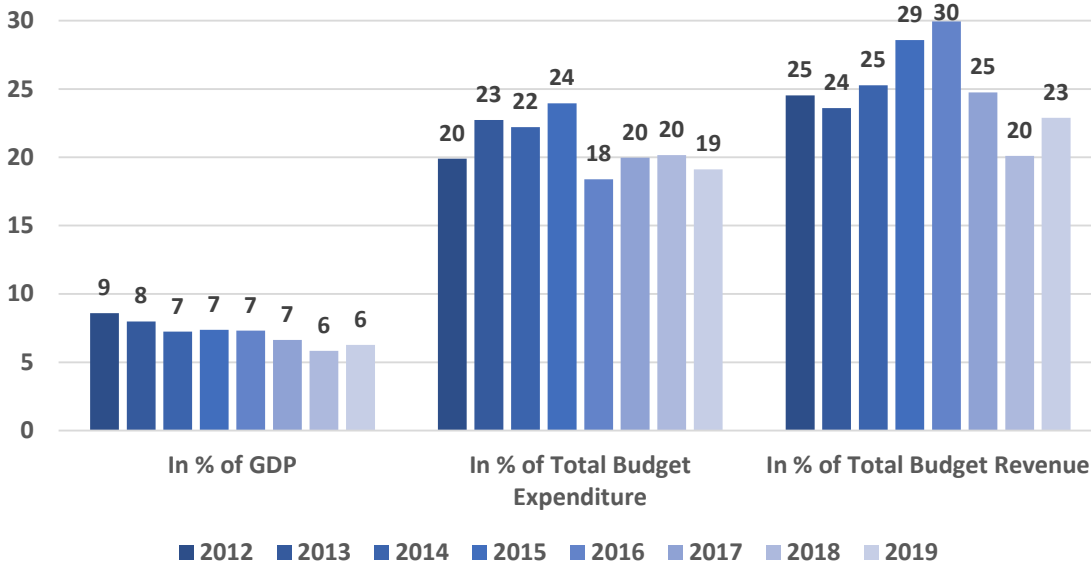
force in Mongolia. They currently form 15.4% of the total labor force. In part, this relatively large size is a reflection of the country's geography and the high unit costs of service delivery to a sparse and dispersed population. However, that does not explain the steep increase in numbers over the past decade. As the 2009 analysis noted, if the civil service is required to be large because the population is scattered sparsely over a huge area, it is important that they should be high performing.

37. Growing civil service employment and rising real wages have increased government spending on personnel. At 6% of gross domestic product (GDP) in 2019, government spending on personnel is not particularly high, around average in middle-income and low-income countries. Similarly, personnel spending in Mongolia as a share of total spending (19%) and revenue (23%) is comparable with other countries. (Figure 1.6).

Figure 1.5 The dynamics of change in the number of civil servants



Source: Civil Service Council: Annual Report 2019

Figure 1.6 The Government of Mongolia's personnel spending, 2012-19

Source: MOF

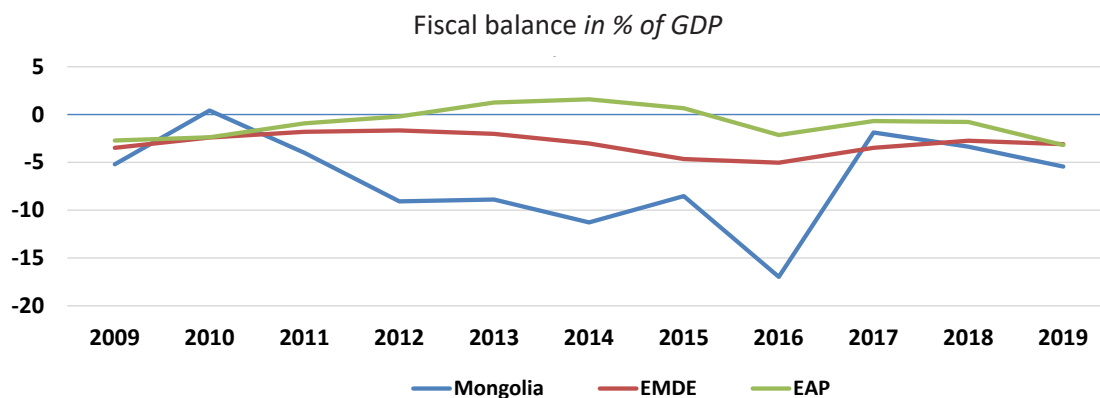
Note: Personnel spending includes wage bill and social contributions

1.2.2 Skill mix and geographic distribution

38. Amid rising fiscal deficits, personnel spending also grew. Despite being contained at around 6-7% of GDP in recent years, growing personnel spending in Mongolia coincided with its widening fiscal deficit between 2012 and 2016. The fiscal deficit reached 17% of GDP in 2016, which is more than 10 percentage points of GDP wider than the average deficit in emerging markets and developing economies (EMDE, Figure 1.7). The fiscal deficit in 2019 is forecast to be around 5.5% of GDP, which is still more than 2 percentage points of GDP higher than the deficit level in EMDE and in the East Asia and Pacific region. The ongoing fiscal deficit will limit the government's fiscal space to smooth business cycles and leaves it with limited resources to achieve sustainable development.

39. The current expansion in the civil service may be unsustainable amid persistent fiscal deficits that often lead to mounting public debt, making the economy vulnerable to external shocks. By the end of 2019, the large fiscal deficit and the depreciation of the currency in Mongolia together pushed general government debt up to nearly 53.5% of GDP, up from 46% of GDP in 2013. The government debt in Mongolia has exceeded the average debt level in other EMDE (IMF 2019). With the debt level being unsustainable, interest payments will consume a large share of government expenditure, leaving little space for increase in other types of spending, including personnel spending and public investment (WB 2019). Restoring debt sustainability requires serious fiscal adjustment, which will tighten the government's ability to further increase the number of civil servants at the rate seen during the past decade.

Figure 1.7 Fiscal balance in Mongolia, in percentage of GDP



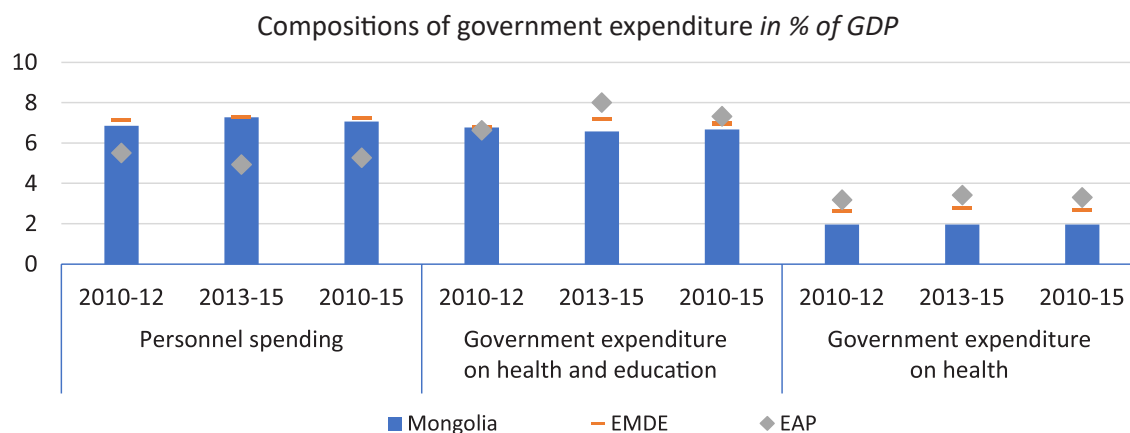
Source: Staff's calculation using data from Kose et al. (2017)

40. Rising personnel spending occupies resources that could otherwise be spent on providing more effective public service and achieving sustainable development. The rising personnel spending is impacting on government expenditure in health and education in Mongolia. During the period 2013-2015, government expenditure on health and education in Mongolia was lower than the average level of EMDE in the East Asia and Pacific region by about 1.5 percentage points of GDP (Figure 1.8). Government expenditure on education reached the international

comparable level in recent years. If the number of civil servants keeps expanding, the resources available for government expenditure on health and education will be increasingly constrained over time, limiting the ability to build human capital and sustain growth in the long run.

41. Rising personnel spending is associated with wider public sector performance issues in Mongolia. Despite recent improvement, governance indicators in Mongolia remain slightly behind other EMDEs in the East Asia and Pacific

Figure 1.8 Government expenditure in Mongolia in % of GDP



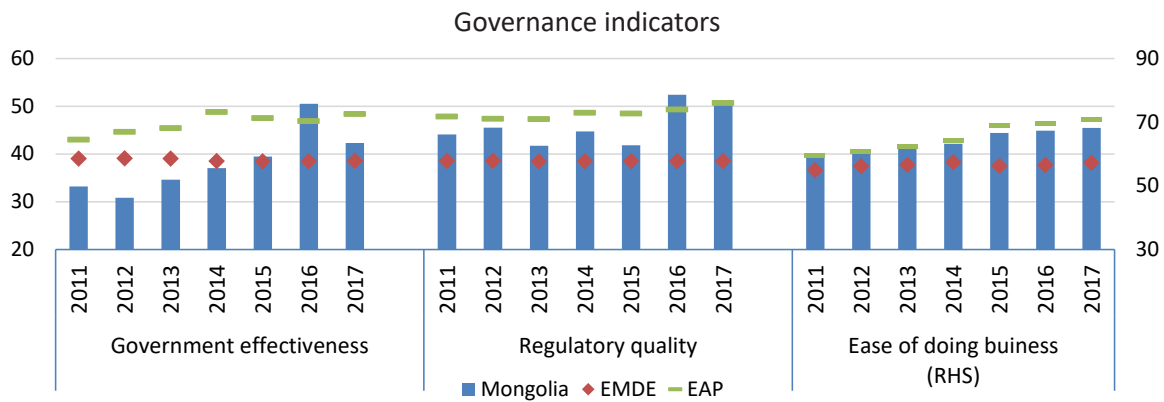
Source: Staff's calculation using data from WDI and WEO

region. The recent expansion of civil servants coincided with improvement in various indicators on government performance and business climate in Mongolia. However, despite spending more on civil servants than other governments in the region (Figure 1.8), the GOM does not perform better than those governments, especially in areas such as government effectiveness, ease of doing business and occasionally, regulatory quality (Figure 1.9).

42. Limited government expenditure on health has resulted in poor performance in a few indicators, while government expenditure

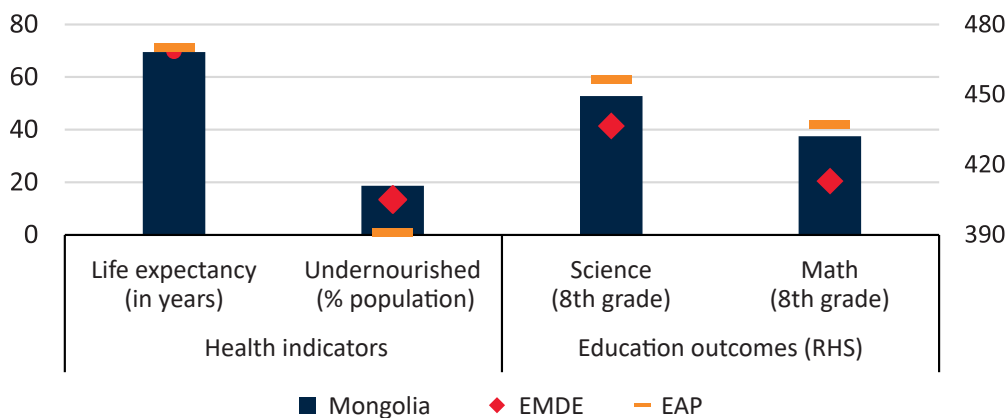
on education has not delivered the expected outcomes. Poor health indicators in Mongolia reflected the insufficient government expenditure on health. Life expectancy in Mongolia is about 2 years shorter than an average EMDE in the region. The share of under-nourished population is 18.7% of the population, while the average share of under-nourished population in the region is lower than 1% of the population (Figure 1.10). Despite a sufficient amount of government expenditure on education, education performance indicators in Mongolia are still slightly behind other countries in the region, suggesting room for improvement.

Figure 1.9 Government performance in Mongolia



Source: Staff's calculation using data from Worldwide Governance Indicators (WGI) and Doing Business Reports

Figure 1.10 Health and education performance indicators in Mongolia



Source: Staff's calculation using latest data available from WDI and Trends in International Mathematics and Science Study (TIMSS)

43. In Mongolia, public spending efficiency remains low in comparison to international standards and lacks access to basic infrastructure (Figure 1.11). The World Economic Forum index of spending efficiency in Mongolia is about half of the average level in the region. Access to basic infrastructure in Mongolia, including water, basic sanitation service and electricity, is not comparable to the international standard. Improvement in these areas is essential for sustainable development and requires more fiscal resources.

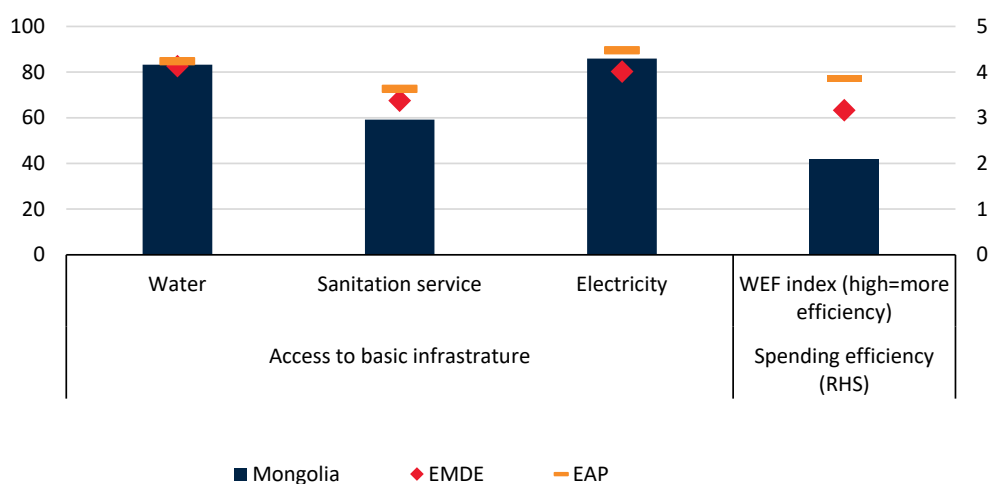
44. The 2009 WB study observed that the aggregate skill level of the Mongolian civil service appeared to be higher than that of many developing countries. The skill level has further improved over the past 10 years. Table 1.3 sets out the educational qualifications of civil servants in 2009 and in 2019. The percentage of civil servants with a university or higher diploma degree has risen from 50.5% to 62.7%, while the percentage of civil servants with only secondary or elementary education has fallen from 49.3% to 37%.

45. The geographic distribution of civil servants appears to be reasonably equitable, in contrast to many developing countries. The western region of Mongolia ranks the lowest in terms of remoteness and developmental level. However, the government has been able to successfully place civil servants there (Table 1.4).

46. There are concerns about the adaptability of the civil service to changing economic and social conditions. While the cost of delivering public services to a widely dispersed population should be reduced as urbanization expands, this is not evident in Mongolia. The share of the population living in urban areas increased from 39.2% in 2005 to 46.4% in 2019, but civil service employment continued to rise.

47. By contrast, the functional distribution of civil servants can be seen as inequitable. As Table 1.5 shows, some key agencies may appear understaffed in comparison to others. The data illustrates the need for functional reviews to rationalize the staffing needs of the different government functions given the relatively large number of civil servants in Mongolia.

Figure 1.11 Public sector spending efficiency and access to infrastructure



Source: Staff's calculation using latest data available from WDI and TIMSS

Table 1.3 The educational qualification of civil servants

Education	2009		2019	
	Count	Percentage	Count	Percentage
Doctor's degree	1,804	1.2%	1,761	0.9%
Master's degree	8,148	5.5%	17,520	8.8%
Bachelor's degree	49,742	33.6%	102,081	51.4%
Higher education with diploma	15,074	10.2%	3,265	1.6%
Specialized secondary education	28,083	19.0%	31,913	16.1%
Secondary education	31,446	21.2%	31,389	15.8%
Lower secondary education	12,233	8.2%	8,726	4.4%
Elementary education	1,399	0.9%	1,301	0.7%
Uneducated	294	0.2%	507	0.3%

Source: Civil Service Council

Table 1.4 Percentage of civil servants in the population by region, 2009-19

Regions	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Western	5.55	5.88	6.22	6.34	6.50	6.67	6.57	6.50	6.45	6.20	6.33
Khangai	4.64	4.74	4.91	4.96	5.12	5.06	5.09	5.04	5.05	4.80	4.93
Central	4.83	4.80	5.27	5.18	5.31	5.73	5.79	5.73	5.72	5.47	5.49
Eastern	5.40	5.64	5.88	5.89	6.22	6.15	6.18	6.03	5.92	5.71	5.86
Capital city	6.03	6.25	6.10	5.93	5.95	6.56	6.48	6.47	6.49	6.61	6.57
Total	5.46	5.64	5.75	5.68	5.78	6.13	6.10	6.06	6.06	5.98	6.02

Source: National Statistical Office

Table 1.5 Number of civil servants by ministries and agencies, 2018⁶

No	Ministries	Number of civil servants
1	Ministry of Construction and Urban Development	70
2	Ministry of Finance	167
3	Ministry of Labor and Social Protection	119
4	Ministry of Environment and Tourism	120
5	Ministry of Health	100
6	Ministry of Foreign Affairs	147
7	Ministry of Education, Culture and Science	109
8	Ministry of Mining and Heavy Industry	81
9	Ministry of Justice and Internal Affairs	101
10	Ministry of Energy	79

⁶ Official count for 2019 has not yet become available as of June 2020.

11	Ministry of Road and Transport Development	142
12	Ministry of Defense	75
13	Ministry of Food, Agriculture and Light Industry	107
Subtotal		1417
No	Government agencies	Number of civil servants
1	General Archival Authority	107
2	Mineral Resources Authority	185
3	The Physical Education and Sports Development Center	41
4	Customs Agency	215
5	Immigration Agency	276
6	Administration of Land Affairs, Geodesy and Cartography	85
7	Family, Youth and Child Development Agency	92
8	General Staff of the Mongolian Armed Forces	confidential
9	The Civil Aviation Authority	3 (other staff are not civil servants)
10	Veterinary and Animal Breeding Agency	32
11	State Professional Inspection Agency	133
12	Social Insurance General Office	118
13	National Emergency Management Agency	confidential
14	Intellectual Property Office	26
15	Department of Arts and Culture	14
16	Mongolian Agency for Standardization and Metrology	144
17	General Intelligence Agency	confidential
18	General Department of Taxation	110
19	Government Agency for Policy Coordination on State Property	74
20	General Authority for State Registration	190
21	National Development Agency	61
22	Communications and Information Technology Authority	35
23	General Authority for Border Protection	confidential
24	General Authority for Development of Persons with Disabilities	35
25	General Agency for Labor and Social Service	88
26	National Agency for Meteorology and Environment Monitoring	77
27	General Police Department	confidential
28	The Authority for Fair Competition and Consumer Protection	34
29	General Executive Agency of Court Decision	88
30	General Authority for Health Insurance	118

Source: Civil Service Council

1.2.3 Basic demographic characteristics

48. Mongolia’s civil service is youthful, with 44.5% under the age of 35, 40.6% aged between 36 and 50 years, and 14.9% aged 51 or over. Between 2009 and 2019 the average age of civil servants has remained stable, in the range of 38-40 years (Figure 1.12).

