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# EMPLOYMENT PROMOTION POLICY, MEASURES, AND ANALYSIS OF THE CURRENT STATE OF FINANCING

THE EUROPEAN UNION FUNDED  
"SDG ALIGNED BUDGETING TO TRANSFORM  
EMPLOYMENT IN MONGOLIA"  
PROJECT

## THE EUROPEAN UNION FUNDED

### “SDG ALIGNED BUDGETING TO TRANSFORM EMPLOYMENT IN MONGOLIA” PROJECT

#### EMPLOYMENT PROMOTION POLICY, MEASURES, AND ANALYSIS OF THE CURRENT STATE OF FINANCING

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## FOREWORD

With financial support from the European Union, the United Nations Development Program (UNDP) is implementing a technical assistance project titled “SDG-Aligned Budgeting to Transform Employment in Mongolia”. The Ministry of Finance (MoF) is implementing the first component of the this project in cooperation with UNDP. The MoF has contracted local consultants to improve the financing framework for employment promotion activities and transforming the budgeting, execution and allocation of the Employment Promotion Fund (EPF) to a results-based system.

The consultants prepared this report by analyzing the government's employment promotion policies, measures and current state of the financing system of the Employment Promotion Fund. The report provides an analysis of the legal environment for employment promotion policies, the state of the labour market, the structure and functions of employment agencies, general employment services and the current state of implementation of Employment Promotion Programs (EPPs). It also analyzes the revenue, expenditure and financing principles of the Employment Promotion Fund, treasury transactions and budget allocation of the fund, as well as the benchmark costs for financing employment services and measures. The team reviewed the employment promotion policies, measures, human resources required for implementation, along with challenges in the financing system and proposed recommendations for future solutions.

We would like to thank the Employment Policy Implementation Coordination Department of the Ministry of Labour and Social Protection, the Head and experts of the Finance and Planning Division of the General Office of Labour and Welfare Services for providing statistical information and financing data.

BUDGET POLICY AND PLANNING DEPARTMENT, MINISTRY OF FINANCE

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## ABBREVIATIONS

<b>AFCYD</b>	Authority for Family, Child and Youth Development
<b>BE</b>	Business entity
<b>CO</b>	Career orientation
<b>CWD</b>	Children with Disabilities
<b>DLWS</b>	Department of Labour and Welfare Services
<b>EO</b>	Employment Office
<b>EP</b>	Employment Promotion
<b>EPF</b>	Employment Promotion Fund
<b>GADPWD</b>	General Agency for Development of Persons with Disabilities
<b>GOLWS</b>	General Office of Labour and Welfare Services
<b>GDP</b>	Gross Domestic Product
<b>GoM</b>	Government of Mongolia
<b>ILO</b>	International Labour Organization
<b>LL</b>	Law on Labour
<b>LSW</b>	Labour and Social Welfare
<b>LWSD</b>	Labour and Welfare Service Division
<b>MGL</b>	Mongolia
<b>MLSP</b>	Ministry of Labour and Social Protection
<b>MLVC</b>	Medical and Labour Verification Commission
<b>MoF</b>	Ministry of Finance
<b>MW</b>	Minimum Wage
<b>NEC</b>	National Employment Council
<b>NGO</b>	Non-government Organization
<b>NSO</b>	National Statistics Office
<b>OECD</b>	Organization of Economic Co-operation and Development
<b>PWDs</b>	Persons with Disabilities
<b>RILSP</b>	Research institute of Labour and Social Protection
<b>SDC</b>	Swiss Agency for Cooperation and Development
<b>TVET</b>	Technical and Vocational Education and Training
<b>UBDE</b>	Ulaanbaatar Department of Employment
<b>UNDP</b>	United Nations Development Programme
<b>VET</b>	Vocational Education and Training
<b>VETI</b>	Vocational Education and Training Institutions
<b>WB</b>	World Bank

# 1.

## LEGAL ENVIRONMENT FOR EMPLOYMENT AND VOCATIONAL EDUCATION AND TRAINING

Mongolian laws relating to employment include the following:

**Law on Labour** (1999, 2021),

**Law on Labour force, sending and receiving labour force and specialists from abroad** (2001),

**Law on Employment Promotion** (2011),

**Law on Vocational Education and Training** (2002) and

**Law on Occupational Safety and Health** (2008)

### 1.1. Laws

#### LAW ON EMPLOYMENT PROMOTION

The Law on Employment Promotion was adopted in 2001. In 2011, the State Great Hural (Parliament) approved a revised Law on Employment Promotion Law in order to flexibly plan and implement employment promotion activities and to address some of the challenges that have arisen in the implementing the law. In addition, the Law on Employment Promotion was amended in 2012, 2014 and 2016 respectively, in line with amendments to the Budget Law, the Law on Government Structure and other relevant legislation.

