

ADMINISTRATIVE REFORM IN MONGOLIA: STAGES, LESSONS LEARNED³²

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Abstract: This paper aims to present insights, results, and stages of administrative reform in Mongolia over the past 30 years. The reform process is divided into 4 stages depending on the policy direction, goals, and objectives and to draw out policy concepts, timelines, outcomes, and lessons learned at each stage.

Keywords: Public Administration, Administrative reform, stages of reform, reform concepts, results, lessons learned.

Foreword

The administration is criticized for its lack of acceptance in change, as well as being rigid and bureaucratic based on features such as relatively stable structure, fixed functions and tasks, limited budget, adhered to regulations. However, attempts to change the administration have been constantly discussed. It is said that the change was initially aimed at changing the organizational structure and rules and was limited to partial decentralization or re-centralization of power. However, since the middle of the 1970s, reforms to introduce management methods in the developed countries of the West, and subsequently in the world to improve the operation of the public sector, were able to change the public sector, including the administration to an unprecedented extent, which is evident for everyone after 50 years.

Since the beginning of the 1990s, political, economic, and social changes were taking place in Mongolia. There was an urgent need to change the public sector and administration, and there was a favourable opportunity to implement reforms based on concepts that had been successfully implemented in other countries and had clear positive results.

However, the administrative reforms in Mongolia have not been consistently and steadily implemented at times, conflicting concepts and goals have been formulated, there have been many cases turned back, lost, and failed.

The reform of public administration in Mongolia was divided into four phases depending on their concept of reform, the policy direction and goals pursued by the government at that time, and the period of implementation. It was following stages:

- 1) Transition period for political, economic, and social changes (1990-1996)
- 2) Establishment of the new Administrative and Public Service System (1996-2002)

³² Translated by Jargal Jambal

- 3) Introduction of the New Public Management model in Public Sector (2003-2012)
- 4) The Period of Attempts to Deepen Reforms (since 2013)

In the following section, this paper analysed each stage that focuses on legislation, policy documents adopted (amended), its duration and results, and policy objective that was attempted to implement at each stage of reform.

I. Transition period for political, economic, and social changes (1990-1996)

Since the beginning of the 1990s, Mongolia has moved from the totalitarian regime with one-party leadership to democracy and market relations and started big changes covering all aspects of politics, economy, and society.

In May 1990, the Constitution of the People's Republic of Mongolia was amended to recognize the multi-party system, private property, and has set the legal basis for free democratic elections. In July of the same year, the first democratic elections were held, and a new legislative body was established with the multiparty. The government organized the liberalization of the economy and acceptance of private property. The Privatization Law was approved in May 1991, and privatization of state-owned enterprises began throughout the country. At the time, the new Constitution was approved on January 13, 1992, which was developed and discussed by the people.

Regarding new Constitution, the election of Parliament was held and State Great Khural was newly established. According to the new Constitution, critical laws regulating relations of government, administration, political system, and economy were approved by State Great Khural, such as Government law, Mongolia's administrative and territorial units and their management, Budget law.

Since 1993, the Government of Mongolia, with the United Nations Development Program, has begun to develop and implement the Management Development Program in order to "improve the management capacity of the public and private sector in the market economy in a democratic society" (Mongolia, Cabinet Secretariat of Government of, 1995, p. 10).

This program defined the four policy directions, two of which were "Reform of Public Administration and Civil Service" and "Decentralization and Strengthening of Local Government". It can be said that the reform of public administration in Mongolia started from this program.

This policy is to "change government in accordance with the market economy in a democratic society" (Mongolia, Cabinet Secretariat of Government of, 1995, p. 13). It was first defined directions of the government for public administration reform.

In terms of setting goals for public administration reform, the Management Development Program was to "create opportunity to develop the private sector during the transition period and change the state's role and activities in a market economy in a democratic society" (Mongolia, Cabinet Secretariat of

Government of, 1995, p. 47). This is the main concept of reform. Based on the main role of the public administration reform process, there were three levels: a) the political role of the government in the transition process (determining policy); b) capacity to implement policies by creating a hand-held, urgent, and effective public administration; c) the ability to strengthen public-private partnership. It also defined activities of public administration reform as 1) having a compact structure for the Ministry; 2) having professional agencies that receive promotion based on performance; and 3) contracting execution of administrative work by private organizations based on competitiveness (Mongolia, Cabinet Secretariat of Government of, 1995, p. 49).

It is obvious that the activities of public administration reform implemented in the early 2000s were included in the Management Development Program during this time.