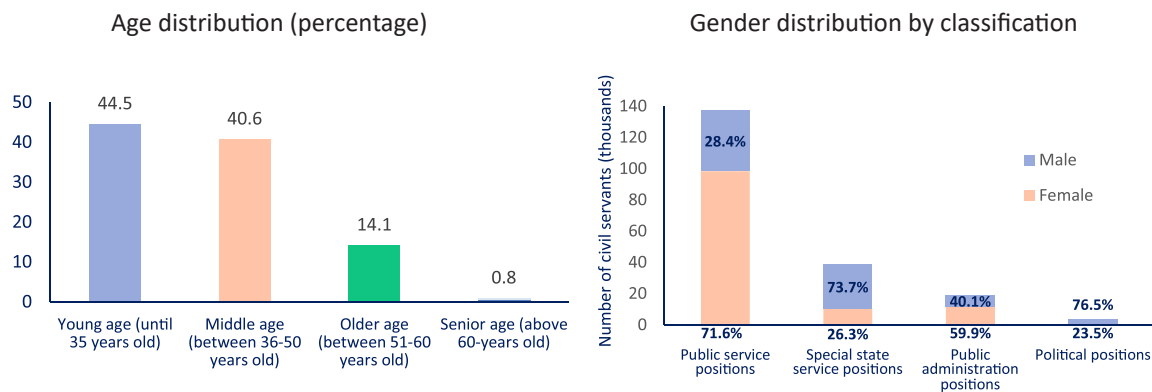
49. Women form a majority of the civil service. Between 2010 and 2019 they consistently made up between 59 and 61% of the civil service. However, they are overwhelmingly concentrated in the public service category (Figure 1.12). In particular, women account for only 23.5% of political positions, suggesting a relatively low level of female political participation. The situation could deteriorate in the coming years, as changes to the election law in 2016 reduced the quota for female candidates to be nominated by political parties from 30% to 20%⁷.

1.3 Institutions for the management of the civil service

50. International experience has shown that an organization empowered to act as strategist, champion, director and implementer is required for civil service reform initiatives to succeed. Sometimes the task of carrying through change can successfully be shared by a group of organizations responsible for different aspects of the reform program, but only if they work closely together. New Zealand demonstrates good practice where far reaching financial management and public service reforms in the 1980s and 1990s were jointly spearheaded by the Treasury and the State Service Commission.

51. Implementation of the new CSL will be a complex and multifaceted task. It requires 47 regulations to implement this law and will be as complicated to implement as the 2007 strategy. Since 2018, 44 regulations have been approved

Figure 1.12 The basic demographic features of the civil servants



Source: Civil Service Council: Annual Report 2019

⁷ Beyond the Glass Ceiling: Expanding Female Leadership in Mongolian Politics and Businesses, UNDP, 2016.

and under implementation. The remaining few include a regulation for a POC to be developed and approved by the CSC and two regulations on social welfare issues, including accommodation and hourly remuneration to be approved by the government. However, it has not yet been shown that the existing institutions have the capacity to put the law into practice. The new law substantially alters and clarifies managerial responsibility for the civil service but it continues to apportion responsibility across several organizations.

52. It is not yet possible to assess whether the fragmentation of organizational responsibilities will hinder the implementation of the new CSL. Mongolia continues to adopt the approach of sharing responsibility between several organizations. It is not clear whether there are the necessary competencies and institutional capacities to fully implement the law. The most serious gap appears to be the lack of a central agency with responsibility and capacity to manage overall strategic civil service reform issues.

53. To understand the potential effectiveness of this structure, in-depth and detailed assessment is needed. It is equally important to understand the responsibilities of each institution and their capacity to carry out the work.

1.3.1 The Government of Mongolia

54. The CSL assigns a number of responsibilities to the GOM, which is unusual by international standards. Some are broad and described in general terms while others are highly specific. They can be summarized in three categories:

- Strategic responsibility for government organization and delivery:
 - o Approving the overall structure and organization of the public administration (on the advice of the CSC);

- o Ensuring integrated management and coordination of all programs to strengthen the capacity of government organizations;
- o Monitoring the performance of the delivery by governmental organizations of their functions.
- Strategic responsibility for overall civil service reform:
 - o Preparing, monitoring and evaluating civil service reform policies;
 - o Developing and implementing programs to improve the knowledge, skills and professionalization of civil servants.
- Several highly specific functions relating to the civil service:
 - o To approve procedures for evaluating the performance results and the level of qualifications of civil servants, and provide methodological guidance for implementation;
 - o Carry out research on comparability between civil service and private sector salaries and submit proposals for modifying salaries to the State Great Hural;
 - o On advice from the CSC, to revoke unlawful decisions including appointments violating the CSL and notify decisions taken within 14 days.

55. In practice, assigning these functions to the GOM means that they must be carried out by the Prime Minister or the Cabinet. Being realistic, neither will have the time to devote to the task. The managerial nature of the responsibilities means that an administrative unit must be created to discharge them, attached either to the Prime Minister's staff or to the Cabinet Secretariat. Both institutional options are used in other countries and there is no obvious reason to prefer one option over the other.

Box 2 Managing the civil service

In recognizing the functions that fall squarely under the responsibility of the executive government, many governments have created apex bodies in the center of government to fulfill these tasks. The most typical is a ministry or department of the civil service, located in most cases directly under the President or the Prime Minister. In some countries (e.g. Australia, New Zealand) the apex body is termed a commission but is firmly part of the executive. In the US Federal Government, the role is played by the Office of Personnel Management.

The CSL specifies certain responsibilities of the Government for the civil service, such as approving organizational structures, consolidating government-wide capacity building, monitoring performance and developing civil service reform policy. Others, like issuing civil service regulations, developing an ethical code, creating a new pay and grading system, it has reserved for itself, consistent with the law.

As the provisions of the CSL are implemented and institutionalized, and the concept of a merit-based professional civil service becomes established, it is likely that more functions will shift from the CSC and its Secretariat to executive government. The CSC itself will evolve into an oversight body, ensuring that the principles, values and main processes of a civil service working for the public good are followed.

This highlights the need for the creation and effective staffing of a high-level body in the executive responsible for overall management of the civil service, with the capacity to set policy and ensure its implementation in areas such as the following:

- *Overall leadership of the civil service*
- *Setting and ensuring implementation of civil service reform policies and programs*
- *Recruitment and promotion*
- *In cooperation with the MOF, periodic review of salaries*
- *Design and implementation of a pay and grading system for the civil service*
- *Establishment of a performance management policy for all civil service staff*
- *Issue and periodically update regulations*
- *Determine terms and conditions of employment*
- *Approve organizational structures*
- *Establishment of a government-wide system of position control*
- *Determine records management policy*
- *Set training policy and monitor implementation*

Together with the MOF (finance), the Cabinet Secretariat (policy), the Civil Service Ministry/Department/Commission (personnel) is one of the key central management agencies of the government.

In Mongolia the Cabinet Secretariat appears to have taken on the responsibilities. There is a new HR Department established within the Secretariat but to date a departmental head has not been appointed and the unit is not yet fully functional.

56. Currently the functions are being discharged by Cabinet Secretariat officials in addition to their substantive roles. Inevitably, they will not be able to devote the necessary time and energy to these issues which are of strategic importance and will require sustained attention over a long period. This highlights the need to create a unit responsible for civil service reform and management issues in the Cabinet Secretariat, a concept which is supported by a number of stakeholders.

1.3.2 The Civil Service Council

57. The CSC was created by the CSL of 1994. It was previously known as the Government Administrative Service Council. Its functions have grown progressively and the new CSL has strengthened CSC powers further. It is now the central authority for the civil service and has been assigned a key role in implementing the new law.

58. The CSL takes considerable care to ensure that the CSC should operate as an independent body. Its operations are required to be immune from undue interventions and influence from any third party, including public office holders and politicians. Any such interventions will result in dismissal from the civil service. The CSC reports to the State Great Hural, which also appoints CSC members. The power to nominate the five CSC members is shared across the President of Mongolia, the Secretariat of the State Great Hural and the Cabinet Secretariat. They each nominate one member, and civil servant representatives nominate two members. The CSC members may hold no other post, their ability to participate in political activities is restricted, and to discourage

clientelism, no two of them may come from the same birthplace or be former classmates.

59. The CSC has an unusual hybrid role by international standards. It has a supervisory function to oversee the civil service, guarantee propriety and investigate complaints. It also has an executive function, responsible for much of the management of the civil service. This creates a potential conflict of interest since, in its supervisory role, the CSC cannot avoid overseeing some of its own decisions and activities in its executive role. It is also unusual for the executive to, in effect, carve out a large part of civil service management. For these two reasons, in many countries the two roles are separated between an independent body carrying out the supervisory role and an executive unit, under the control of the government, carrying out the management function.

60. In Mongolia the executive and supervisory roles are separated to the extent that a number of functions are the responsibility of the government. The peculiarity is that in this separation of functions, a large part of the executive functions normally carried out by the government are being carried out by the supervisory body, the CSC. Currently, combination of the two roles is justified by key interlocutors due to the overriding priorities of depoliticizing the civil service and civil service appointments and reasserting the principle of a professionalized, career civil service. It is also true that, with a limited number of staff available with experience in this field, it makes practical sense to concentrate that experience in one organization. However, in the longer term it would be more logical to delegate civil service management functions to direct government control. The Cabinet Secretariat has created an HR Department with a mandate to manage all HR issues in the civil service except for complaints and auditing. However, a head for the department is not yet

Box 3 Powers of the Civil Service Council

Article 66 of the Civil Service Law assigns the following powers to the CSC:

66.1.1. Unless otherwise stated by laws, to provide advice and methodological guidance in observing the ethical norms of civil servants by officials in managerial and executive positions;

66.1.2. To oversee the implementation of programs on training, work conditions and social security of civil servants; provide professional and methodological support; carry out research and analysis related to the civil service;

66.1.3. To conduct inquiries and investigations of process of selection and appointment of core civil servants as per complaints and petitions from citizens, organizations and officials, issue instructions for remedial actions regarding detected breaches with a due date of completion, and to revoke decisions violating laws and regulations;

66.1.4. To conduct HR audits in activities of state bodies for compliance with the civil service legislation and the merit principle stated in Article 3.1.3 of this Law;

66.1.5. To establish an integrated system of personal files and register of civil servants, and to organize the implementation of activities for providing the President of Mongolia, the State Great Hural, the Government, the General Judicial Council and other interested parties with information related to the civil service and civil servants;

66.1.6. To make, amend and enforce decisions on issues within its competencies in compliance with laws and regulations;

66.1.7. To submit a proposal to the State Great Hural and the Government in defining and approval of the structure and general organigram of public administration organizations, and to provide professional and methodological advice in functional review of government organizations;

66.1.8. To monitor and evaluate implementation of civil service reform policies, strategies and HR policies, track their progress, to prepare proposals and recommendations to improve their effectiveness, and to draft, review and approve management-related costs of the state and local budgets;

66.1.9. To implement civil service reforms and good governance principles, and to provide the executive government organization and their chief executive officers with professional and methodological advice and services on issues related to change management, public administration and HR management;

66.1.10. To collect and analyze information on programs, projects and interventions implemented to strengthen the capacity of the civil service, provide services and recommendations for removing overlaps and gaps and improve their effectiveness;

66.1.11. To administer general and special (for given positions) examinations of the civil service and provide methodological guidance, to conduct selection of direct budget governors of public administration and public service organizations, and approve relevant procedures;

66.1.12. Other powers assigned by laws and regulations.

appointed. When the HR unit in the Cabinet Secretariat becomes operational, separating the executive management from the oversight functions could be initiated, and plans made for their progressive transfer to the HR unit.

61. While the HR management issues arising from the CSC's execution of its new mandate are examined in detail in Chapter 2, the following issues can be noted:

- The CSC functions are described in general terms: to advise, monitor, investigate, and gather data. This gives the CSC a wide-ranging mandate which is helpful, and there have been no complaints that the CSC lacks power or that its remit is too narrow.
- A range of HR audits are now a significant part of the CSC's role. The CSL provided the CSC with power to conduct HR audits in activities of state bodies for compliance with the civil service legislation and the merit principle. The CSC has established the Human Resource Management and Audit Department with 11 staff members within the Secretariat. This follows Resolution No.7 of the State Great Hural from 2019 and the CSC has started recruiting staff members for the department. A professional auditor was to lead the department, but it was not possible to find a suitable candidate due to the low salary, so a specialist in public administration was recruited who will be trained in auditing. Internationally, HR audits are critical for the central civil service body's ability to delegate routine HR functions to departments and agencies with confidence.
- Although issuing advice and methodological guidance on ethical norms and rules for civil servants features in the CSC's remit, in practice little or no work has been done on this largely because the CSC lacks expertise in this function.

62. There is consensus that the CSC has been under-resourced, with only 39 staff in its secretariat as recently as 2019. It is funded from the state budget, rather than directly by the State Great Hural, and has to apply to the government for funds. A large part of the CSC's duties exercise supervision, audit and correction of the activities of government bodies. Being reliant on the government for its budget runs against international good practice. It would be far more suitable to provide the CSC's budget in the same way that the budget of the Supreme Audit Institution is allocated. That would involve funding through the state budget, but with budget decisions taken by the Standing Committee on Budget of the State Great Hural, not the MOF.

63. The GOM decided to increase the size of the Secretariat to 56 in 2020 which is a welcome development. At the end of 2019, only 39 staff were in post and there was a serious shortage of office accommodation and equipment.

1.3.3 The branch CSCs

64. The CSC is a state level body, but it operates at sub-national level through a network of branches, established under the CSL (article 65.3) and an associated parliamentary resolution (No. 7 of January 17, 2019). A detailed guideline was approved by the CSC (order no. 59 of 2019) for the branch CSCs. There are currently 41 branch CSCs of which 20 are in aimags, one in the capital city, 12 in ministries and the others in government agencies, such as the Professional Inspection Agency and the Court Decision Enforcement Agency. These long-standing branch CSCs are responsible for the agencies and departments that fall under the sphere of activities of the respective ministers and local governors. Branch CSCs at the aimag level can have 9-11 members while ministries and the Municipality of the Capital City branch CSCs can have 9-13 members.

Typically, in practice a branch council of aimag would have 10 members, 5 from the aimag governor's office, 5 from other organizations including special forces such as the police, and occasionally Civil Society Organizations. The branch CSC must be chaired by the head of an aimag governor's administration office, who must have 12 years of working experience in the civil service and at least four years of experience as a senior officer. The secretary is the HR specialist from an aimag administration office. Other members include four or five heads of the divisions of aimag administration depending on the local circumstances. These may involve representatives from local agencies of the Governor's office, the head of the aimag court administration office, the aimag auditor and the chief inspector of the aimag.

65. The CSC branch members carry out their duties in addition to their full-time professional duties. They receive no reward except that the chairman is paid a supplement of 20% of his basic salary, and the secretary 30%. There appears to be no legal basis for these payments, though given the work involved, the recompense appears justified. Civil servants are understandably often reluctant to serve on CSC branches. The new CSL has created an opportunity for discussion of a potential full-time position within the branch CSCs. The Secretary to the branch CSC can be funded from the ministry/local government, however, no branch has acted in this regard to date.

66. The workload of branch CSC's is high, since they deal with all aspects of staff employment including appointment, remuneration, classification, ratings, working conditions, ethical issues and petitions and complaints. They are also responsible for collecting data on the civil service and making an annual report on their

work to the state-level CSC. Under the new CSL, they have limited autonomy for appointments to the extent that they apply examinations from a central database, administered locally, but whose candidate responses go straight to national level for processing. Before 2019, they were also responsible for dealing with all compliance and grievance issues which often placed the branch CSC in the invidious position of reviewing the activities of staff members more senior than themselves. Under the new CSL these issues go to the national CSC.

67. The CSC provides advice and guidance to branch councils on the application of the CSL. In the past, that support had been inadequate, but it has been possible to expand the support due to the growth in the CSC Secretariat. The NAOG has also undertaken a program of training for the key members of branch councils, usually the representative of the public legal management department and the HR officer. A key requirement for effective management of HR matters at branch level is a framework of delegations, making it clear the HR functions which can be carried out at lower levels and the processes and decisions that have to be referred upwards. Typically, such a framework would cover routine HR administration such as recruitment, discipline, leave, promotion, transfers, up to a certain level of seniority. They also cover organizational restructuring and creation of positions, shifting allocations between payroll and other running expenses. Other countries have increasingly sought to delegate more responsibility to portfolio and branch bodies. This is in line with the improved capacity at these levels, greater accountability for results and the ability of central management agencies to monitor and, if necessary, intervene if delegated powers are abused.⁸

⁸ Strategic Human Resources Management Survey, OECD (2016)

68. Although this network of branch CSCs is better than no local presence at all, it clearly falls far short of the HR management capacity needed in a modern and effective civil service.

The CSC members and staff acknowledge that there is a need to create more branch CSCs because existing coverage of state administration bodies is patchy. Ideally the CSC would prefer to see the branch chairmen and secretaries made full-time, but budget restrictions prevent that from occurring. The system of branch CSC's is placed under strain by the extremely limited nature of HR capacity in the organizations for which they are responsible.

1.3.4 The Ministry of Finance

69. The MOF's role in the civil service has changed with the repeal of the PSMFL and the introduction of the new IBL. It has a key interest in the overall size of the civil service, which has a significant impact on the state budget. Its concern in relation to civil service salaries and allowances is threefold: the aggregate cost of civil service remuneration and its impact on the state budget; the detailed content of civil service pay scales and schemes of allowances, which obviously determine that aggregate cost; and the mechanism for the payment of civil servants. The MOF may be the appropriate body to advise the government on its responsibility for pay comparability between the civil service and other employment sectors. That is not a responsibility that it has been asked to undertake but it is usual practice for finance ministries to monitor public service pay review processes. These responsibilities require the Minister of Finance to be given the authority to control the staffing numbers across the government entities through defining the standard limits. In order to fulfill this mandate, the MOF needs complete and accurate data on personnel and salaries. Currently, this

data cannot be easily obtained from a single budgeting, treasury or HR system.