The concept of the draft Law on Employment Promotion aimed at improving the types, forms, measures and services of employment promotion activities, aligning these with ILO Conventions 181 and 88, reflecting in the law the principle of “from welfare to employment”, changing the fact that the source of income of the Employment Promotion Fund (EPF) is directly dependent on the income of foreign labour and specialists’ jobs. Instead, it seeks to make the income of the EPF coherent with other sources, particularly with the state budget and the unemployment insurance fund. In addition, short, medium and long-term research on labour market demand and supply is planned in accordance with the relevant methodologies, and to include in the draft law a regulation on communication to support informed career choices, by disseminating research findings and news to the public.

#### LAW ON SENDING LABOUR FORCE(S) ABROAD AND RECEIVING LABOUR FORCE(S) AND SPECIALISTS FROM ABROAD

The Law on Sending Labour Force(s) Abroad and Receiving Labour Force(s) and Specialists from Abroad has not been amended since its adoption by the State Great Hural in 2001. The Ministry of Labour and Social Protection revised the Law on Labour Force Migration and submitted the draft to the State State Great Hural on 7 April 2020. The revised Law on Labour Force Migration was discussed at the State Great Hural and adopted on December 3, 2021. According to the revised law, employers should hire domestic employees in the first instance and create a system of training and employing Mongolian employees in case of receiving labour from abroad. It also stipulates that they should halt informal intermediation, change the quota system for foreign workers; improve the provisions of the law in accordance with the principles of international treaties and conventions, as well as coordinate migration, administration and management based on national labour market information.

#### LAW ON VOCATIONAL EDUCATION AND TRAINING

The passage of the Law on Vocational Education and Training in 2002 created a legal environment for public-private partnerships to bring vocational education and training in line with labour market demand, improve training content and methods, increase student skills and provide job placement for graduates. The Law on Vocational Education and Training was revised in 2009 and amended in 2012, 2015 and 2016. The Ministry of Labour and Social Protection drafted a version of the Law on Vocational Education and Training and submitted it to the State Great Hural in 2021, but withdrew it. In 2022, vocational education and training institutions transferred from the Minister of Labour and Social Welfare to the Minister of Education and Science.

#### LAW ON LABOUR

The Law on Labour was amended in 1999 and has been amended 24 times since its entry into force. Although the Law on Labour has played its role in regulating labour relations in transition, it has not fully met the requirements of labour relations in the current market economy. Therefore, in order to expand the scope of the Law on Labour, the current state of the labour market, labour relations, international standards and trends, a revised draft law was developed and submitted to the State Great Hural by the Government. The revised Law on Labour was adopted by the State Great Hural on July 2, 2021 and is effective from 2022.

### 1.2. Long- and Medium-Term Policy

#### STATE POLICY ON EMPLOYMENT (2016-2026)

Resolution No. 320 of the Government of Mongolia of 2016 approved the State Policy on Employment (2016-2026). The goal of this long-term policy is to balance demand and supply in the labour market, create decent employment, and reduce poverty by creating an environment and employment opportunities for the population while continuously developing the professional skills of the labour force. The policy document identifies 33 measures and includes 14 indicators to monitor implementation of measures. An action plan to implement this long-term policy has not been approved yet.

## “VISION 2050”, THE LONG-TERM DEVELOPMENT POLICY OF MONGOLIA

The “Vision 2050” long-term development policy of Mongolia, approved by the State Great Hural Resolution No. 52 of 2020, provides for the implementation of the labour market and employment policy in three stages until 2050. The policy aims at balancing the labour economy, creating a knowledge economy, providing employment and income to every citizen, supporting employment, developing business methods and skills, as well as improving the competitiveness of small and medium enterprises. In the first phase (2021-2030), it aims to ensure the balance of the labour market, to strengthen the needs-based optimal wage and remuneration system; in the second phase (2031-2040) to optimize the system of productivity-based remuneration, in the third phase (2041 -2050) to create a knowledge economy and create an environment and conditions for everyone to have a job and income. In addition, the Government Action Plan for 2020-2024 includes the following objectives to support employment:

### **“Provisions from the Government Action Program 2020-2024”**

*“...2.5.9 Engage adults of low income households in vocational and skill advancement trainings and provide support for employment.*

**2.5.10** *Diversify vocational education and trainings, make it consistent with demand and supply in the labour markets and in line with major developments and national and local development goals.*

**2.5.11** *Establish new vocational education and training camps and practice facilities and ensure its financial independence.*

**2.5.14** *Create 150 thousand new jobs as a result of implementation of major development projects and through support for (the) private sector, SMEs and employment promotion.*

**2.5.15** *Establish a labour exchange to support Mongolian citizens studying and working abroad and support them returning to work”.*

**The “Five-Year Development Guidelines of Mongolia for 2021-2025” approved by the State Great Hural Resolution No. 23 of 2020 include the following objectives related to employment:**

**2.6** *The need(s)-based wage and remuneration system will be strengthened to ensure equilibrium in labour markets:*

**2.6.2.** *Improve the unemployment insurance system and implement programs and measures to reduce unemployment and increase employment through introduction of results-based financing modality in the labour sector.*

**2.6.3.** *Increase electronic and distance or remote job opportunities that support intellectual labour.*

**2.6.4.** *Improve the registration and information of non-formal employment.”*

## 1.3. Regulations governing the Employment Promotion Fund and Vocational Education and Training (VET) activities

Operations of the Employment Promotion Fund are regulated by the Law on Government Special Funds and by the Regulations listed in Table 1.

**Table 1.** REGULATIONS CONCERNING THE FUND RAISING AND SPENDING OF EPF

Title of the Regulation	Approval date	Further actions needed
Regulation on raising, spending and monitoring the funds of the Employment Promotion Fund	Government Resolution No. 375 of 2011	Regulation needs to be amended and some adjustments should be added in line with the Budget Law and other laws.
“Regulation on issuing small loans from the Employment Promotion Fund, issuing guarantees, repaying interest and providing financial support”	Government Resolution No. 340 of 2021	This regulation was developed and approved by updating its previous version. It increased the amount of small loans and financial support and extended the term. However, there is a lack of regulation on how to settle debts and receivables that arise when repayment if not made.
Renewal of the cost per unit of employment promotion services and measures	Order No. A/96 of the Minister of Labour and Social Welfare, 2021	The cost of services and program activities needs to be re-estimated.
Regulation on registration of private labour exchange and providing financing (based on tariffs)	Order No. A/123 of the Minister of Labour, 2014	This regulation needs improvement. For example, if a PWDs is hired through a private exchange, employers are not being provided with 12-month salary support. Employer incentives are only available if you are hired through an aimag or district LSWD/LWSD.

The activities of the Employment Promotion Fund, fund raising, spending, and challenges will be discussed in more detail in later sections.

Since 2012, the Ministry of Labour and Social Protection has been responsible for issuing licenses for operating TVET institutions, conducting quality accreditation, as well as approving training programs and program standards. However, from 2022, the State Great Hural made a decision to transfer TVET institutions to the Minister of Education and Science. The TVET Support Fund finances the fixed costs of state-owned vocational and technical education institutions, the total cost of student dormitories and the variable costs per student regardless of ownership and scholarship costs. The procedures related to regulation of the MVET Support Fund are listed in Table 2.

**Table 2.** REGULATIONS ON TVET FUND RAISING AND SPENDING

Title of the Regulation	Approval date	Note
“Regulation on raising, spending and monitoring the funds of the Vocational Education and Training Support Fund”	Government Resolution No. 117 of 2011- (Too general)	Too general and should be updated in line with the Budget Law
“Approval of average normative cost” (variable cost of students and dormitory)	Government Resolution No. 94 of 2012 (costing is required)	
“Approval of average variable normative cost and financing methodology”	Government Resolution No. 276 of 2016	Relevant agencies and projects are working to revise the variable cost of TVET.
“Regulation on awarding quarterly performance bonuses to teachers and employees of state-owned state and local kindergartens, secondary schools, and vocational education and training institutions”	Government Resolution No. 346 of 2017	



## STATE OF THE LABOUR MARKET

### 2.1. Labour Force

As of the second quarter of 2021, Mongolia's labour force comprised 1.207 million people, or 56.8 percent of the working age population, while 917.0 thousand persons (43.2 percent) were outside the labour force (Figure 1). Compared to the same period of the previous year, the labour force decreased by 61.9 thousand (4.9 percent) and the non-labour population increased by 62.4 thousand (7.3 percent).