Regarding the civil service reform, there were several problems, which are the legal regulation is outdated, the new legal regulation has not yet been established, the reputation of the civil service is low, and civil servants are not working stably. It was an urgent need to create an appropriate legal system. In 1994, the Law on Public Service was approved within the framework of this situation, and it established a legal basis for the qualified and stable Civil Service.

This period of administrative reform is a profound political, economic, and social change that covers the entire country. It was time to establish the foundation of the legal framework and the development of policies for implementing reforms in which public administration works in harmony with a democratic and market economy.

II. Establishment of the new Administrative and Public Service System (1996-2002)

The Management Development Program was implemented between 1993-1996. It has been the "general line" in developing the above-mentioned reform policy and forming the legal framework. Within the framework of the program, the State Great Khural approved a policy document under the name "Policy on reforming Government processes and General system of Structure" on May 21, 1996. This policy document is widely known as "Resolution No.38" and it is still in force.

This policy aims to "redefining the direction of the government's activities, improving the general structural system through re-engineering, applying management methods that suitable for the requirements of market economy in a democratic society, and reducing the budget through improving the leadership role of the government and the results of its operations".

It became the first comprehensive and significant policy document for the Mongolian administrative reform. This policy made it possible to implement the goals of the reform that had been planned from the beginning. For example, it can be mentioned that the issues of strategic planning, which were ignored due to the breakdown of the old system, were reflected in the functions of the

Ministry and all levels of the Governor's office.

Within this policy, the functions of administrative organizations were divided into categories. For example, the ministry has three main functions as strategic policy planning, coordination of policy implementation, and monitoring and evaluation. But it was a new thing for our country that the task of implementing the policy should be carried out by professional agencies that operate relatively independently.

Agency has some specifics, which are the agency signs a contract with the minister in charge of the area and is an organization that is relatively independent from the ministry in terms of structure and operation and has the authority to manage its resources independently.

In addition, within the framework of the policy, the function of providing health, cultural, and educational services was mainly transferred to local administrative organizations. It is specified that the mechanism for creating the financial capacity and management capacity in the local is necessary for implementing that function.

Meanwhile, the policy also formulates goals that were previously included in the Management Development Program, such as budget reform, opening opportunities for non-governmental organizations and the private sectors to perform administrative functions under contracts, and applying performance management.

Some of these were partially implemented in the later period of reform, and many were already adopted as a usual practice in the administrative activities.

This policy was approved just before the 1996 election of State Great Khural. The new government formed because of the election was committed to ensuring the implementation of the policy. According to this policy, the State Great Khural decided that the Cabinet will have 11 members (Prime Minister, 9 Ministers, Head of the Cabinet Secretariat of Government), 9 Ministries, and 59 Agencies (58 of which were established). This government has become the government with the smallest number of members and ministries in the last 30 years. Regarding the policy, the main functions of all levels of public organizations were redefined, which are still implemented in most public organizations today.

The work of establishing government agencies, determining their functions, and adapting their activities to the policy objectives were not fully completed.

In terms of form, the agencies have been established, but the legal regulations were still unclear (the draft of law was submitted by the government in 1997 but was approved only in April 2004), and government agencies have not implemented the functions such as self-determining the structure and self-disposal of human and financial resources that were initially planned.

In terms of structure, the agencies were able to be separate from the relevant ministries. But later, at the end of 2008 their employees became administrative officers and concentrated their income into Treasury funds, the characteristics of

independent activities of agencies gradually disappeared.

The Government Agencies Law approved in 2004 defines an agency as "...a public administrative entity with the function of implementing policies in the appropriate field and scope of government activities at the national level". The main feature of agency, distinguishing it from other public organizations is not here.

The work of establishing, close-down, and changing the functions of agencies is carried out in highly politicized manner after each election. It has become impossible to ensure the stable operation of the organization.

III. Introduction of the New Public Management model in Public Sector (2003-2012)

The administrative reform that has been successfully implemented in the countries of the world, including developed countries, is called "New Public Management" and has been discussed in early-2000s in Mongolia. Within the reform, policies have been developed in several areas of reform such as budget reform, performance management, procurement and contract management. In 1997, the government decided to adopt the New Zealand reform model entirely and initiated the drafting of the "the New Accountability System Law". Although it was submitted to the Parliament, there was a controversy and the draft was withdrawn. Lately, it was approved on June 27th, 2002, under the name "Public Sector Management and Finance Law".

According to this reform policy, the United Budget Law (2002), the Legal Status of the Ministry of Mongolia Law (2004), the Government Agencies Law (2004), the Procurement of goods, works and services with State and Local Assets Funds Law (2005) were approved by Parliament. All laws related to the state structure, function and operation of the Government including the Government Law and the Civil Service Law were formulated to conform with the Public Sector Management and Finance Law.