1.3.5 The Ministry of Labor and Social Protection

70. While the Ministry of Labor and Social Protection (MLSP) has only a limited direct responsibility for the civil service. The MLSP has overall responsibility for the labor market and for labor legislation, giving it indirect oversight of the civil service, which forms a large part of the national labor force. It has particular interest in the service category of civil servants whose conditions of work are governed extensively by the Labor Law. The MLSP also has considerable interest in the issue of salaries and job classifications of all civil servants and has a mandate to make proposals on the civil service pay scales that are approved by the Cabinet. It also has an interest in civil service remuneration through its responsibility for social insurance.

71. The MLSP monitors the pay setting process, particularly whether the process is fair and also observes minimum wage regulations. It is concerned with workplace occupational health and security issues in the public sector. The more effective the MLSP is in designing and implementing national social protection programs, the less pressure on the government to operate the civil service as a social protection mechanism as is the case in developing countries.

1.3.6 The National Academy of Governance

72. The CSL provides for a training institution under the Cabinet Secretariat. The NAOG is responsible for training civil servants, undertaking research and analysis on HR management in the civil service, and providing professional and methodological advice to policy makers.

73. The new CSL requires changes to the training policy and programs for public administration officers in accordance with the merit and career-based principle of civil service. The requirements provide for:

- Short and medium-term training for staff after their appointment to a public office, starting with induction training for civil servant recruits;
- Training packages for civil servant applicants for senior principal, principal and senior positions.

74. Plans and curriculums for short and medium-term training packages have been approved by the CSC in conjunction with the GOM, taking into account the specifics, responsibilities and functions to be performed in each position.

75. The NAOG intends to minimize the theoretical content of training and rely on exercises, case studies, examples, and the application of practical solutions that closely align with the actual civil service working environment. This practical training is expected to be effective and is better provided through regular short training courses accessible to civil servants and ongoing for the duration of their working life in the public sector.

1.3.7 Strengths and challenges of these arrangements

76. A strength of the institutional arrangements is the independence accorded to the CSC and its respect across government. A second significant strength is the re-invigoration of the NAOG established by a statutory requirement in the new CSL. However, there are also the following significant challenges:

- a. **The lack of a systematic HR management capacity** in any governmental institution, at the state or local level. Although the Cabinet

Secretariat has established a HR Department within its organizational structure, it needs to be made fully functional. Further, HR management units are also needed at the local level, especially at the aimag level. All HR issues are currently directed to a sole HR officer in the aimag Governor's Office. At the soum (district) level, there is no dedicated full-time officer responsible for HR issues and they are handled by a generic public administration officer. The lack of capacity of the regional branch CSCs is described above. There is no other capacity for carrying out fundamental HR duties, beyond basic administrative personnel record keeping and procedural advice about applying the CSL.

- b. **Elements of institutional capacity are missing** such as the absence of capacity in the Cabinet Secretariat to support the government on the functions allocated to it by the CSL. This includes determining the framework for the Civil Service Reform Strategy (CSRS), strengthening of governmental organizations to implement the CSL, and monitoring delivery by governmental organizations. For some years, there has been discussion of the need to create a unit for this purpose in the Cabinet Secretariat. Such a unit could expand to take on functions related to the executive management of the civil service if it was decided to transfer those functions back from the CSC in due course.
- c. **Institutional arrangements are fragmented and not well coordinated.** In particular, the allocation of responsibilities between the government and the CSC is not always clear nor logical. Similarly, the degree of responsibility of the Ministry of Labor and Social Protection (MLSP) for the civil service is not clearly articulated by the CSL. These difficulties could be mitigated if there was better coordination between these different institutions. It has

also been suggested that coordination on civil service-related issues within the MOF could be improved. There is no institutional mechanism, such as a joint committee, to provide a forum at which these different bodies can agree on actions to be undertaken and monitored. There is no network of strong working relationships on civil service issues between individuals in these institutions.

77. It is beyond the scope of this report to resolve the challenges, but they need to be addressed. The slow implementation of the 2007 CSRS can be blamed, at least in part, for the weakness of institutional mechanisms to carry it forward. The implementation of the CSL faces the same danger, and a review of the mechanisms and capacities for managing and developing the civil service is urgently needed. This does not necessarily imply changing the allocation of responsibilities set out in the CSL, but there is certainly a need to clarify responsibilities and strengthen capacities.

CHAPTER 2 HUMAN RESOURCE MANAGEMENT IN THE MONGOLIAN CIVIL SERVICE

HUMAN RESOURCE MANAGEMENT IN THE MONGOLIAN CIVIL SERVICE

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2 HUMAN RESOURCE MANAGEMENT IN THE MONGOLIAN CIVIL SERVICE

2.1 Formal rules and human resource management

1. The CSL codifies and amends various aspects of the civil service regulatory framework. The main driver for these changes is the prevention of politicized appointments to the core civil service while the CSL also seeks to strengthen the professionalism of the civil service. This section outlines the current formal rules in key areas of HR management. The following section examines the issues that these rules are designed to address, the political economy issues surrounding them, and how they have worked since the introduction of the CSL.

2.1.1 Recruitment, appointments and examinations

2. The CSL reasserts the principle of the career civil service. The entrance route into this career is through an entrance examination, referred to as the general examination, open to all eligible citizens and held at least once a year. It is supplemented, where necessary, by special examinations for given posts that are intended to test managerial, organizational, analytical,

problem-solving, leadership, teamwork and both spoken and written language skills.

3. Those who pass the examination do not automatically become civil servants but are placed on a reserve list for three years. During that time, they are eligible to apply for vacancies declared open to reserve list applicants. Vacancies arising within the core civil service are usually filled from within the civil service, as detailed in Chapter 1. Appointment to the three senior grades of senior, principal and senior principal officers is restricted to those who have served a stipulated minimum number of years in the civil service. In practice, this means that the posts must be filled by a candidate from the organization within which the vacancy occurs, from other civil service organizations or from candidates on the reserve list who have acquired the necessary civil service experience. To facilitate the re-entry to the civil service of experienced civil servants who have left the service, the CSL allows for civil servants who belonged to ranks of high-level civil service positions or held similar positions to be registered as reserve candidates for managerial positions.

4. The CSL explicitly forbids improper political influence in appointments. It provides clear complaints procedures and remedies for breaches. Improper political influence can form the basis for dismissal of a senior civil servant or resignation of a politically appointed official.

2.1.2 Disciplinary issues and dismissals

5. The CSL seeks to address the problem of illegal dismissals, which have frequently occurred in recent years. It sets out clearly the grounds for disciplinary action and for the demotion and dismissal of civil servants. Essentially these grounds are misconduct or unsatisfactory performance against the requirements of the job description. The performance planning system, described below, provides an objective measure of performance. As noted in Chapter 1, the CSL states that appointments to core civil service positions are permanent, and no longer for specified periods of time, unless otherwise specified by law. Change of political appointees in the leadership/management of an organization does not serve as grounds for replacing a core civil servant within the organization.

2.1.3 Complaints and disputes

6. The CSL gives the CSC wide powers to investigate complaints from civil servants about appointments, civil service examinations, demotions, dismissals, suspensions, disciplinary measures and decisions arising from performance planning reviews. This law gives the CSC the power to order remedial action and verify that its decisions are acted on.

2.1.4 Screening of existing civil servants

7. A significant proportion of civil servants in post had been appointed illegally when the new CSL began in 2019. Some of those appointed had insufficient skills and experience for their

civil service roles. However, the new CSL is not retrospective. The CSC intends to implement the screening process slowly as those civil servants had been appointed in accordance with the previous law. According to the CSC data, 149 public administration officials were appointed without a proper selection process.

2.1.5 The requirement for job descriptions

8. Individual job descriptions for public administration roles shall be developed. This complies with the generic procedure approved by an appointing authority based on endorsement by the CSC. Previously the CSC did not have the right to endorse job descriptions. As a result, they were often designed to suit the level of knowledge, education and experience of the person the appointing authority wanted to appoint. Guidelines and formats are now required on how to draft standardized job descriptions across government, including guidance on competencies required by employees to perform the job effectively. These can be developed individually, or, as is increasingly the case, in the context of a service-wide competency framework, from which they can be derived. By the end of 2019, the CSC had reviewed and endorsed 14,036 job descriptions, which represent 73.8% of the total public administrative positions.

2.1.6 Performance management

9. Performance appraisal has been required for all civil servants since 1994 but it has been carried out in a formulaic and perfunctory way, making no discernible impact on performance. The new CSL contains a requirement for the performance of all civil servants to be evaluated periodically, with the details to be set out in a regulation. In January 2019, the Cabinet Secretariat adopted procedures for developing performance plans for public organizations, units within the organizations, and individual

civil servants, respectively, identifying possible performance indicators and the associated reporting. This arrangement is in line with the Budget Law of Mongolia that requires budget governors to enter into performance agreements with the upper level budget governor. The objectives set by a civil servant must harmonize with the objectives of the organizational unit for which they work. Each civil servant is rated against the responsibilities and tasks assigned in the new job description. Practical implementation has varied due to the delayed approval of the procedures in 2019 and despite the government adopting them with immediate effect.

2.1.7 Provision of training

10. The new CSL mandates the existence of a government training organization (NAOG). It requires the provision of short and medium-term training courses for newly recruited civil servants and the preparation of a package of professionalization training for each position, appropriate to its functions and responsibilities. Other countries have been more specific and established, as part of their training policy, guidelines on the number of training days a year ministries and agencies should aim to provide for each staff member.

11. The NAOG has developed professionalization training packages for all levels of civil servants. All senior principal and principal officers currently in post have participated in the required professionalization training and received the certificate. Over 2000 senior officers have also participated in professionalization training and have been certificated. Since the professionalization training certification is a mandatory requirement for civil service positions, if strictly following the new CSL, the officials currently in post should not be affected

by any political changes after the 2020 elections. Additionally, 250 officials who newly joined the civil service have participated in the required professionalization trainings and a further 400 civil servants have, so far, participated in continuing professional training provided by the NAOG.

12. In light of the COVID-19-related restrictions in Mongolia since early 2020, the NAOG has quickly transferred all training online. This sudden shift has generated several problems for civil servants including increased time spent to participate in online training due to slow internet speed, a lack of human interaction with classmates and lecturers, and so on. Based on the experience to date, improvements are needed in the internet-based online training offered by NAOG.

2.1.8 Horizontal mobility

13. The movement of civil servants between government organizations has, in the past, been rare. Exceptions have occurred when senior officials moved civil servants against their will. The new CSL attempts to facilitate increased horizontal mobility by permitting the transfer of staff members by agreement between government organizations. The CSL requires the consent of the member of staff concerned if they have been in their post for more than 10 years, and their category, rank, grade and salary are protected. Traditional models of civil service career development were based on vertical grade advancement, chiefly within the ministry where the civil servant was originally recruited. Flexible approaches are now being adopted in other countries where career development can be horizontal, supported by continuous learning and development. Denmark, for example, typically expects a civil servant to have held three different jobs in ten years as a criterion for promotion.

2.1.9 Audit by CSC

14. The CSC proposes to exercise its supervisory remit by carrying out a series of HR audits of government organizations to ensure their compliance with the CSL. The HR audits are seen as good practice internationally and entail comparing the HR function as it is actually applied in an organization for compliance with the rules and guidelines specifying how the function should be carried out. It will be helpful for the CSC to develop a body of HR regulations and guidelines for organizational compliance.

2.1.10 Financial liability for legal proceedings

15. Illegally dismissed civil servants have won court actions and been awarded damages. Those damages, and the cost of fighting the court case, have been paid by the state rather than by the official who took the unlawful decision and insisted on fighting the case. The new CSL requires those financial costs to be recovered directly from the official who made the decision, providing a deterrent to such action. This points to the importance of due process in disciplinary matters and the documentation of reasons and evidence behind disciplinary cases and cases of consistent poor performance. However, the application of this provision in practice needs to be monitored by the CSC, because there is the danger that it could have an unforeseen consequence. If an employee is performing poorly, this provision in the law might deter that employee's manager from dismissing them, or initiating poor performance procedures. In other countries, provided a manager has followed established procedures, any legal costs arising from an employee suit would be met by the government.

2.2 Human resource management in practice

16. This section examines the impact of the CSL on HR issues. These issues are:

- Politicization of appointments to the civil service;
- Civil service entrance examination;
- Role of the CSC in enforcing the CSL;
- System of performance planning;
- Training for civil servants.

2.2.1 The problem of politicization

17. Politicization has been the most significant problem facing the Mongolian civil service in the past decade. It took two principal forms: the illegal dismissal of existing civil servants; and the illegal appointment of people who either did not meet the criteria specified in the legislation or were not appointed according to legal procedures. Politicization was particularly apparent after the 2012 and 2016 elections. On both occasions there was a change in government and incoming political officials found ways of replacing existing civil servants with their own preferred nominees. Politicization is the principal problem that the CSL seeks to address.

Box 4 High turnover at the Civil Aviation Authority

The Civil Aviation Authority is a Government Implementing Agency and its head and deputy head are nominated through a selection process for core civil servants. However, its employees are not considered as civil servants and their employment provisions are regulated by the Labor Law as a state enterprise unlike other government agencies.

The head of the Government Implementing Agency was changed 6 times in 2012-2017.

Name of the Head of Agency	Period of service	Number of employees	
		Released	Nominated
<i>S. Buyandalai</i>	<i>2 Jan 2013 - 15 Oct 2014</i>	<i>295</i>	<i>382</i>
<i>T. Lkhagvasuren</i>	<i>21 Feb 2014 - 14 Apr 2015</i>	<i>227</i>	<i>231</i>
<i>Ts. Erdenebileg</i>	<i>14 Apr 2014 - 14 Sep 2015</i>	<i>104</i>	<i>115</i>
<i>G. Nyamdavaa</i>	<i>14 Sep 2015 - 31 Aug 2016</i>	<i>216</i>	<i>244</i>
<i>L. Byambasuren</i>	<i>31 Aug 2016 - 4 Apr 2017</i>	<i>158</i>	<i>229</i>
<i>Total:</i>		<i>1000</i>	<i>1201</i>

During this period, 1,000 people were dismissed and 1,201 were appointed in duplicate counts. In the period from 2013 to 2015, 30 people were reinstated by a court decision to their previous posts by duplicate number. They were paid 326 million tugriks from the state budget.

Source: "Implementation status of legislation on combating corruption, Overall situation of corruption-2018", Implementation status of national program on combating corruption (2016-2018). Anti-Corruption Agency, 2019. Page 109.

18. There is no direct measure of politicization but civil service turnover data and the level of complaints from civil servants provides insight.

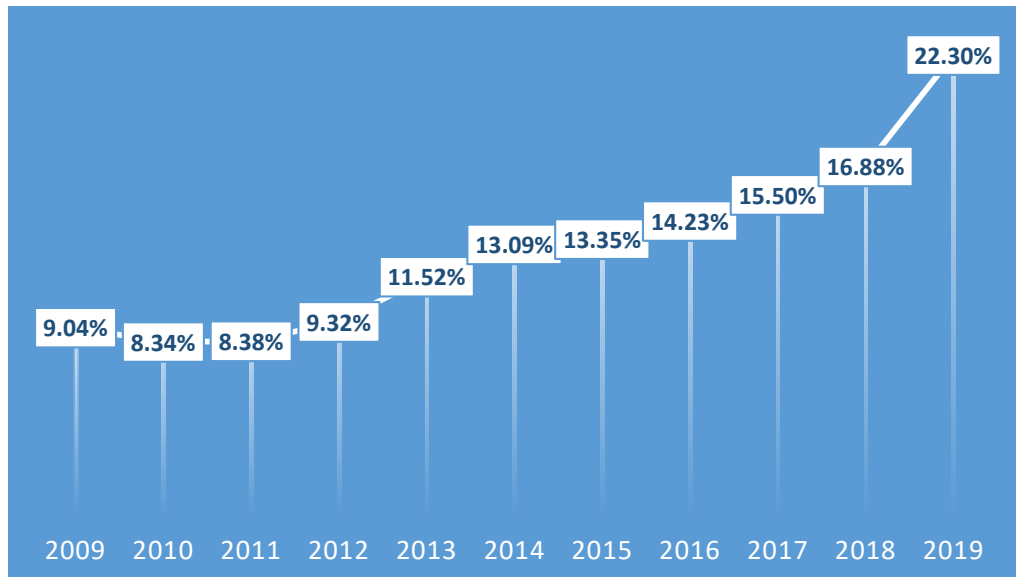
Turnover in the core civil service has increased significantly over the past decade. It was between 8.3% and 9.3% in the period 2010-2012 but rose sharply year-on-year to reach 22.3% in 2019 (Figure 2.1). While these figures include turnover for all reasons in the civil service, there is no obvious reason for such a rise in turnover other than politicization. The sharp increase began in 2012, the year that saw the first change

of government that was widely seen as engaging in politicization of civil service posts. Figure 2.1 shows the increase in civil servants' movement year-on-year 2009-19.

19. Complaints from civil servants to the CSC have increased between 2012 and 2019.

Figure 2.2 shows that there was a significant increase in the number of complaints about selection procedures from 2012 to 2014. There has been a slight decrease in the number of complaints since 2014.

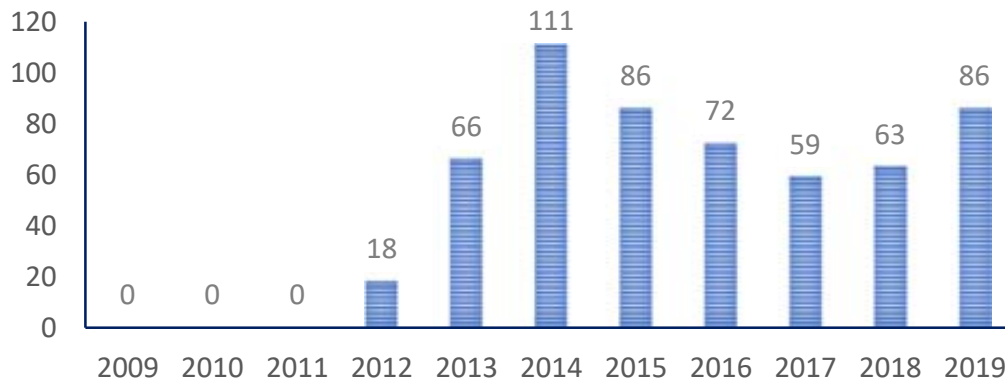
Figure 2.1 The changes in movement of civil servants



Source: Civil Service Council

Figure 2.2 The trend in the number of complaints to the CSC about the selection procedures

Complaints on selection procedures



Source: Civil Service Council

20. The motivation for politicization is never openly stated, because no politician will admit openly to breaking the law. However, anecdotal evidence indicates that the motivation, like other countries, is a combination of the following factors:

- Concern that the civil service will not be sufficiently committed to the program of the incoming party. It is assumed that only party members or sympathizers will be sufficiently committed to deliver. This perspective characterizes the US Federal Government, where a large number of senior (and middle) positions change with the incoming President, creating gaps in senior ranks, loss of continuity and demoralization of permanent staff. By contrast, in other OECD countries, turnover is much less, confined mostly to a small number of advisers, or the political appointment of top managers under the minister.
- Newly appointed politicians seeking to surround themselves with their own team.
- Desire to reward party members and supporters financially at the state's expense by giving them posts with salaries funded from the state budget.
- Creating opportunities for further corruption, by placing trusted people in positions in which they control processes that can be exploited for financial purposes. This includes accepting bribes for the awarding of contracts or demanding that staff appointed to more subordinate posts pay a proportion of their salary to their superiors holding politicized posts. No complaints of such rent seeking were observed in Mongolia during this study.
- The view that resources of the state are available to be exploited and consumed by those in power.

21. The CSL clearly states the reasons for dismissal of a civil servant. According to article 47 of the CSL, the grounds for dismissal are criminal

conviction, renunciation of citizenship, receiving three or more unsatisfactory evaluations of performance, failure to perform the general duties of civil servants listed in article 37 of the law, or committing actions prohibited to civil servants listed in article 39 of the law. Article 65 (9) also makes undue interventions and influence in the operations of the CSC grounds for dismissal; article 35 (1) imposes the same penalty on any civil servant breaching procedures related to civil service examination and associated matters. Dismissal on any other grounds is specifically prohibited by articles 49 and 62, and under article 76 any civil servant responsible for such unlawful dismissal will be dismissed from the civil service. The new law is consistent with international practice, which stresses the need for regular evaluation of staff performance, and careful documentation of poor performance and remedial action before termination.

22. The primary effect of politicization is usually that the general level of competence of public administration drops as competent senior officials are driven out and replaced by people chosen for their political loyalty rather than their capacity. The capacity of the public administration to implement the governing politicians' program is usually reduced rather than increased. The response of some politicians is to blame the civil service for not delivering and to insist that the only remedy is further politicization of posts.

23. There are also damaging secondary consequences to politicization. Respect for the rule of law is eroded. Opportunities for corruption open up as politically appointed officials are less inclined to follow established rules, for example in procurement and awarding government contracts. It is no coincidence that countries with highly politicized public administrations usually also have a substantial corruption problem. Political appointees tend to be more reluctant to follow established rules, in relation to financial

or personnel management. Consequently, laws, internal rules and procedures of the public service are eroded, including those which exist to guarantee probity and value for money or quality of public service.

24. Civil service morale declines as a result of politicization and public confidence in the administration also falls. Once the cycle of politicization starts it tends to reinforce itself. Political appointees when in office will often seek to fill vacancies illegally with other political appointees. They may also seek to drive out existing appointees who attempt to conduct business in accordance with the law and internal procedural rules. Even if corruption is avoided, politicization of the civil service will diminish the willingness of career civil servants to give ministers frank advice, and as a result, poor decisions may be taken, and monies wasted. In extreme cases, ideological zealots can be appointed to leadership positions in the civil service, preventing the regular scrutiny of different options, undermining evidence-based decision making.

25. The illegal dismissal of lawfully appointed civil servants and their replacement with political nominees can be done in a matter of months but takes a long time to repair. It is necessary to create a system of remedial measures, to identify and remove those unlawfully appointed using due process. Appointment of new civil servants in accordance with lawful rules is also time-consuming.

26. Politicization in Mongolia has occurred as follows:

- Abuse of ambiguities in the law. Before the PSMFL was repealed, there was exploitation of the uncertainty over whether the PSMFL or the CSL applied in regard to any particular appointment as described in Chapter 1. Those wishing to engineer political appointments took advantage of this ambiguity.
- The manipulation of job descriptions. The absence of standard role descriptions meant that jobs could be designed by individual organizations without any external restraint. Often role descriptions were rewritten to suit the characteristics of particular external candidates making their appointment superficially compliant with HR rules. This gateway is now more restricted with all job descriptions overseen and endorsed by the CSC.
- The use of contracts and temporary appointments. There is provision for contract workers to be appointed where there is a need for a consultant or a specialist for the execution of a particular project. This has been abused on a substantial scale, with political supporters appointed to unnecessarily created contract posts, for no specified period and without the need to pass any entrance examination. Another means of circumventing the regular appointment procedures has been to make temporary appointments of political supporters to vacant posts for a period of 6 to 12 months. On occasion, this has been used by the temporary appointee to prepare themselves for the civil service examinations, and after taking the examination their post is made permanent.
- The illegal dismissal of civil servants for no valid reason or to intimidate them into resigning.
- The abuse of restructuring or abolition of institutions. A clause in the former CSL allowed staff to be transferred in the event of the abolition or restructuring of the relevant

government department or budget entity. As the 2009 WB report observed, this clause was often used as an excuse for the politicized transfer of civil servants from the organization. Frequent and unnecessary reorganizations have had the damaging additional effect of disrupting institutions managing critical economic governance functions, such as those responsible for public investments. This abuse ran unchecked because the CSC had no power of oversight for abolition or reorganization. Figure 2.3 shows that the number of complaints relating to dismissals following restructuring increased substantially in the period 2015-16.

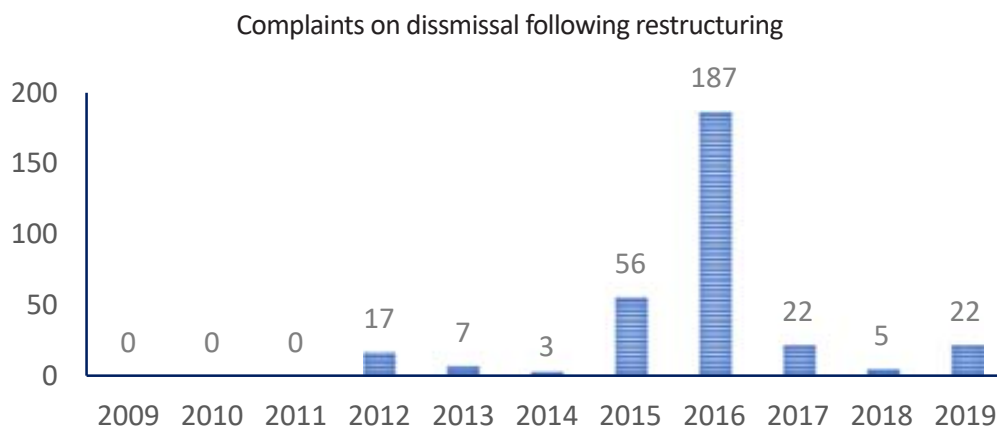
- The development of the erroneous concept of “belongingness”: a cultural acceptance of the informal practice that, if civil servants are seen as having a connection to a minority or opposition party, they must leave the civil service. While this concept has no legal basis, it has become commonly accepted in Mongolia.

27. The new CSL is designed to eradicate politicization of the civil service. Chapter 1 described the new legal framework created. Table 2.1 shows how each of these new measures address the abuses described above.

28. In addition, the CSL requires that the official taking an illegal decision on appointment or dismissal should bear the financial cost in the event of an adverse judgment of the administrative court. This requirement is an additional strong disincentive to breaching the law. However, it should not be permitted to act as a disincentive to managers to address poor performance on the part of staff including termination, after appropriate remedial action, if performance does not improve.

29. The CSL identifies and removes the majority of variants of politicization with two exceptions. The CSL appears to address the abuse of temporary appointments, but not the abuse of contracts. The eradication of this practice appears to depend on complaints from civil servants which are less likely when the employment of the civil servant is not directly affected. The CSC audits are cyclical and can only cover a limited number of organizations in one year, but they have the capacity to identify contract abuses. The combined effect of the other provisions in the CSL will make it more difficult for politically appointed contract staff to make the transition to permanent civil service status and for contract abuses to be as frequent.

Figure 2.3 The trend in the number of complaints relating to dismissals following restructuring



Source: Civil Service Council

Table 2.1 Remedial measures

Abuse	Measure in CSL to remedy this
Appointments in violation of the law	Strengthened complaint system; CSC audits of HR practices in institutions.
Exploitation of the ambiguities caused by the PSMFL	Repeal of the PSMFL, with the CSL being the only law governing most appointments in the core civil service.
Manipulation of job descriptions	CSC must approve all job descriptions.
Abuse of contracts and temporary appointments	Clear rules on appointing subordinate officials to cover temporarily vacant posts.
Illegal dismissal or forcing out of civil servants	Clarification of grounds for dismissal; strengthened complaints system.
Abuse of restructuring or abolition of institutions	Following restructuring, vacancies restricted to applications from existing employees carrying out the relevant duties.
Application of the concept of “belongingness”	Clear statement in the law that appointments are not to be made on political grounds; the tenure of civil servants is not time-limited; and appointments may be terminated only on certain specific grounds, of which “belongingness” is not one.

Source: Civil Service Council

30. The second exception to the effectiveness of the new CSL is an apparent loophole that it creates for the civil service “reserve”. This is the pool of candidates who have passed the civil service examination and who are eligible to apply for advertised civil service vacancies. The CSL states in article 16 that civil servants who previously held high level civil service positions or similar positions shall also be registered as reserve candidates for managerial positions. This provision is apparently being interpreted as saying that not only former senior civil servants should automatically join the reserve, but that former ministers and governors should do so as well. This appears to open a new, if limited, conduit for politicization of the civil service. It is recommended that action be taken to restrict this automatic membership of the reserve without previously having to take the civil service examination. It should only apply to those who have previously held a post in the highest ranks of the civil service: senior principal, principal level, and possibly also at senior officer level.

31. While the CSL provides legal barriers to most of the manifestations of politicization, the impact of the law depends on the resolution and effectiveness with which it is enforced. The effectiveness of the remedial measures in the CSL depend on robust and impartial enforcement by the CSC and a cultural change among politicians and civil servants so that they seek to end politicization. It is necessary to reverse the culture that accepted illegal appointments, manipulation of appointments processes and allowed the development of the fallacious and illegal concept of “belongingness”. In addition, the government has approved the need for a Code of Ethics and ethical norms for the civil service, which can be expected to stress timeless public service values such as: merit, integrity, transparency, a concern for evidence, and responsiveness. The development of an ethical framework for the civil service is also required action and is set out in the action plan of the National Anti-Corruption Strategy.

Box 5 Ethical codes

In recent decades many OECD, transition and developing countries have introduced ethical codes of conduct for their civil servants, together with new institutions to promote ethical behavior, monitor implementation and hear appeals. The ethical codes have both an internal function, to inculcate the values of a civil service performing in the public interest and promote ethical behaviors, and an external one to communicate to the general public the standards they may expect from public employees.

Some of these codes cover issues that may be covered already in regulations, such as outside political activities, post retirement employment, and use of official information. Others stress the core values of the civil service, such as: integrity, honesty, objectivity and impartiality. Separate codes may also be developed for ministers and politically appointed special advisers (United Kingdom). They may owe their origin to erosion of trust in government, an explicit anti-corruption strategy (some transition countries in Eastern and Central Europe), or managerial reforms seeking to reduce central controls, increase accountability for performance, and bolster professional values (Australia, New Zealand, Canada).

A notable early example was the American Ethics in Government Act, passed in 1978 in the wake of the Watergate scandal. It created the Office of Government Ethics (OGE), set new rules for financial disclosures of public officials, and required departments and agencies to appoint a Designated Agency Ethics Officer (DAEO) to coordinate with OGE in the development and application of an ethics program. Since 1990, the OGE has incorporated “14 Principles of Ethical Conduct for Government Officers”. The OGE reports to the Office of Management and Budget (OMB) and Congress and liaises closely with the Government Accounting Office (GAO).

Key to the success of ethics codes is the existence of an independent oversight body to monitor and report. It also relies on the enthusiasm with which codes are embraced by agency senior managers and incorporated into institutional culture through modeling high standards and training. Conversely, while poor behavior by public officials may be unethical, it is not necessarily illegal, and codes have limited traction when the commitment of government leaders to high standards in public life wanes.

32. It is much easier to reform the procedures for admission into the civil service than to remove the illegal staff members already recruited.

The former creates potential losers, but they are unknown. They are people who might have hoped to be appointed in the future, but they are not actually in post. Resistance to tightening up and enforcing appointment legislation will come from some politicians who do not wish to lose this lever of influence and patronage. Their potential opposition is not to be underestimated, but they cannot oppose the measure openly. In contrast, removing from the ranks of the existing civil

service those who have been illegally appointed or do not have the necessary capacities to fulfill their duties competently, is more sensitive. Such measures target specific, identifiable individuals who can be expected to resist and to invoke political patronage to protect them. The CSC will use due process and objective measures. The political service, particularly ministers, and the high ranks of the civil service are expected to give full support to the CSC's measures to ensure that all civil servants reach an adequate standard of professional competence. In many other countries, manuals for ministers set out

principles for their conduct. They cover matters such as collective responsibility for cabinet decisions, duty to report to the legislature, conflict of interest, avoiding using government resources for party political purposes, and upholding the impartiality of the civil service. The UK Government Ministerial Code is a good example.

33. In summary, the new CSL combined with the repeal of the PSMFL appears to provide both a clearer legal framework and a range of measures against politicization. With a few exceptions this has the potential to block most of the previous abuses relating to appointments and dismissals. It should also establish a career-based civil service system founded on merit-based appointment.

34. The extensive measures taken against political appointments in the new CSL are important in underpinning this development, as is the renewed emphasis on the civil service entry examination.

35. Finally, the Mongolian government might consider the introduction of political advisers to ministers. This practice has developed in a number of European countries in recent decades. It allows ministers to have access to independent advice on political and policy matters, separate from, and additional to, the advice provided by civil servants. Political advisers usually stand outside the civil service hierarchy and management. They are responsible directly to the Minister, and their function is to provide advice and support, usually of a political nature. When the Minister leaves office, the adviser goes with them. They are exempt from the usual civil service entry requirements, but it is expected that ministers seek to appoint advisers who have competence and sound judgement. They are also exempt from most rules applying to civil servants, particularly any requirement to act with political impartiality.

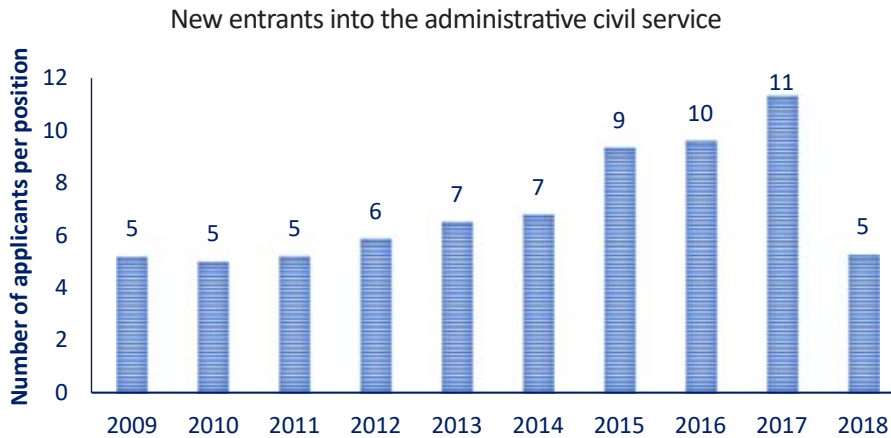
36. The introduction of political advisers brings challenges also. Some advisers have been accused of becoming too influential, exceeding their power and interfering with the work of civil servants. To counter this criticism, it is critical that the political advisor's role, functions and relationship with the civil service is clearly described. In some countries, political advisers appear to have met the need for ministers to be able to access politically sympathetic advice to set alongside the professional advice of the civil service. International experience of political advisers and their interface with Ministers and the civil service can be made available to the Mongolian GOM. The OECD experience varies widely. In the UK, ministers may appoint up to two special advisers, and the Prime Minister may authorize additional advisers. They must comply with a code of conduct and are barred from management functions or any decisions authorizing the spending of public monies. Unlike regular civil servants, political advisers in the UK can engage in political activities. Annually the government reports to parliament the number and assignment of its special advisers.

2.2.2 The revised civil service examination system

37. An important element in the reinforcement of a non-politicized, career civil service is renewed emphasis on the civil service entrance examination. This is the primary portal for entry to the profession, and the intention in the future is to develop the examination to cover a wider range of skills relevant to civil service management and policymaking. It is significant that, despite the problems of recent years, the civil service remains an attractive career option. Figure 2.4 below shows that there appeared to be no difficulty in attracting applicants to the civil service between 2009 and 2018;⁹.

⁹ The comparable data for 2019 was not available by the CSC.

Figure 2.4 The new entrants into the administrative civil service



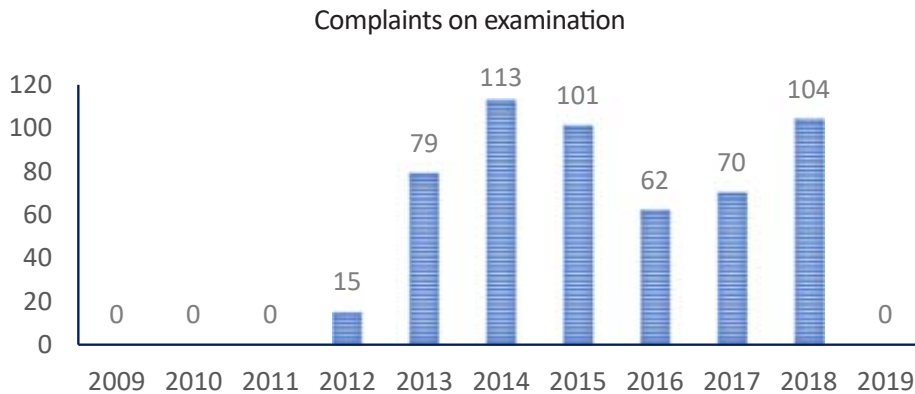
Source: Civil Service Council

38. The integrity of the examination system has been called into question in recent years. Figure 2.5 shows a substantial increase in the number of complaints over issues related to the examination since 2012¹⁰.

39. The revised examinations administered by the CSC are designed to treat all candidates equally and to prevent cheating. Questions are selected from a central bank of questions

maintained by the CSC and the examination is undertaken online. Candidates can sit the examination at a regional office and the responses are sent electronically to a team at the CSC in UB to be assessed. The civil service entrance examination has been amended to test three components: general knowledge, Mongolian language skills, and data analysis. The first component consists of test questions with a total of a possible 55 points and the pass mark

Figure 2.5 The trend in examination complaints



Source: Civil Service Council

¹⁰ The CSC indicated no complaint regarding the examination was received in 2019.

being 35 points or above. The second component also involves test questions with a total possible mark of 30 points and a pass mark of 20. The third component is designed to test the candidates' problem solving and analytical skills with the maximum possible score of 15 points. The civil service entrance examinations are held in October and April every year for the new applicants. However, it is flexible and can be changed depending on the needs. There are also special examinations for given posts which are intended to test managerial, organizational, analytical, problem-solving, leadership, teamwork and both spoken and written language skills.