The Law was aimed at regulating relations related to budget preparation, approval, spending, and reporting, the rights and duties of public organizations in relation to the budget, human resources policy and operational management principles, budget control, and responsibility.

This law is mainly focused on reducing the expenses of the budget organization, reducing improper spending, strengthening fiscal and civil service discipline, and improving financial management, control and budget performance. Moreover, "the work to be done in planning the activities of the public service is transferred to the product, and determining budget for the work performed by the public service based on the calculation of cost and benefit, and the method of calculating work performance by results has been legislated in detail" (Zumberellkham.D, 2020, p. 38).

All these were the years of progress aimed at determining the strategic goals and objectives of public organizations and reforming their internal structure and organization based on private sector management to improve the efficiency and

results of their operations. In addition, the beginning step to create a modern pattern of public service management, financing, planning, execution and evaluation with an innovative methodology for implementing output and result-based management in each organization was made at this stage.

However, when drafting the Public Sector Management and Finance Law, many factors, such as differences between the legal systems of New Zealand and Mongolia, the functions and structure of public organizations, and the budget system as well, were not carefully studied. Emphasizing direct translation to utilize caused disputes and objections at the decision-making level. Also, the New Zealand model has not been specifically studied to the extent that is suitable for Mongolia and not paying much attention to the localization of the model. For those reasons decision-makers, civil servants and citizens did not accept the purpose and content of the reform.

And, the scope of independent local budget authority was narrowed under the basic requirement to tighten fiscal discipline, which was a feature of this period. Despite the goal of decentralization within the framework of this reform policy the result was not decentralized, but were re-centralized in contrast, especially in budget authority.

“Medium-term Strategy for Civil Service Reform” was approved in April 2004 in accordance with the content of the reform of the management and financing of the budget organization. And this policy suggested that the requirements for the implementation of the principle of qualification and stability of the civil service are defined. The policy emphasized keeping the civil service apart from politics to implement public policy. Also, it was considered that expanding the authority of the central public service organization will create the basic conditions for the stability of the public service. The Civil Service Law was amended in 2008 to restrict the civil servants other than political officers to be the members of political parties.

IV. The Period of Attempts to Deepen Reforms (Since 2013)

Budget reform was carried out by implementing the Public Sector Management and Finance Law, and although the trend towards re-centralization increased, improved budget discipline, and increased accountability. The introduction of a unified treasury system and procurement process, output/result-oriented instead of input-oriented, and the introduction of the Performance Agreement had positive results (which are still being implemented). However, the tendency to oppose this law (especially from localities) on the grounds of “increased concentration and the need to increase local budget authority” was directly related to the reasons such as the lack of public understanding of the contents and goals of the previously mentioned reform, and lack of attention to localization. At the same time, the reform of Mongolia’s public administration has already become fragmented and lacking a unified policy (despite Parliament’s Resolution No. 38 of 1996 still being in force). Each sector and direction have been influenced by the need to independently search for and determine the reasons and requirements for reform based on their own interests.

As part of the revision of the Budget Law, the Public Sector Management and Finance Law was repealed in 2011, and some relations regulated by that law, for example, issues of strategic planning and performance management of public organizations, were left without relevant legal regulations. The Budget Law was newly approved and came into effect on January 1, 2013.

As a result, the development and implementation of strategic plans by government organizations has weakened. However, when the Law on Public Service was amended in 2017, the requirement for government organizations to develop strategic plans was clarified, and in 2019 (revised in 2020), the government issued a regulation that detailed the methodology for developing and evaluating the implementation of organizational strategic plans and specified the necessary requirements. At the same time, each government organization, all its units, and employees developed and approved a performance plan, which is evaluated annually and quarterly, and these are linked to the salary and incentive system. Compared to the previously implemented Performance Agreements, on one hand, it has been relatively simplified, and on the other hand, it appears to have been focused on making the wording, sequencing, evaluating, and assessing more convenient, tailored to the functions and activities of administrative organizations and employees.

The Budget Law was revised, and the Budget Stability Law was newly drafted and approved. This budget reform includes:

- The method of budgeting was introduced with the aim of allocating resources to the priority areas of the policy, considering the functions of the state, the results to be achieved, and the performance indicators, emphasizing the efficiency of distribution.
- Legal provisions were established to define the responsibilities, standards, and accountability related to ensuring budgetary stability, including the creation of a national savings reserve to be used as a tool for economic stabilization.

Measures were introduced to enhance public participation in budgetary processes and to ensure transparency, with a focus on improving the effectiveness of the Local Development Fund (MICPA, 2021, p. 27).