40. The civil service entrance examinations are criticized for testing theoretical legal knowledge rather than the practical knowledge, skills and capabilities necessary to manage policy and deliver change. It is difficult to understand how some skills can be tested in a written examination, such as teamwork and managerial skills. However, the fact that the new examination is being delivered effectively and impartially, and appears to date to have credibility, is a considerable achievement for which the CSC should be acknowledged. In the longer term, to secure candidates with the right skills, the content of the examination needs to be further revised. It is necessary for the CSC to consider whether additional testing to assess these personal skills should be added. For example, the introduction of psychometric testing or requiring candidates to participate in group exercises could be considered. However, in the short term the emphasis should be on further entrenching the new written examination and ensuring that it commands public confidence.

2.2.3 The role of the CSC in enforcing the civil service legislation

41. The former CSC had limited powers in relation to complaints from civil servants, and in many cases, was only able to refer the matter to the administrative courts. Regardless of whether they had sufficient powers of investigation they were reluctant to deal with the wave of politicization that followed the changes of government in 2012 and 2016. Consequently, many civil servants lost confidence in the CSC and chose to pursue their complaints through the courts. This may explain why the overall number of complaints to the CSC, shown in Figure 2.3, increased sharply to a peak in the period 2014-16, and then reduced.

42. The resolution of complaints has improved significantly since the implementation of the new CSL. The CSC has been reconstituted with new membership, and the CSC Secretariat has increased from 14 to 39 staff, to be expanded to fill the 56 staff positions approved by the Parliament. The new CSC appears to be undertaking their responsibilities with increased vigor and resolution. At the time this report was prepared, the new arrangements have been working for only one year. However, initial signs show an improved willingness on the part of public office holders to observe the law, and some recovery of confidence in the role of the CSC from civil servants. The number of complaints resolved has grown substantially under the newly reconstituted CSC. Most complaints have related to court decisions not being implemented, authorities' decisions not in compliance with legal requirements, and issues regarding horizontal mobility.

43. The CSC intends to undertake a screening of existing civil servants to ensure their employment conforms with the new legislation.

There are several aspects to this review. Firstly, a number of civil servants appointed before January 1, 2019 were employed in violation of the law as it applied before that date. These will be identified and dismissed. Secondly, a substantial number of civil servants do not possess the skills and experience that match the requirements of the job description for their post. A CSC member has estimated that 60-70% of the civil servants do not meet the current requirements for their posts. Civil servants will be assessed against the role requirements once job descriptions have been developed for all posts. The outcome of this screening is likely to be that some will be demoted or dismissed. This will be a large-scale exercise undertaken slowly. Nonetheless, the fact that the CSC is prepared to take this action at all is a signal of a far more robust approach to its responsibilities. At the time of this report, the majority of the senior principal, principal

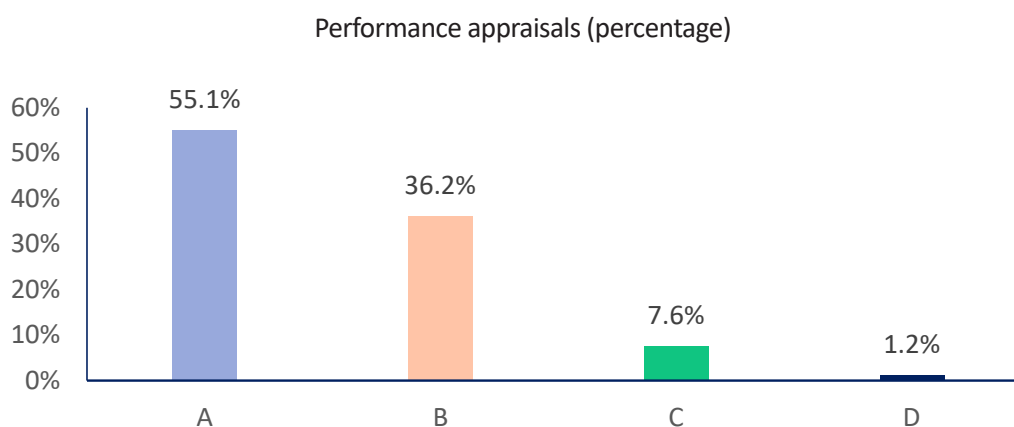
and senior officers have fulfilled the special requirements of their positions.

44. The new CSC has also shown that it intends to make use of its power to carry out HR audits of government organizations. The CSC has initiated the establishment of an 11-staff Human Resource Management and Audit Department (HRMAD). The HRMAD will verify that line ministries and departments are following civil service regulations and not abusing their delegated powers in personnel management, which is good international practice for central management agencies to assess.

2.2.4 The system of performance planning

45. Performance appraisal has been carried out in a formulaic and perfunctory way, making no discernible impact on performance. As Figure 2.6 shows, over 90% of civil servants receive a grade A or B, with very few being assessed as a grade C or D. This result is not credible and none of our interlocutors regard the former system

Figure 2.6 Performance appraisal of public administration officers



Source: Civil Service Council

as seriously measuring the staff capabilities. Many other countries, particularly developing countries, also exhibit the same problem.

46. The new CSL contains a requirement for the performance of all civil servants to be evaluated periodically, with the details to be set out in a regulation. The Cabinet Secretariat is leading the preparation of a regulation to prescribe a new, simpler system. The work of each civil servant will be rated against the responsibilities and tasks assigned in the new job description. Their objectives will be required to harmonize with the objectives of the organization where they are employed. The scale of A to D performance will be replaced by ‘performed’, ‘well performed’ or ‘not performed’. The first cycle of the new appraisal was due to begin at the end of 2019, but with a delayed implementation, the appraisal mechanism did not fully function as intended in 2019. It is not possible to assess the impact of the new system until the results are known. To avoid repeating the over-grading of the previous system, the new regulations might consider setting a limit (such as 10%) to the number of staff assigned the highest rating which is how performance appraisal systems operate in some other countries. It is also necessary to be clear at the start of the year on the tasks assigned to each employee and results expected of them, with supervisors regularly providing feedback on their performance.

47. The new system does not provide linkage between performance planning and monitoring of the overall performance of government organizations. As noted in Chapter 1, this relationship is implicit in the CSL rather than explicit and while the responsibility for performance planning for civil servants lies with the CSC, the Cabinet Secretariat is responsible for the performance of organizations.

48. The CSL requires the appointment of a POC to monitor the quality, access and impact of public services. This POC, its regulations, role and functions have not yet been determined by the CSC. As a result, it is not clear how it will operate and what impact it will have on civil service performance. However, the approach normally adopted in other countries is to conduct periodic service delivery satisfaction surveys and to rank agencies according to public trust. Regardless of institutional configuration, there is substantial OECD and developing country experience with service delivery satisfaction surveys, which can be sourced. Over time, the POC will also benefit from any performance monitoring system the GOM may create to track performance information on outputs, outcomes and impacts.

2.2.5 Provision of training for civil servants

49. The CSL now requires the provision of short and medium-term training courses for newly recruited civil servants and the preparation of a professionalization training package for each position, appropriate to its functions and responsibilities. The NAOG is the lead agency responsible and it reports to the Cabinet Secretariat.

50. The NAOG has been criticized for its emphasis on legal and theoretical training rather than practical knowledge and skills. So far, it has made little progress in developing opportunities for distance e-learning, an approach with particular potential in a country as geographically vast as Mongolia. This is a common complaint about governmental training organizations in many countries. However, the NAOG has been reviewing all training courses with the support of a Canadian government-funded project of assistance delivered by the UNDP.

51. As required by the CSL, professional training curriculums have been prepared and approved for the three most senior grades of the civil service: senior principal, principal and senior officer (Table 2.2). They focus on skills and knowledge highly relevant to the senior civil servants' day-to-day work. The trend in the work of the NAOG appears to be moving in the right direction. It is consistent with the emphasis on competency-based training increasingly adopted by other countries. However, these new requirements will place considerable demands on the NAOG staff, many of whom are used to working in an entirely different framework and

professional orientation. It must be assumed that, for the new arrangements to work, the staffing requirements and existing capacities of staff to deliver these new arrangements will be reviewed, and a considerable package of professional development and retraining offered to existing staff. A major investment in developing new training materials and upgrading trainers' skills is indicated. The training curriculum set out below, which could be expanded to cover public financial management more broadly, is consistent with modern international practice. In due course, it could be extended to the next level of managers as well.

Table 2.2 Civil servant training curriculums

Policy and strategy

- Policy analysis
- Budget investment management

Administration and management

- Skills of managers in modern civil service
- Contract management
- Performance reviewing and reporting
- HR policy and management in civil service
- Efficiency and quality of the public organization

Information and communication technology

- Planning and management of information and communication technology

Ethics and human rights

- Ethical management and prevention of conflict of interest
- Protection of human rights and prevention of workplace harassment in the public organization

Source: Civil Service Council

2.3 Ongoing reforms and challenges

52. This review of the new HR framework for the Mongolian civil service is, of necessity, an interim report. The new CSL has only been operative for less than 2 years. While much has been developed, particularly in regard to required regulations, some elements of the framework are not fully operational, and it is too early to assess their performance.

53. The CSL has identified and neutralized most of the channels of politicization. However, an apparent loophole allows former ministers and governors to be automatically placed on the civil service reserve. This makes them eligible to apply for civil service posts on the basis of their service in political office. It also remains possible to create contract posts that can be filled by political supporters for no specified reason and without the need to pass any entrance examination. Both of these loopholes should be closed. That apart, the CSL is a determined attempt to depoliticize civil service appointments and dismissals.

54. The effectiveness of the CSL is dependent on whether culture change and the enforcement of the law is achieved. A change in culture, at both political and civil service level, will mean that the law is accepted and obeyed. This will ensure that politicization is treated as both an offence against the rule of law and a form of corruption. It is crucial that this cultural change eradicates the “belongingness” fallacy, that those who share the political beliefs of minority opposition parties are not entitled to serve as civil servants. It is also important to underpin the CSL with clear and comprehensive implementing regulations, supported by ethical codes that clearly articulate the expected behavior.

55. The early signs are that the CSC is actively enforcing the CSL. The CSC has shown a willingness to investigate the complaints from civil servants seriously, notably those related to appointments. The CSC members’ behavior and actions are important elements in eradicating politicization. The CSC has been disseminating the message that they are serious in making the new CSL work in practice. An increase in the number of complaints submitted to the CSC shows that it is starting to restore the confidence of civil servants that their complaints will be actioned.

56. The CSC is screening civil servants to ensure they all meet the legal and professional requirements of the CSL. This is sending a powerful positive signal and it will be important to carry this program through robustly. The CSC’s decision to pursue a program of audits of HR practices in ministries also shows that these issues will be taken seriously in future. It will be important to develop a regular cycle of audits and to target organizations where poor HR practice is most significant.

57. In parallel, the CSC is strengthening the integrity and effectiveness of the civil service entrance examination to restore public confidence in the recruitment process. In the medium to long term, the content of the examination needs further revision to move away from theoretical legal knowledge and towards the testing of practical skills. It will be important to consider whether additional testing is required. This could entail the use of psychometric testing or group exercises. However, the immediate priority must be the restoration of the examination’s credibility.

58. It is too early to assess the new performance planning system, since the first cycle has not been concluded. It is not yet clear how the system will fit into the Cabinet Secretariat's organizational performance planning or the work of the POC once that is operative. As a first step, the government needs to monitor and review the developing system as early as possible in 2020.

59. The development of the new training arrangements for the civil service is also at an early stage. However, they appear to be moving in the right direction, away from more formal and academic programs towards flexible, modular programs, addressing the civil servants' requirements for their daily work. In both performance planning and training, the government has received extensive support from the Canadian-funded civil service support program being delivered by the UNDP which has been key to the progress made in these areas.

CHAPTER 3

PAYROLL ADMINISTRATION, GRADING AND COMPENSATION

CIVIL SERVICE

PAYROLL ADMINISTRATION, GRADING AND COMPENSATION

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3 PAYROLL ADMINISTRATION, GRADING AND COMPENSATION

3.1 Systems for establishment control and payroll administration

1. The new CSL has not led to significant changes in civil service pay and grading arrangements. Articles 57-60 provide the framework for salaries and compensation, but they perpetuate the system that has existed for many years. It is described in detail in the WB's 2009 report.

2. Remuneration issues are important to the management of the civil service and national economic management. Mongolia's complex civil service payroll system has created considerable inequities in compensation, seriously impacted staff morale, and weakened centralized control over payroll management. It is necessary to reform the remuneration system to make it simpler and more transparent. It should also ensure that it rewards equal pay for equal work, adequately compensates employees through their careers and is fiscally sustainable.

3. The two principal issues to address are the weakness of systems for establishment control and payroll administration and the need to overhaul the civil service post classification and compensation system. The latter includes the need to introduce a system of job evaluation, resolve inequities in grading, simplify the pay system, and decompress and rationalize pay scales. The 2009 WB report provided a detailed analysis of these issues and can be used as a technical reference source. This chapter provides an updated and briefer treatment of the issues with recommendations for action both immediately and in the medium to longer-term. The most urgent issue is strengthening of establishment controls and payroll management. This has implications for fiscal sustainability, especially against a background of rising civil service numbers. The issue of post classification and compensation, although important, is of less urgency. Its resolution requires a sequenced process that will take time, as described later in this chapter.

4. Mongolia does not have a central personnel office and establishment control. The approved establishment list of positions in a line ministry (LM) or government agency is developed by the MOF as part of the annual budget preparation process. The establishment list is determined on the basis of the financing formula that takes into account the budget for outputs and the area where it is required, for example in education and health. In the case of schools, considerations include the size of enrolment, student teacher ratios and other variables. Budget entities are entitled to fill the established positions that are vacant. However, they are not able to add positions without the authorization of the MOF. During budget execution, personnel emoluments are protected, and reallocation of funds is not permitted to, or from, payroll expenditures. This means that the MOF is the gatekeeper for all new positions. It judges them by reference to financial availability rather than manpower, workload considerations or the efficiency of the current staff.

5. The establishment control is being weakened by the absence of a centralized payroll and a compensation structure with a large component of allowances. In Mongolia, in common with many former socialist countries, payroll administration is conducted by each budget entity. There are over 5000 budget entities which often use simple excel spreadsheets and clerical procedures. The accountants in each budget entity maintain the register of annually approved positions and an employee database that is updated regularly to reflect personnel changes. Pay for each employee is calculated applying the numerous relevant pay regulations. The total payroll for the budget entity must reconcile, twice monthly, with the allowable ceilings in the GFMS for salary payments to be made. The budget entities provide data on their employees annually to the relevant ministries and to the CSC. The CSC uses this data in its annual report to parliament.

6. The CSC maintains a personnel database that relies on updating by ministries and/or budget entities. This is meant to be an annual exercise but there is no established procedure or practice for regular, comprehensive updating. There are also no strict data management controls to prevent unauthorized data changes, or to provide an audit trail.

7. The MOF controls are limited by the large number of payrolls, combined with a pay system which is dependent on personnel data to calculate an employee's pay. The GFMS is the only control that the MOF can exercise. This control is limited to aggregate expenditures of the main economic expenditure categories for each budget entity: wages, purchase of goods and services, subsidies, transfers, and development expenditures. This limitation has cash flow implications as the MOF is unable to gauge savings from unfilled posts during the course of the year, which is particularly common for schools and hospitals. The establishment control is weakened within a budget year as a result. It is possible for budget entities to use the savings from unfilled posts to finance new posts that are not part of the establishment without seeking the MOF's approval. A number of ministries have been able to exceed the approved establishments by hiring contract staff.

8. The complex pay structure also means that accurate simulations of wage increases are not possible, and budgetary planning is weakened. The economic crisis a decade ago and the recent economic slowdown during 2014-2016 have resulted in rising public debt and threatened Mongolia's fiscal sustainability. Urgent fiscal adjustments are needed to tackle this shortcoming and strengthen budgetary planning.

9. In OECD countries, payroll administration is often centralized, usually within the MOF. Budget entities provide regular input on personnel changes including new entrants, transfers, retirees, terminations, and promotions. The ministries of finance manage the payroll based on centrally maintained relational databases on posts and personnel and in accordance with relevant pay rules. They reconcile the data with the other treasury systems and generate and transfer the payment. In OECD countries there are also guidelines, and in some cases direct controls, over the creation of new posts and changes to organizational structures. They are often issued by a separate civil service ministry or department, with the mandate to check the historic growth of the civil service. This is intended to keep the pressure on MDA to raise staff productivity and be fiscally responsible.

10. The introduction of a centralized payroll management system linked to a central HRMIS is highly recommended, using consistent data. The centralized payroll administration would entail a radical departure from the decentralized business processes currently in place. The GOM has, in the past, recognized the need for an interim solution to improve its controls and fiscal planning by developing a centralized employee database. A WB program of support between 2004 and 2013 included a component to support modernization of the public administration. Part of that assistance was given to rationalize the civil service wage bill, including incentives and employment, and to establish an HRMIS. However, the initiative had the disadvantage of operating within the context of implementation of an extremely ambitious set of reforms set out in the PSMFL of 2002. That program sought to emulate the much-lauded New Zealand model. It was unsuccessful, for a number of reasons identified in a WB implementation completion and results report. The reasons included the overambitious changes and a failure to understand the capacity limitations of the

existing system. This was compounded by the highly fragmented payroll system, lack of political support for comprehensive civil service reform and the economic crisis of 2009. However, the project did provide technical design specifications for a new HRMIS. There has been little progress on that initiative and no substantial reform.

11. A new automated, centralized payroll is essential to ensuring the necessary establishment controls. The long-term objective of the GOM should be a system in which the MOF maintains all relevant data and operates the payroll. It is recommended that the MOF prepare for GOM approval an action plan that specifies the steps required for a sequenced transition to the system. Payroll administration would need to be housed in a new payroll unit, located preferably within the treasury. Such a system should be developed in the context of a government-wide information systems strategy. The payroll system would be integrated with the GFMIS operating in the treasury, and other systems under development, such as for budgeting. The business requirements of the payroll system would need to be developed, specifying the working relationship between the individual budget entities and the payroll unit. These would include procedures for establishment registers, staff records and reporting, linking the payroll system to the HRMIS. The system would need to operate from a consistent set of data, operational manuals, calculation, control, accounting, payment and remittance procedures, payroll reports and audit trails.

12. Such a fully automated centralized payroll is not feasible at the present time. A decade ago, the MOF considered moving towards an interim solution consisting of a centralized database to capture the relevant information and allow for better planning and modeling. The WB is currently providing assistance to the MOF for the development of an integrated payroll system.

13. It is necessary for payrolls and their supporting personnel datasets to be verified before entering them into any centralized database. This is because of weak payroll controls at the entity level. It should be noted that this could be very time-consuming.

3.2 The civil service post classification and compensation system

14. The essential issues in the grading and classification field can be summarized as follows¹¹:

- **Civil servants' compensation consists of basic pay, allowances, and extra payments.** The type and magnitude of allowances vary by service, and by sectors within the departments. Administrative service allowances and extra payments contribute roughly 30% of overall monetary compensation. The proportion is up to 50% higher for civil servants. Mongolia's compensation system combines complexities and non-uniformity of pay across the civil service.
- **The grading structure results in significant horizontal inequities.** Mongolia's grading system can be classified as one in which the allocation of grades to jobs is based primarily on the status of the organization employing the post-holder. Status is a function of organizational distance from UB, the center of administrative power. Similar jobs are graded and compensated differently, depending on the organization to which the job belongs.
- **Allowances and extra payments exacerbate these inequities.** They are based on the personal characteristics of the civil servant

rather than features of the job being performed and are at the discretion of the general manager. They also create a nontransparent compensation regime that demotivates staff and undermines fiscal controls.

- **Pay scales are compressed.** The compression ratio is 1:2.4 for the administrative service. It is even tighter for key service delivery staff, like nurses and teachers, whose careers are essentially confined to one or two grades.
- **The post classification and compensation structure of the civil service needs to be reformed to provide the appropriate incentives for recruiting, retaining, and motivating skilled staff, through the principle of equal pay for equal work.** The reform would entail moving to a job-based system in which employees are paid according to the responsibilities of the role they perform and not dependent on the institution where they are employed.

15. Table 3.1 demonstrates the complexity of the current classification and compensation system. Each of the three categories of political, administrative, and special services have their own post grading classifications. Public services have a further seven categories: general support services, science support services, vocational education, primary and secondary schools, health, culture and arts. Administrative services have 15 grades, special services 18 grades, general support services 12 grades, health support services 9 grades, culture and arts 7 grades, science sector 7 grades, preschool and secondary education 5 grades, and vocational education 7 grades.

¹¹ This section limits itself to pay and does not analyze the pension system. As all monetary compensation in Mongolia is pensionable, the proposed reforms do not have any significant pension implication.

Box 6 Basic pay and allowances

The existence of multiple allowances in addition to basic pay is a fairly common feature of developing and transition countries. In some developing countries, they date back to the colonial period when additional allowances were needed to induce staff from the metropolitan country to serve overseas. Moreover, there was a justification for giving employees who would work for a period and then go back to their own countries a higher remuneration rate. Housing and transport, education, tropical clothing and home leave allowances were common. After independence, local civil service elites in many countries elected to retain allowances, as benefits of a public sector job. Additions to basic pay reflected the higher standing and prestige of certain agencies of the government.

In countries where governments fell behind in adjusting civil servants' salaries for inflation, allowances became a way to compensate staff who were skilled but in short supply without incurring the cost of a comprehensive pay increase.

In advanced countries, there are generally far fewer allowances or benefits in kind. The main exception being location allowances to compensate staff for the higher cost of working in a capital city, or in a very remote area. In countries where government employees receive performance-based pay, the incentive effects are stronger, the system is more transparent, and it is easier to implement the principle of equal pay for equal work across the civil service. If it is difficult to recruit a particular category of staff because public sector salaries are less competitive than the private sector, the solution sought is regrading rather than an additional allowance.

16. Overall monetary compensation for civil servants in each grade is given by a combination of base pay, allowances calculated as a percentage of basic pay, extra payments, and rewards. The nature of the allowances and extra payments varies by service, and for the support services it also varies by sector. The CSL guides the compensation structure for administrative civil servants. The legal regime for pay for the support civil servants consists of 33 Government laws and resolutions. Pay is often determined by ministerial resolutions that do not require any central government approval. Historically, adding new allowances was a means of increasing civil servant compensation for the particular sector without impacting the base pay. This avoided setting a precedent that would have to be matched across the civil service. As each sector added its own set of allowances, the compensation regime

became more complex over time. Given this complexity, it is difficult to accurately capture the key elements of compensation for the Mongolian civil service. In fact, it is not possible to provide a comprehensive and accurate description of these compensation components.

17. The main elements of civil servant compensation are described in Table 3.1 and include:

- **Base pay.** Each grade has five levels of basic pay. The basic pay scale for the support services only defines the minimum reference pay for each level per post. The responsible budget entity has discretion to set higher pay levels if they have the available resources. Base pay levels for the administrative, special, and political services are fixed. Progression from one basic pay level to the next within a grade

is at the discretion of the line manager. It is usually determined by the length of service of the civil servant. The detailed basic pay scales per service for 2019 are provided in Annex 2.

- **Allowances.** The structure of allowances varies by the type of service. For the administrative service, there are three major allowances:
 - i) “Length of service” allowance that increases in increments of five percentage points, from 5% of basic pay for five to ten years of service. The increment increases to 25% of basic pay for more than 26 years of service. Time off is provided for training, maternity and other leave requirements, which is included in calculating the length of service allowance;
 - ii) Higher academic degree allowance which amounts to 15% of basic pay for civil servants with a doctorate and 10% of basic pay for an associate doctorate degree. This allowance is higher and more detailed for civil servants who work in universities and academic research institutions;
 - iii) “Rank” allowance comprising four tiers, namely prime officer, deputy officer, third deputy and fourth deputy officer. A civil servant’s rank is determined by a combination of years of service and recognition of good performance. Civil servants are eligible for the first-tier rank allowance, fourth deputy officer, only if they have been in the service for more than a certain number of years. Graduation into higher tier ranks is based on performance assessments. Ranking allowance can vary from 18% to 48% of basic pay.

The total amount of these allowances cannot exceed 40% of total monetary compensation.

- **Extra payments.** These consist primarily of overtime for working beyond the daily 8 hours stipulated in the Labor Law. They include payments for performing additional duties,

food and transport subsidies. In practice, only medical workers have access to overtime payments, and they can form a significant proportion of overall compensation for these workers. The size of food and transport subsidies are determined by the relevant budget entity. They are generally paid at a fixed daily rate of roughly MNT 4,500 per day for every working day and are not paid during absence from work for any reason, such as leave. Given the discretion that budget entities have in setting these extra payments, there are significant variations in the rates at which these are paid, even within a particular sector.

- **Rewards.** Civil servants are also eligible for performance bonuses, awarded quarterly and up to 40% of the monthly salary. There are also other lump sum monetary awards specified for outstanding performance. Performance bonuses are rarely given to administrative civil servants but are a regular component of the compensation of teachers and medical professionals.

18. The monetary compensation system has created a number of major problems. The grading structure is not based on any systematic evaluation of the responsibilities of a job. This results in unnecessary complexity and similar jobs with similar responsibilities having different post classifications across the civil service. As there is no job evaluation, the grades have been fixed independently of each other with little regard to the relative positioning of, for example, administrative service and support service positions. The grading system has also resulted in significant horizontal inequities with similar jobs being graded differently based on the status of the organization. The grading inequities are exacerbated by the relatively high proportion of allowances in overall compensation. They are based on the personal characteristics of a civil servant, as opposed to the features of the job, and as a result equal work results in very unequal

Table 3.1 Determinants of compensation in the Mongolian civil service

Post Classification		Determinants of pay per grade												
Service	Grades	Base Pay	Monetary Allowances								Other allowances provided by laws			
			Duration of employment in civil service	Ranks**	Grades**	Special work conditions	Ph.D. degree	Level of qualifications	Skills	Additional wage		Other allowances		
Administrative	TZ 1-12	5 levels												
	TZ 13-15	3 levels												
Support (7)*	TUSHU 1-7	Each has 3-5 levels												
	TUBD 1-5													
	TUMB 1-7													
	TUEM 1-9													
	TUSU 1-7													
	TU 1-12													
	TU 1-12													
Political														
Special	TT 1-18	3-5 levels												

*These 7 categories are public service positions in i) scientific organizations; ii) pre-school, elementary and secondary education organizations; iii) vocational education organizations; iv) health sector; v) culture and art sector; vi) positions to assist ensuring normal operation of public sector organizations other than health sector and state organizations; and vii) positions to assist ensuring normal operation of public sector other organizations of health sector and state organizations.

** No overlapping additional benefits for ranks and grades shall be provided to core civil servants.

Shaded cells indicate applicability of the types of allowance for the service type.

pay. The pay scales are compressed, particularly for some key service delivery staff, like nurses and teachers, whose careers are essentially confined to one or two grades. Benchmarking pay with the broader labor market is also very difficult under the present arrangements, despite the legal provisions in the CSL. Finally, a compensation structure driven by personnel characteristics makes it very difficult to undertake fiscal projections of wage increases. This creates significant problems for the MOF in budgeting wage increases and in monitoring compliance and enforcing expenditure controls. The following sections of this chapter examine each of these issues.

3.3 Main issues in classification and compensation

3.3.1 Lack of proper job evaluations

19. The civil service grading structure in Mongolia is not based on any systematic job evaluation or role classification. While job descriptions exist for different positions (Table 3.2), the objectives of the job are not specified. They do not adequately describe the duties pertaining to the job, or the skills and abilities required to meet them. There is no supporting system of job evaluation to enable someone to

Table 3.2 Current job classification in the administration service

Classification of officer's positions	Job Title	Core Responsibilities
Senior Principal Officer	State Secretary and equivalent posts	Responsible to the General Budget Governor for the implementation and results of the organization; and for developing and implementing policies in the relevant sector and areas of government activity. Responsible for managing the organization's budget and the state special funds.
Principal Officer	Head and deputy head of ministry department and equivalent posts	Responsible for the management of the structural unit developing and implementing relevant sectoral policies of the government. They report to the Senior Principal Officer.
Senior Officer	Head of ministry section, senior specialist and equivalent posts	To lead on the development and implementation of relevant sectoral policies of government. They report to the Principal Officer
Associate Officer	Ministry's specialist and equivalent posts	Responsible for developing and coordinating the implementation of policies on specific issues in the relevant sector of government activities. They report to the Principal Officer
Assistant Officer	Specialist of Soum Governor's office and equivalent posts	Research and analysis of information to support policy development. They are responsible for the quality of the work performed. and for organizing the activities of the general service staff.

Source: Government Resolution No. 275 of 2019

correctly assess a particular post against these criteria. The pay and grade scales appear not to have been designed by reference to roles but are instead an artificial construct. They are unnecessarily complex and do not meet the needs of administrative organizations. The scales also fail to meet the main test of any grade system as they do not provide for the relative ranking of jobs within an organization.

20. The new CSL requires an overhaul of the present arrangements for job descriptions. A generic procedure for developing the special requirements for managerial and executive positions in the core civil service has to be prepared and approved and, within that framework, job descriptions must be developed for each public administration position. This process is still in the early stages of development.

21. Each of the nine different services, the political, administrative, special services, and six support services, has between seven and fifteen grades. Given the experience of civil services in the OECD countries, it is difficult to argue that the numerous grades are actually distinguishing between different jobs. In fact, these countries usually have a very limited number of grades: two or three administrative grades, and separate grades for other careers which are highly labor intensive, or a high ratio of operatives to managers. However, teachers, clinicians, police, and other uniformed services may require a different grade structure because careers in these occupations are different to other jobs.

3.3.2 Horizontal inequities in grading

22. The purpose of any grade structure is to provide for the relative ranking of jobs within an organization. Such a structure then permits rewards to be allocated according to desired criteria. This is normally aimed at ensuring equal

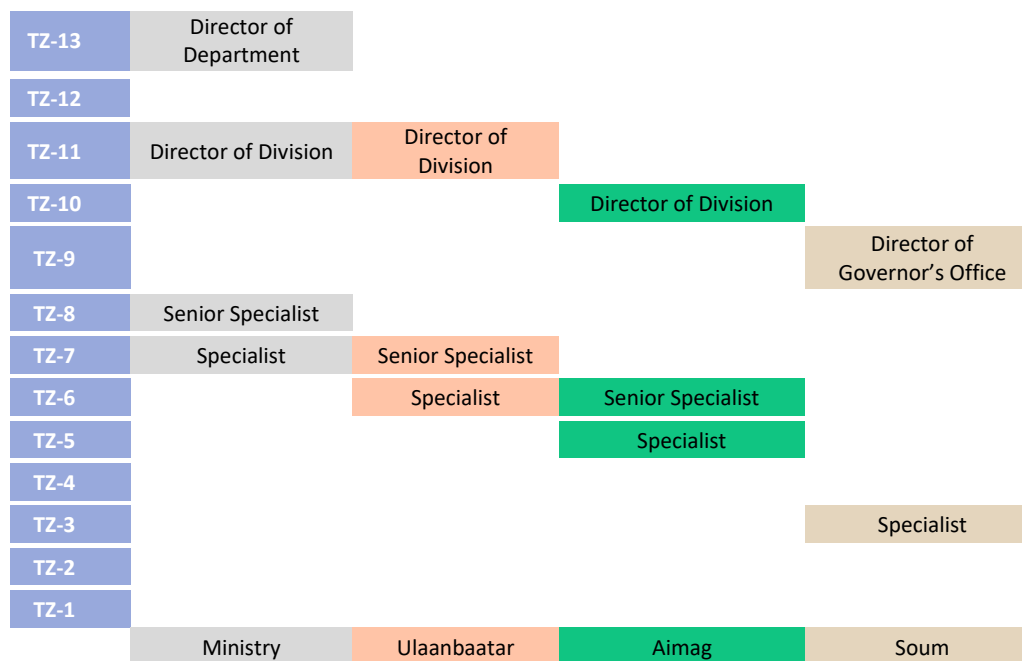
pay for equal work, with higher rewards reserved for those with more demanding jobs, or those with greater seniority. Internationally, there are two main types of job grading systems: 'job-based' and 'career' systems. Job-based systems are graded by reference to the job content. Career systems set grades by reference to an individual's educational qualifications at the date of entry and by length of service. Some services incorporate aspects of both. Most public organizations recognize the superiority of the job-based system over career systems. Those countries most closely associated with the career system (e.g. France, Netherlands) now give far greater weight to the nature of jobs that employees perform. This is certainly the norm in Commonwealth countries and has also been adopted in transition countries, such as Poland.

23. Mongolia's grading system is neither job nor career based. It is unique and can be classified as one in which the allocation of grades to jobs appears to be based primarily on the status of the organization employing the post-holder. Status is a function of organizational distance from the center of administrative power. Ministries have the highest status, followed by the offices of the UB city administration and aimags, with soums occupying the lowest tier.

24. Jobs with the same title, may have markedly different responsibilities and duties across organizations and therefore should be ranked differentially (Figure 3.1). However, there is currently no evidence-based method for making this judgment given that the grading structure is not based on a systematic job evaluation. The status of the employing organization appears to be the only differentiating criterion.

25. The grade structure for the civil service in Mongolia is irregular and causes resentment. Staff in aimags and soums feel they are treated

Figure 3.1 Post classifications of select administrative jobs by organizational location



Source: Government Resolution No. 275 of 2019

less fairly, and employees seek jobs in high status institutions closer to the center of administrative power which discourages mobility. The current system does not promote the best use of skilled employees, nor individual performance.

26. The move under the new CSL towards a career-based system does not remove the need for job evaluation. In a pure career civil service, model rank is the sole determinant of compensation. Positions are arranged hierarchically by reference to their rank and job evaluation is not needed. However, most OECD countries agree that the most effective system is one that operates elements of a post-based system within the overall framework of a career civil service. The new CSL provides a welcome move back to a system stressing security of career and appointment on merit. This does not obviate

the need to analyze jobs (or groups of jobs) and determine their relative worth. Such analysis would allow the government to determine the appropriate grade and pay for those jobs. All OECD governments find value in job evaluation for this reason.

3.3.3 Complexity of pay

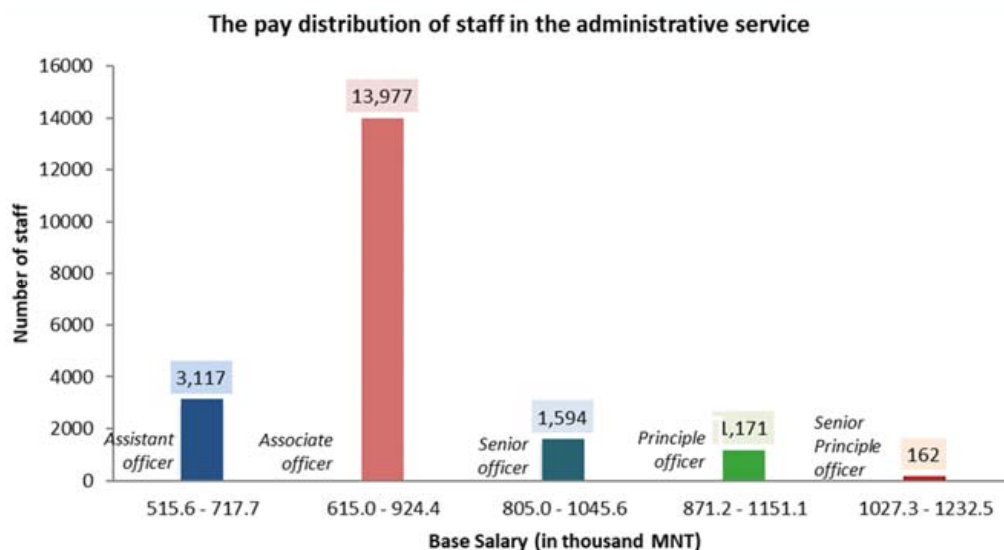
27. The complex structure of allowances and extra payments exacerbates the inequities in grading and other perverse outcomes. The length of service allowance is based on the personal characteristics of the civil servant and is unrelated to the actual job being performed. As the rank allowance also has a length of service component, there is a double impact of this distortion. The rank allowance, in particular, exacerbates the inequities of the grading system.

28. The flat-rate food and transport subsidy is not uncommon in former socialist countries. It was meant to compensate workers for the cost of traveling to their place of employment and providing a meal during working hours. Therefore, it is paid only when employees actually go to work and is not paid on annual leave or absences for other reasons. This subsidy is discriminatory against lower paid employees for whom it can be as high as 25% of basic pay, compared to 10% for higher level staff, as it penalizes them for taking their vacations.

3.3.4 Compressed and overlapping pay scales

29. Pay compression in the Mongolian civil service is high in comparative terms. Mongolia's compression ratio of 2.39 is roughly in the range of OECD countries, measured as the ratio of the highest base pay scale to the lowest base pay scale. It is significantly below that of other East Asian countries. While indicative, this rough statistic does not accurately convey the realistic progression of compensation for a representative career for a specific group of civil servants. Within the administrative service overall, compensation increases three-fold from the lowest grade to the highest grade, which offers a reasonable career. Furthermore, pay gradients in the public sector need to take account of pay levels in the national labor market if the government is to remain competitive.