Along with the new approval of the Budget Law, a special government transfer called "Local Development Fund" was introduced to ensure the direct participation of citizens and the conditions for citizens to participate in making decisions about investments in their communities. In the first years, it was financed only by the central government, and on the one hand, the citizens were not always able to participate, they could not find a way to participate, and on the other hand, they did not learn what kind of work can be done with the funds. However, in recent years, a certain percentage of the Local Development Fund has been generated from local income, and the government and civil society have paid attention to increasing citizens' participation and supporting their initiatives.

The Government decentralization policy was approved in 2016, and numerous goals were set for the transfer of functions to local communities and the development of self-government, including budget decentralization, but without making significant changes, due to the amendments to the Law on Development Policy Planning in October 2021. It has been cancelled due to the requirement to comply with the law and has not been revised until now.

At the end of 2020, the revision of the Law on Administrative and Territorial Units and their Management was approved. Due to the amendments to the Constitution of Mongolia in 2019, in addition to the amendments made to the law, one new thing directly related to the reform of the state administration was the definition of local functions for each administrative unit for the first time. The distribution of functions in this way should ensure that the local community has the right to independently solve, manage, and take responsibility for the problem. Laws and other regulations in Mongolia should be complied with the Law on Administrative and Territorial Units and their Management. However, except for a few law amendments, the complying process was not carried out and the functions assigned to local governments remain limited.

The revised version of the “Civil Service Law” was approved by the Parliament on December 7, 2017, and was implemented from the beginning of 2019. The law again established in detail the norms of public service being based on the merit system principle, being qualified, working stably, and working according to the system of promotion. In this regard, the reformulation and implementation of the system of training and development of civil servants was one of the important components of the reforms made in the field of civil service.

Today, Mongolia’s long-term development policy “Vision 2050” states that “based on the long-term development policy and function analysis, optimize the functions, structure, organization and boundaries of the state administrative organization, provide appropriate participation, listen to citizens, and cooperate with the private sector” working with the goal of developing a cooperative administrative system (D. Tsedev, 2020, p. 99). The action program of the Government of Mongolia for 2020-2024 aimed at creating a proper form of structure and organization by conducting a comprehensive analysis of the functions of the state administrative organization, eliminating the overlapping of functions, and optimizing the functions. The government is working to implement governance policies that respect human rights in its 2024-2028 action program. In doing so, in accordance with the requirements of the times, it is planned to make major changes of the nature of reform, “re-engineering government operations, improving its speed and productivity, and moving to an e-government system based on artificial intelligence (AI) to provide quick and easy services to citizens.”

Conclusion

If we take a brief and general look at the progress and results of the administrative reforms that have taken place in Mongolia over the past 30 years, this picture will emerge. However, this report did not consider and analyse all information related to the reform, and it was not possible in terms of time. During the development of this presentation, it was seen that this topic is an interesting topic for further research. On the one hand, I think that it will be an interesting study from the point of view of periodization and dividing into periods and criteria, and on the other hand, from the point of view of the research methods of calculating the progress and lessons learned of the reform.

Considering the administrative reform in Mongolia in 4 periods, several common features were observed when considering the concepts, policy objectives, relevant laws and features of each period. It includes:

- In the first two phases, from 1990 to 2002, administrative reforms were characterized by a unified policy, with a clearly defined scope. The reform measures implemented across sectors and directions were formulated within this unified framework and did not conflict with one another. However, reforms that followed lacked such a unified policy, and even when policies existed, they were not consistently applied across sectors. Amendments made to sectoral laws increasingly became misaligned with each other.
- It has been seen that another common characteristic of reforms is the poor probability of consistent implementation. For example, in the first period of the implementation of the policy, it was quite consistently implemented, but after a certain period, its implementation slowed down, and then sometimes it came to a standstill, sometimes it turned back, and there was a tendency to deny the reforms.
- As a result, after a certain period of reform, or when the process of the reform is delayed, policies and decisions may suddenly be made that are different from the content of the reform that was implemented before, or that reject it.
- It has been seen that there is a lack of an institution that manages the reform policy of the administrative reform and “carries” it within the framework of its concept. In the early stages of the reform, it was mainly implemented with the direct participation and financing of the project by foreign countries and/or international organizations, so this depends on the fact that the project unit is responsible for managing the reform while the project is being implemented, and it is dissolved when the project ends.
- The progress and implementation of the administrative reform policy has not been summarized and reviewed. In general, this reform is very broad and affects many sectors and areas of government activity.
- Due to this, it is likely that when reformulating public administration reform policies and formulating new ones, the policy documents and research data implemented in previous periods are hardly used, the continuity of the policy is undermined, and the things that have already been done and are being successfully implemented are likely to be rejected.

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