Figure 3.2 The pay distribution of staff in the administrative service



Source: Government Resolution No. 472 of 2019

30. Pay scales for service delivery staff are not easily transferable to positions in the administrative service. They have very specialized skills and the scales appear to be too compressed to offer viable career development opportunities. Anecdotal evidence suggests significant frustration in these cadres which has contributed to high attrition levels.

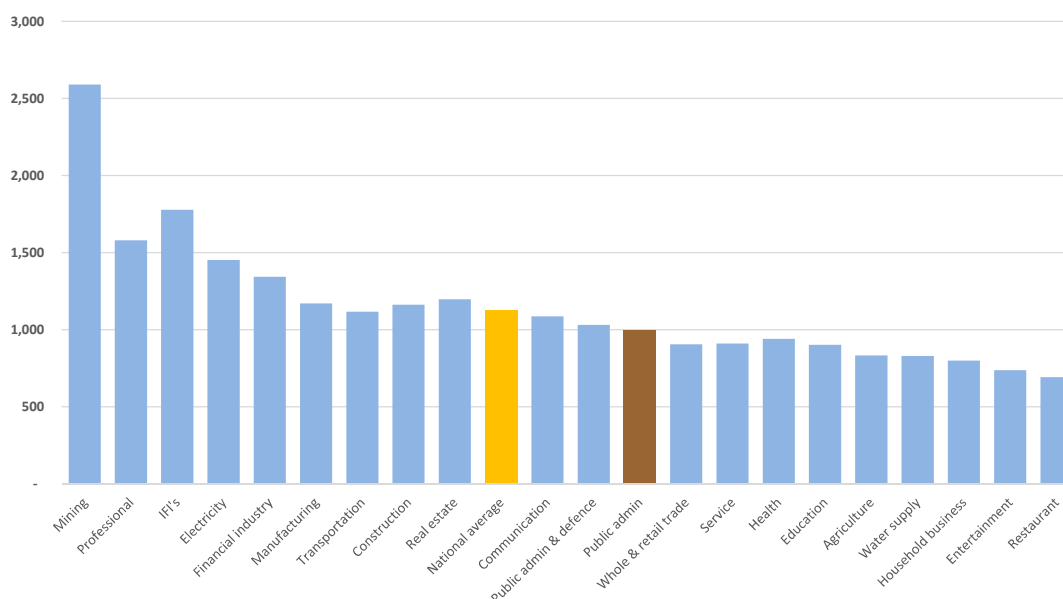
31. The pay increments in the pay scales overlap to a considerable degree resulting in a random pay distribution with no organizational purpose. Using the payroll data from the civil service census, they were allocated to the next nearest pay point. While no employee's pay exactly matched a pay point, by construction, all pay was matched to within 1% of actual pay. The resulting pay distribution is detailed in Figure 3.2. In most organizations, once pay is above a certain level, there are progressively fewer employees at each higher pay increment. However, in the Mongolian

administrative service the frequency distribution fluctuates considerably at the middle salary levels.

3.3.5 Pay setting is not based on any market comparisons

32. As discussed in the previous chapter, the nominal wage bill for civil servants has increased six-fold since 2000. The average civil servant monthly wage increased from MNT 53,000 in 2000 to MNT 318,000 in 2008 and MNT 1,124,300 in 2019. Public and private sector real wages grew sharply in early 2010, up by 48% in 2011–13. Since then private sector wages have risen another 10% (cumulative 76% since 2010) while civil service real wages have contracted by 15% through August 2018¹². A comparison of the wage levels across different sectors shows that average government wages (including defense, social insurance, education and health) are below the national average (Figure 3.3). The

Figure 3.3 Average wages by sector (thousand MNT), 2019



Source: National Statistical Office

¹² Fifth review under the Extended Fund Facility arrangement and request for modification and waiver of applicability of performance criteria press release; staff report; staff supplement; and statement by the Executive Director for Mongolia, IMF, November 2018.

top-paid professions are in mining, followed by international financial institutions (IFIs), electricity, and professional and financial services. However, it is not possible to assess the existence and the size of a public/private sector wage gap in the absence of micro-level data on professions, jobs and skill levels.

33. The government has acknowledged the need for a more nuanced pay policy but lacks the data or research instruments to make the necessary comparisons with the private sector.

A wage research unit was established within the CSC some 10 years ago but functioned only for a few months. With the revision of the civil service legal framework, responsibility for the issue has passed to the MOF. There does not seem to be any comparative research being carried out in the recent past. A benchmark survey would be difficult to conduct at present because civil service jobs are not defined in a way that enables benchmarks to be readily identified. Pay is only partly related to the job done, and much more closely related to the status of the institution to which the job belongs and the seniority of the person currently doing the job, which makes pay comparisons especially problematic. There is very little data available about either jobs or people within the civil service.

34. There is a prior requirement to collect data about a sample of civil service jobs.

Such a survey can serve several purposes in reforming pay and grades and is discussed in greater detail below. There may also be challenges from the private sector, with firms unwilling to disclose exactly what they pay highly skilled staff. Nevertheless, it is important to start collecting national pay data, to begin to understand how public and private sectors compare so that future pay decisions are more informed and can be better differentiated. Internationally, the experience is that the public sector pays its lower and middle level staff

more than the private sector, but underpays its technical, professional and senior management employees. Because the former outnumbers the latter, overall the public sector may show a slight pay premium, when the data is analyzed.

35. The due process protections afforded civil servants implies that remuneration of civil servants need not be as high as private comparators to attract the necessary qualified staff.

Therefore, the provision in the new CSL of recommending pay increases when civil service pay falls 5% below that of the private sector may be too generous. It risks regular, unwarranted pay increases that could compromise fiscal sustainability. In most other countries, such CSLs include the general principle of fair and competitive pay but fall short of this level of specificity.

3.3.6 The sequenced introduction of grading reform

36. It is recommended that the government reform the post classification and compensation structure.

This will provide the appropriate incentives for recruiting, retaining, and motivating skilled staff, in particular, through the principle of equal pay for equal work. Reforming the classification and compensation structure would be a medium to long-term process, to be carefully planned and delivered in stages. It would entail moving, in a sequenced manner, to a job-based system in which employees are paid according to the responsibilities of the job they perform. The goal would be for all staff members to receive equal pay for equal work, regardless of the institution in which they are employed. This would require a policy decision on simplifying pay by merging allowances into basic pay with a phased sequence of analytical activities to reform and simplify the grading structure, and benchmark pay. It would also need to be

determined whether merging allowances into pay should precede or follow the reform and simplification of the grading structure.

37. While reform of the post classification and compensation structure has been advocated for many years, there has been minimal progress in practical terms. In 2007, the government took action to simplify teachers' remuneration. It merged a series of allowances for activities such as checking student notebooks, invigilating examinations and maintaining school cabinets. In 2009 and 2017, the government also initiated studies of wider reform issues through a working group with cross-ministry representation. However, no significant progress was made, and the system has remained largely unchanged.

38. The consensus of principal stakeholders in the government is that current grade and compensation structure is creating serious inequalities and needs to be reformed. However, there is concern that if allowances are incorporated into the base salary, the public may perceive that civil servant wages have suddenly increased dramatically and result in an increase in consumer prices. This apprehension is based on experience. When increase in civil service salaries were announced, the price of consumer goods increased, burdening those citizens not working in the civil service. This issue needs to be addressed but is not an insuperable obstacle. It requires the government to communicate clearly to the public that it is a consolidation of income, not an increase.

39. There are substantial challenges in consolidating allowances into base pay before job descriptions are written and role evaluations are carried out. If allowances are merged into base salaries first, it would be necessary to adjust salary levels upwards to avoid discrimination. This would further inflate the wage bill and create

entitlements to a new and higher set of base pay arrangements. It would also make it more difficult to reorder jobs according to their relative worth. The subsequent step of grading jobs by their relative value for job evaluation would be made much more difficult. Staff who had seen base pay significantly improved by the merging into their pay of the superior set of allowances would resist any attempt to downgrade salaries. The only way to implement job-based pay equivalents across the civil service would be by leveling up the salaries of other staff. This would be expensive and could cause the whole process of pay reform to stall. On the other hand, if job descriptions and job evaluations are carried out first, the task of consolidating allowances into pay would be much simpler with most allowances abolished and consolidated into pay. The opposing argument is that preparing job descriptions and carrying out job evaluations would take an extremely long time, with pay simplification being unnecessarily delayed.

3.3.7 Sequenced introduction of grading reform and benchmarking pay

40. It is recommended that the GOM reform the grading structure through a sequence of analytical activities. The WB's 2009 report set out in detail the sequence of activities required. These are, in summary:

- Step one, job evaluations: Given the current lack of a job classification system, a survey needs to be undertaken of a representative sample of jobs in the Mongolian civil service. This will help to understand what the range of work undertaken by employees, prepare appropriate job descriptions, and allow for proper job evaluations to correctly position roles relative to each other;

- Step two, developing a grading structure: Using the job evaluations of the surveyed jobs, a grade structure will then be developed that takes into account the organization's needs. Plans can be prepared for the classification of all remaining jobs in the service, to position them in the new grade structure. Evaluation of all jobs would be too expensive;
 - Step three, developing a pay scale: Based on the new pay policy, in which total remuneration consists almost entirely of base salary, it will be possible to design a single universal pay spine. This would consist of one universal list showing all possible pay points to which a worker can be assigned, within ranges for individual job categories as determined;
 - Step four, assigning values to the pay scale: Benchmarked jobs can be identified from within the sample for pay comparisons with the private sector, donors, and non-government organizations. Monetary values would be assigned to a pay spine. This would be a continuum of pay points within which ranges for job categories can be determined in response to feedback from the pay comparison exercise to establish competitive pay levels.
- 41. Once the analytical work is completed the government will be able to introduce a new grade structure and basic pay scale for the administrative and support services.** The challenge will be to decide which of the several central government institutions should be responsible for undertaking this reform.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

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4 CONCLUSIONS AND RECOMMENDATIONS

1. This report has assessed the progress Mongolia has made to advance civil service reform in the past ten years since the WB 2009 report and has identified the areas which remain to be addressed. It has reviewed the new CSL to assess whether it provides an appropriate legal framework to boost the reform process. It has also identified the future challenges and provided recommendations for action to continue the reform process. The need to reform the civil service in Mongolia is critical due to its strategic role in ensuring the implementation of a modern regulatory framework. It is necessary to address the country's challenges in relation to financial, physical and logistical infrastructure to achieve sustainable economic development.

2. The specific conclusions and key recommendations analyzed in the report are detailed below, grouped under overarching themes.

4.1 The governing structure of the civil service and the new Civil Service Law

3. Implementation of the new CSL is expected to be a complex, multifaceted, and ongoing task. It requires 47 by-laws to be approved and/or amended, of which 44 have so far been approved. A coordinated effort continues to be required to overcome the existing "implementation gap" affecting Mongolia.

4. Carrying through such a substantial change management program requires coherent management. It is encouraging that the Cabinet Secretariat and, the reconstituted CSC, in particular, are addressing their responsibilities actively and purposefully. However, fragmented arrangements for management of the civil service still remain in place. Mongolia has adopted the approach of sharing management responsibility across a number of organizations with some of them having limited institutional capacity to take on the assigned functions and responsibilities. International good practice empowers one organization to lead and implement the reform process.

5. Some of the government functions mandated by the new CSL would be delivered more effectively through a unit created within the Cabinet Secretariat, responsible for civil service reform and management issues. These functions are currently being discharged by Cabinet Secretariat officials in addition to their normal duties. Inevitably, they will not be able to devote the necessary time and energy to these issues which are of strategic importance and will require sustained attention over a long period. The concept of this new unit is already supported by many stakeholders.

6. The unusual hybrid role of the CSC as supervisor while also implementing executive functions creates a potential conflict of interest. In its supervisory role, the CSC cannot avoid overseeing some of its own decisions and activities undertaken in its executive role. It is also unusual for the executive to, in effect, not be responsible for a large part of civil service management. The two roles are separated to the extent that a number of functions are the responsibility of the government. The peculiarity is that in this separation of functions both are being carried out by the CSC.

7. The determination that the CSC is showing in its first year in implementing the new CSL is sending important messages about reform and probity through the entire system of governance. Though up from 14 to 39 staff in its secretariat, the CSC remains under-resourced to deliver the supervisory and executive functions under its mandate. Branch CSCs, which are primarily responsible for the enforcement of the CSL, are seriously under resourced, and HR capacity in all state institutions is weak. Moreover, the CSC is funded from the state budget, rather than directly by the State Great Hural, which questions its ability to be independent when exercising its role of supervision, audit and correction of the activities of government bodies.

8. The challenges detailed above highlight the need for an urgent review of the institutional mechanisms for managing and supervising the civil service at all levels. In particular, it is necessary to identify the apex institution for the civil service and its role within the executive government. That lead institution's relationship with the CSC is also important to clarify, along with the framework for delegation of personnel management responsibilities to MDA, and local authorities. This will allow the CSC to transition to a more conventional oversight body in the medium term. The CSC can work in cooperation with the executive government, once the principle of a merit-based career civil service has been re-established in Mongolia. The independence of the CSC can be strengthened by having its budget decided by the Standing Committee on Budget of the State Great Hural, without reference to the MOF.

4.2 Managing the human resource in the civil service

9. The new CSL lays out a program of development for the civil service that provides the agenda for action for the coming years. In particular, the range of measures to prevent illegal appointments and dismissals are very welcome. However, they should be strengthened by closing the loopholes relating to the appointment of contract staff and the automatic admission of former ministers and governors to the civil service reserve. The steps taken by the CSC to strengthen the integrity and relevance of the civil service entrance examination are key measures to underpin the professional integrity of, and public confidence in, the civil service.

10. A related matter is the need for any legislation concerning the civil service to balance flexibility against restraint. The civil service should be sufficiently flexible to respond effectively to the demands of democratically

elected ministers. It also needs to provide sufficient and effective limits to make sure that the civil service is both professionally competent and sufficiently impartial to serve successive governments of different political complexion.

11. The most recent revision of the legal framework leans towards restraint with heavy emphasis on the prevention and reversal of politicization. Given the damage that politicization has caused under successive governments both to the institutions and to economic development, the selected approach seems necessary and appropriate. However, at some point in the medium to long-term the pendulum could swing back to some degree, reintroducing a larger element of managerial discretion to be more responsive to the public's need for services. This readjustment can only happen once the fundamental requirement for an impartial civil service has been achieved and is accepted across the Mongolian system of governance. To reduce the restraints prematurely would be dangerous. Much will depend on the conduct of the new government after the 2020 election and its ability to restrain its ministers and politicians from making political appointments and dismissals.

12. The CSC must protect the status of a career profession. Access must be restricted to those who meet strict professional requirements. In return there is an obligation on the civil service to deliver a high standard of service to the public. Currently, the public administration falls short of meeting that obligation. The solution is professionalization, not politicization, which actually makes matters worse. The successful implementation of the new performance planning system is key to this professionalization. It must become a genuine evaluation of the work of individual civil servants, and not an empty, ritual exercise. It must also be directly linked to organizational performance planning and

achievement. In the current reform process, it is imperative that the civil service ensures that the new performance planning system yields credible practical results. Here, both the CSC and the Cabinet Secretariat must provide strong joint leadership. This should also ensure that those appointed to lead ministries, MDA share the goal of building a professional merit-based civil service.

13. The development of the professional capacity of civil servants is also of critical importance. The upgrading of the civil service training system is extremely welcome and appears to be progressing in the right direction, though in its early stages of rollout. It will be important to move from a focus on academic and legal knowledge, towards the acquisition of practical knowledge and skills, particularly managerial skills, required by civil servants in their daily work¹³. To underpin these changes, the introduction of a system of job descriptions appropriate to each post, with competencies defined, overseen and approved by the CSC, is a technical but crucial precondition. So, also, will be the training of trainers at the NAOG to deliver the new training syllabus.

14. In addition, it is necessary to focus on the implementation of the ethical framework of the civil service, described in the National Anti-Corruption Strategy action plan. This has been prescribed in civil service legislation with the relevant Code of Ethics approved but practical implementation is yet to be observed. The government and CSC could draw on good practice examples from other countries where an ethical framework is operating successfully, adapting it to the Mongolian context. International experience would also assist when developing suitable training for civil servants in the practical application of ethical principles. International experience, in countries like Australia, show the value of simulated cases.

¹³ Over time, the civil service entrance examination needs to achieve the same shift of emphasis.

15. The primary recommendation to the government is to carry on with eradication of politicization of appointments and to promote a professional career-based civil service. This can be facilitated through a reinvigorated entrance examination and the elimination of channels for unlawful politicized appointments and dismissals. The role of the CSC is critical, and it has begun its task with encouraging vigor, promoting reform effectively with an expanded CSC Secretariat. However, this is not a task for the CSC alone and it is important that their work is respected and supported by all politicians and civil servants.

16. Progressive delegation of staffing authority from the center to the line MDA and local government is important. Delegation of authority needs to be coupled with regular reporting, adherence to budget and manpower limits, increased HR capacity, effective discharge of routine staff transactions and compliance with civil service regulations and approved processes. Delegation is needed to avoid long delays in approvals, and to be able to deal with personnel matters in the agency in which they arise.

17. In many OECD countries, central civil service management agencies have substantially delegated HR management to line MDA. This includes pay and employment decisions, subject to central guidance and best practice advice on policies and processes to follow. Agencies are increasingly held accountable for results as part of the delegation process. Critical to the success of personnel delegation are factors like: (i) the existence of a government-wide HRMIS, (ii) competent HR staff at the decentralized agency level who are knowledgeable on mandated processes, (iii) capacity of the apex agency to maintain a cycle of HR management audits, (iv) an effective budget process with sound financial control, and (v) confidence that overall civil service numbers are not increasing.

18. Decentralization of the civil service management system over the medium to long-term could start with mapping the structure.

This would include the hierarchy of the apex organization, LM headquarters, departmental and agency management, decisions on the creation of posts, their grading and remuneration, recruitment and promotion. Once there is a clear framework, a progressive transfer of responsibility can be planned. The CSC also must complete the documentation of the new personnel regulations and processes. This can be across-the-board or in relation to selected agencies based on their performance to date. It will be important for the CSC to coordinate with the MOF. This will ensure that HR delegations proceed in line with financial delegations, such as flexibility between payroll and other expenses within budget envelopes. Experience of other countries highlights the importance of the central management agencies proceeding in line with each other, creating a shared vision of government priorities.

19. The successful introduction of the revised performance planning system will be an early test of the new arrangements. Such a system could become another tokenistic exercise, in which boxes are ticked but no serious appraisal of performance is undertaken. It will need to link to wider government performance. While the reshaping of civil service training has started well, it will be necessary to wait and see how it operates in the medium to long term.

20. Regular review of the implementation progress is recommended and could occur annually. It would inform government stakeholders where successes have been achieved which could be publicized. Where obstacles exist, it could identify them and propose solutions. Such a review would help to shape the future development of civil service training and performance planning. It could also provide the UNDP support project with useful feedback on

progress of its initiatives. The Cabinet Secretariat and the CSC should lead and own such a review. It would also be helpful to include some element of assessment from international development partners. This would bring a wider perspective, international experience and add a degree of impartiality and credibility.

4.3 Improving the civil service grading and compensation system

21. The government should address major issues relating to the size of the civil service and management of its payroll and wage bill. The number of civil servants per hundred citizens is significantly higher in Mongolia than in some other countries in the East Asia region. The number of civil servants has grown by 34% over the past decade (2009-2019), for no apparent reason. The wage bill is not particularly high relative to international comparators, but it is the fastest growing and largest component of recurrent expenditure. Increasing staff is not the solution to meeting the scattered demand for services given the country's geographic characteristics. It is essential to manage the existing staff more effectively. This will improve productivity towards better value for money in service delivery through the envisioned reform.

22. Further reform of the HRMIS is necessary, drawing on past experience. Some recent progress has been made in developing an integrated payroll system at the MOF, linked to the CSC's personnel database. However, basic data such as information about vacancies or disciplinary proceedings is not readily available. This prevents application of an effective evidenced-based management process. Further reform actions in this area should carefully take into consideration, and be informed by, lessons learned from previous unsuccessful attempts. This includes the overambitious nature of the

changes desired, a failure to understand the capacity limitations of the existing system, the highly fragmented nature of the payroll system, and a lack of political support.

23. There is a long-standing requirement for reform of the post classification and compensation structure. There should be appropriate incentives for recruiting, retaining, and motivating skilled staff, in particular, through the principle of equal pay for equal work. This requires a threefold approach. First, simplifying the pay system by merging allowances into basic pay. Second, simplification of the grading structure, and benchmarking pay, including benchmarking against other sectors. Third, the introduction of centralized payroll management to provide more effective management of the payroll and to facilitate expenditure control. In the longer term, it will be necessary for the progressive decentralization of HR management responsibility to line MDA. If controls are strong, accountability for performance will grow.

24. In practical terms, the GOM has two sequencing options to consider on classification, pay and grading. One option is to proceed with merging allowances into base pay as the first step, and then proceed with pay and grading reform. The other option would be to postpone merging allowances into pay until the fundamental reform of the pay and grading system has been accomplished. The first is the simplest course and could be achieved quickly. The risk is that the resulting increase in base pay might be taken as a legitimization of discriminatory allowances. This might create a sense of entitlement on the part of those receiving higher base pay for the same work as others in different parts of the civil service. This would make the subsequent pay and grading reform politically more difficult.

4.4 Sequencing of the reforms and recommendations

25. Taken together, the recommendations for reform constitute a large program of change. The enactment of the new CSL has already committed the State Great Hural and the GOM to much of this agenda. If these practical proposals are carried through purposefully, Mongolia will be well placed to achieve a productive public sector, translating its considerable natural resource wealth into sustained improvement in the lives of its citizens.

26. The following is a detailed list of recommended actions grouped according to their priority, to be addressed in the short, medium or long-term.

Recommendations to be addressed immediately:

- As a matter of urgency, sufficient office accommodation and equipment to be made available to the CSC to allow its expanded Secretariat to operate effectively.
 - The GOM immediately review the mechanisms and capacity for managing and developing the civil service. This review to focus on clarifying responsibilities between the different bodies involved. It should examine how to strengthen their capacity and improve coordination between them. It should also make recommendations about a possible change to the CSL in the longer term to rationalize the allocation of responsibilities.
 - The CSC develop a standard methodology for undertaking HR audits of government organizations, including arrangements for publication of the results. The WB is willing to provide assistance in developing such a methodology.
 - The CSC operationalize the rules in the newly approved Code of Ethics.
 - An annual review of progress be implemented in the new performance planning system.
- A centralized system of payroll management be fully established and operationalized. This should be linked to a central HRMIS with a mechanism to ensure that both systems use a consistent set of data.
 - The GOM agree to the arrangements for monitoring and evaluating the progress of the new arrangements. This includes a set of indicators and the publication of an annual/six monthly report of progress against those indicators.

Recommendations to be addressed in the medium term:

- The system of branch CSCs be reviewed to assess their current effectiveness and needs to operate effectively in future. This review should include the existing coverage of state administration bodies by branch CSCs.
- The GOM give the MOF an explicit remit to study and make recommendations on pay comparability between the civil service and other employment sectors. It should also be instructed to undertake such work regularly to a realistic timetable.
- In its training for civil servants, the NAOG minimize the theoretical content of training. It should move instead to the use of exercises, case studies and practical approaches that correspond to real-life conditions.
- Article 16 of the CSL be amended to restrict the automatic inclusion in the civil service reserve to those who previously held high civil service rank. It should exclude those who have only held political office.
- The GOM review the experience in other countries of political advisers to ministers as a way of reducing pressure for politicization of the civil service. The WB is able to provide access to international experience on the subject.
- The CSC monitor the implementation of the provision in the CSL requiring that

damages and legal costs should be paid by the official responsible, when a civil servant has been illegally dismissed, ensuring that this innovation is not deterring the justified removal of staff members who are performing poorly.

- The GOM also consider creating an intake of young civil service professionals recruited directly from university. This could form the nucleus of a cadre of professional civil servants who would be given a special career path with additional training. It could expose them to different professional experiences and accelerated promotion in the early years. The WB can provide access to international experience in this regard.
- The GOM undertake a reform of the post classification and compensation structure to provide the appropriate incentives for recruiting, retaining, and motivating skilled staff. It should focus, in particular, on adopting the principle of equal pay for equal work. This will need to be carefully planned and undertaken over the medium to long-term.

Recommendations to be addressed in the long term:

- The CSC should be funded through the state budget but with budget decisions taken by the Standing Committee on Budget of the State Great Hural without reference to MOF scrutiny. This would be the same as the Supreme Audit Institution.
- The CSC should examine the extent to which the abuse of contract appointments is being used to circumvent the prohibition on political appointments. If necessary, it should take systemic action to prevent such abuses including, where appropriate, recommending further amendment of the CSL.
- Once the revised civil service examination system is well established, the CSC should

consider whether the examination should be further revised. This is to include additional tests of candidates' capacities in the field of teamwork and managerial skills, for example by the use of psychometric testing or group exercises.

- The government should move towards progressive delegation of staffing authority from the center. Responsibilities should be moved to line MDA and local government bodies. This should be accompanied by regular reporting by the latter, adherence to budget and manpower limits, the buildup of HR capacity and effective discharge of routine staff transactions. As a first step, a mapping could be carried out of existing hierarchies and responsibilities.

4.5 Monitoring and evaluation of implementation of the new arrangements

27. It is recommended that a mechanism for monitoring the implementation of the new CSL is introduced. The absence of monitoring was a significant weakness in the past CSRS. The GOM, the CSC, civil servants and the public need to be regularly informed on the progress in implementing the new CSL. This will facilitate efficient management, accountability and transparency. An appropriate period for the first monitoring exercise would be in 2021, two years after the law was proclaimed.

28. A set of indicators needs to be devised to measure the implementation of the new CSL. It is important to agree on progress indicators, and to develop the system to gather data from the outset. The following list of possible indicators is provided as a starting point for a discussion with the GOM and, particularly, the CSC. Selection of indicators will also depend on the data available to measure their attainment.

Table 4.1 Suggested indicators to measure implementation of the new Civil Service Law

	ISSUES	POSSIBLE INDICATORS	DATA SOURCE
1	Screening of civil servants	<ul style="list-style-type: none"> Number screened annually Number of those screened who are approved/rejected/ordered to be retrained 	CSC data
2	Civil service entrance examination	<ul style="list-style-type: none"> Number of people taking the examination Pass rate (with possible breakdown by sex and geographical location) 	CSC data
3	Use of civil service reserve	<ul style="list-style-type: none"> Number in reserve each year Number admitted to the reserve each year. Both should be broken down by source i.e. successful examination candidates versus former officeholders. 	CSC data
4	Movements in the civil service	Number of new appointments/departures/turnover/ transfer and rotation of civil servants	CSC data
5	Performance management	Distribution of the evaluation results	Available data from CSC/ Cabinet Secretariat depending on the system adopted
6	Job descriptions	Percentage of job descriptions for the available positions endorsed by the CSC	CSC data
7	Promotions	Number of civil servants promoted	CSC data on HR audit results on promotions/new appointments
8	Disciplinary measures	<ul style="list-style-type: none"> Number of disciplinary measures against civil servants taken in a year Number of legal actions by civil servants 	CSC data on disciplinary measures and data available from the courts
9	Civil service audits	Number of audits carried out	CSC annual report
10	Complaints to CSC	Total number each year with breakdown by subject of complaint and outcome	CSC data on complaints and remedies
11	Illegal dismissals	Number of legal actions on illegal dismissals	CSC data on compliance
12	Ethical framework	Number of cases of ethical breach	CSC data
13	Political neutrality	Number of party memberships suspended by civil servants	CSC data
14	Training	Number of civil servants trained with breakdown by rank/position, sex and geographical location	Data available by the NAOG
15	Branch CSCs	Number and coverage of the branch CSCs from the annual reports	CSC report

29. The government will need to decide which institution will have responsibility for preparing the monitoring report. The CSC is the obvious choice, since it will need to gather much of this data for its own management purposes. The CSC could share that responsibility with the Cabinet Secretariat, which would bring an additional measure of authority when requesting data from other government agencies, and also add an independent element of cross-check since the CSC will be reporting on some of its own activities.

ANNEXES

ANNEX 1: List of interviewees and focus group discussion participants

Mr. Baatarzorig.B	Chairman, CSC
Mr. Zumberellkham.D	Member, CSC
Mr. Tsedendamba.S	Member, CSC
Mr. Iderchuluun.B	Member, CSC
Mr. Baatarsaikhan.D	Member, CSC
Mr. Bayasgalan.G	Former First Deputy Chief, Cabinet Secretariat
Mr. Batsukh.Sh	Vice Rector, NAOG
Mr. Tsedev.D	Vice Rector, NAOG (in charge of training)
Mr. Baigal.D	Dean, Public Affairs and Management, NAOG
Ms. Khulangoo.P	National Project Manager, UNDP Project
Ms. Davaadulam.Ts	Senior Technical Advisor, UNDP Project
Mr. Altanzul.B	Head, Secretariat Office, CSC
Mr. Zorigtbaatar.G	Acting Director, Dispute and Inspection Department, CSC
Mr. Purevdagva.B	Senior referent, CSC
Ms. Altantsetseg.D	Secretary, Branch Council, CSC, Governor's Office of the Capital City Ulaanbaatar
Ms. Badamdulam.G	Senior Officer, Public Administration and Management, Department of the Environment and Tourism
Mr. Narmandakh.M	Secretary, Branch Council, CSC, State Professional Inspection Agency
Ms. Oyungerel.Sh	Secretary, Branch Council, CSC, National Statistics Office

ANNEX 2: Pay scales for the civil service in Mongolia

(monthly, in MNT)

1. Payroll for positions of secretariats of the State Great Hural, President, Government of Mongolia, Constitutional Court, Supreme Court, Prosecutor General, National Human Rights Commission, CSC, National Security Council, General Election Committee and similar state organizations

Payroll grade	Ranks of positions										
	AA-11	AA-10	AA-9	AA-8	AA-7	AA-6	AA-5	AA-4	AA-3	AA-2	AA-1
1	690018	744765	804986	838108	871230	944097	984175	1027338	1071573	1090156	1108741
2	731527	790426	855213	890847	926480	1004873	1047989	1093699	1141252	1161226	1181197
3	773046	836096	905451	943597	981742	1065660	1111816	1160280	1211164	1232536	1253908
4	813215	880281	954054	994629	1035204	1096916	1131462				
5	853375	924456	1002648	1045653	1088657	1128170	1151108				

2. Payroll for positions of government administration (T3— Public Administration)

Payroll grade	Ranks of positions														
	T3-1	T3-2	T3-3	T3-4	T3-5	T3-6	T3-7	T3-8	T3-9	T3-10	T3-11	T3-12	T3-13	T3-14	T3-15
1	515629	548037	585493	615022	642388	690018	744765	804986	838108	871230	944097	984175	1027338	1071573	1090156
2	543917	578782	619078	650846	680286	731527	790426	855213	890847	926480	1004873	1047989	1093699	1141252	1161226
3	572211	609535	652670	686678	718193	773046	836096	905451	943597	981742	1065660	1111816	1160280	1211164	1232536
4	599584	639285	685168	721343	754867	813215	880281	954054	994629	1035204	1096916	1131462			
5	626952	669030	717662	756002	791532	853375	924456	1002648	1045653	1088657	1128170	1151108			

Source: Cabinet Resolution # 472: <https://www.legalinfo.mn/annex/details/10380?lawid=14892>

3. Payroll for governmental special positions (ТТ – Government Special)

Payroll grade	Ranks of positions																	
	ТТ-1	ТТ-2	ТТ-3	ТТ-4	ТТ-5	ТТ-6	ТТ-7	ТТ-8	ТТ-9	ТТ-10	ТТ-11	ТТ-12	ТТ-13	ТТ-14	ТТ-15	ТТ-16	ТТ-17	ТТ-18
1	464820	497047	514351	542750	553315	573444	594989	617611	641363	666304	692493	719990	748860	779177	811007	911275	949710	965851
2	493133	528190	547014	577907	589401	611298	634736	659346	685186	712316	740806	770748	802126	835105	869731	978808	1020619	1038178
3	520549	558347	578645	611952	624344	647955	673225	699759	727620	756873	787589	819842	853706	889264	926599	1044205	1089286	1108219
4	546110	586466	608135	643696	656926	682133	709113	737441	767186	798418	831210	865643	901798	939760	979620			
5	572446	615435	638517	676399	690493	717345	746085	776260	807947	841216	876151	912829	951344	991783	1034244			

4. Payroll for public service positions in scientific organizations (ТУШУ – Public Service Science)

Payroll grade	Ranks of positions						
	ТУШУ-1	ТУШУ-2	ТУШУ-3	ТУШУ-4	ТУШУ-5	ТУШУ-6	ТУШУ-7
1	652883	818387	885356	944660	1008338	1077112	1151386
2	657970	825145	892790	952621	1016935	1086393	1161409
3	670897	842316	911680	972719	1038643	1109839	1186732
4	703693	885875	938068				
5	740279	934471	964457				

96 5. Payroll for public service positions in pre-school, elementary and secondary education organizations (ТУБД – Public Service Secondary Education)

Payroll grade	Ranks of positions				
	ТУБД-1	ТУБД-2	ТУБД-3	ТУБД-4	ТУБД-5
1	587385	703623	749728	818762	885763
2	591812	709224	755608	825523	893200
3	603058	723450	770545	842702	912097
4	631589	759541	808442	886281	F938498
5	663418	799806	850717	934899	964899

6. Payroll for public service positions in vocational education organizations (ТУМБ – Public Service Vocational)

Payroll grade	Ranks of positions						
	ТУМБ-1	ТУМБ-2	ТУМБ-3	ТУМБ-4	ТУМБ-5	ТУМБ-6	ТУМБ-7
1	625966	674306	700895	784647	848856	905714	966767
2	630844	679674	706528	791127	855983	913347	975010
3	643238	693306	720845	807590	874094	932616	995822
4	674682	727894	757161	849353	899394		
5	709760	766481	797676	895945	924695		

7. Payroll for public service positions in health sector (ТҮЭМ – Public Service Health)

Payroll grade	Ranks of positions								
	ТҮЭМ-1	ТҮЭМ-2	ТҮЭМ-3	ТҮЭМ-4	ТҮЭМ-5	ТҮЭМ-6	ТҮЭМ-7	ТҮЭМ-8	ТҮЭМ-9
1	547509	587385	653181	703623	731369	818762	885763	945093	1008801
2	551533	591811	658271	709224	737248	825523	893200	953058	1017401
3	561756	603058	671205	723450	752185	842702	912097	973165	1039119
4	587693	631589	704015	759541	790081	886282	938498		
5	616629	663419	740619	799806	832357	934899	964899		

8. Payroll for public service positions in culture and art sector (ТҮСҮ – Public Service Culture and Arts)

Payroll grade	Ranks of positions						
	ТҮСҮ-1	ТҮСҮ-2	ТҮСҮ-3	ТҮСҮ-4	ТҮСҮ-5	ТҮСҮ-6	ТҮСҮ-7
1	524696	562911	625966	674307	784647	905714	966767
2	528552	567152	630843	679674	791127	913346	975010
3	538351	577931	643238	693306	807591	932617	995822
4	563206	605273	674681	727894	849353		
5	590937	635775	709760	766480	895945		

9. Payroll for public service positions in public sector organizations other than health sector and positions to ensure normal operation of state organizations (TY – Public Service)

Payroll grade	Ranks of positions											
	TY-1	TY-2	TY-3	TY-4	TY-5	TY-6	TY-7	TY-8	TY-9	TY-10	TY-11	TY-12
1	467374	489168	506498	524696	562911	625965	674306	700895	784647	848856	905714	966768
2	470617	492666	510172	528553	567152	630843	679673	706529	791127	855984	913347	975009
3	478742	501552	519503	538350	577930	643238	693307	720845	807589	874093	932617	995822
4	499852	524098	543175	563206	605273	674681	727894	757161	849353	899394		
5	523405	549250	569585	590937	635776	709759	766481	797676	895945	924695		

10. Payroll for public service positions in public sector other organizations of health sector and positions to assist ensuring normal operation of state organizations (TY – Public Service)

Payroll grade	Ranks of positions											
	TY-1	TY-2	TY-3	TY-4	TY-5	TY-6	TY-7	TY-8	TY-9	TY-10	TY-11	TY-12
1	487695	510435	528520	547509	587385	653181	703623	731369	818762	885763	945093	1008801
2	491079	514086	532353	551533	591811	658271	709224	737248	825523	893200	953058	1017401
3	499556	523359	542089	561756	603058	671205	723450	752185	842702	912097	973165	1039119
4	521584	546885	566792	587693	631589	704015	759541	790081	886282	938498		
5	546162	573130	594350	616629	663419	740619	799806	832357	934899	964899		

11. Payroll for public service positions of some employees holding political posts

Positions	Pay scale for position
Deputy Governor of the Capital City	1014608-1119472
Deputy Governor of Aimag	978472-1051067
District Governor	964647-1111971
Deputy Governor of District	769168-950400
Soum Governor	907317-1052207
Deputy Governor of Soum	708599-890013
Governor of Horoo	672980-772398
Governor of Bagh	603031-697388

ANNEX 3: References

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WORLD BANK GROUP

Address: 5th Floor, MCS Plaza Building, 4 Seoul Street,
14250 Ulaanbaatar, Mongolia

Tel: +(976) 70078200

Web: www.worldbank.org/mn

Facebook: World Bank Mongolia