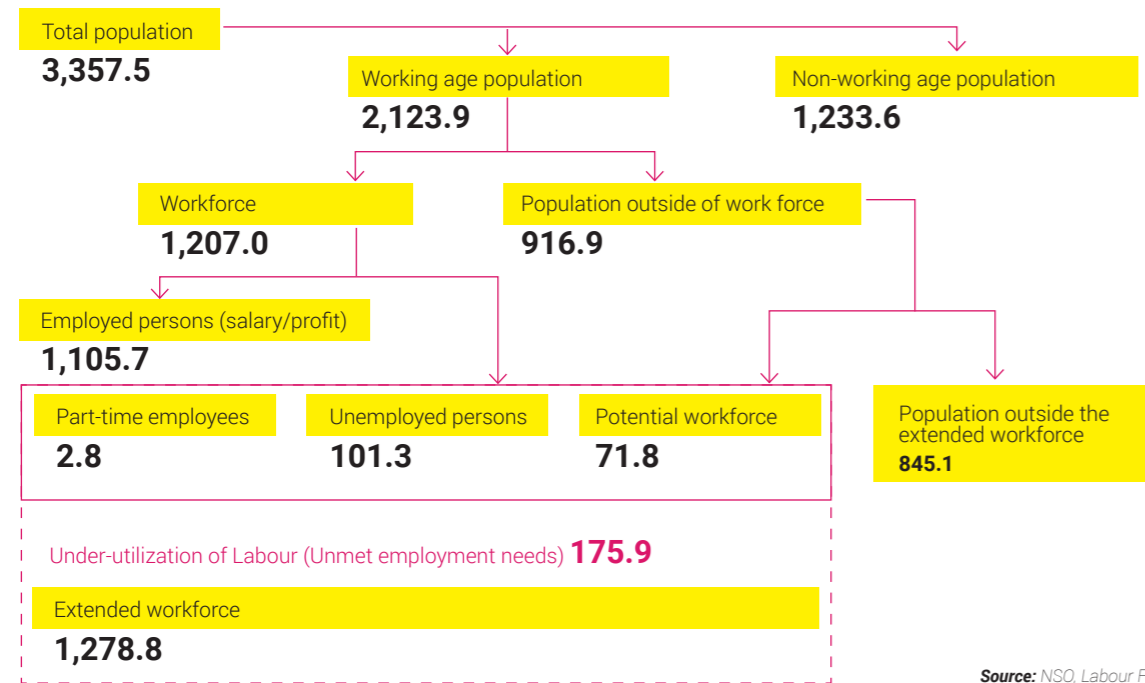
Of the labour force, 1.105.7 million (91.6 percent) are employed to earn wages and income, while 101.3 thousand (8.4 percent) who are unemployed are part of a group of underutilized workers, or are have been actively looking for a job for the last 30 days and are ready to work during the week.

However, 71.8 thousand (7.8 percent) of people outside the labour force are a potential labour force (those who do not have a job to earn a salary, are actively looking for work in the last 30 days, or are ready to work during the week). A potential workforce is a group of people who are ready to actively participate in the labour market and join the labour force if jobs or working conditions are created in the soum or locality. The potential workforce is considered to be an expanded workforce in the broadest sense in addition to the workforce.

The labour force decline during this period (second quarter of 2021) was due to a decrease of 79.5 thousand workers or 6.7 percent and an increase of 20.9 percent or 17.5 thousand unemployed people.



**Figure 1.** NUMBER OF POPULATION AGED 15 AND OVER IN THE LABOUR MARKET, BY THOUSAND PEOPLE



Source: NSO, Labour Force Survey, Q2, 2021

## 2.2. Economic growth and unemployment

Over the past 10 years, the unemployment rate has averaged about 8-10 percent, while economic growth has fluctuated between -4.4 percent and 17.3 percent. Okun's Law predicts that a 1% decrease in unemployment tends to lead to a 2% increase in economy. Changes in unemployment rate, increase and decline in GDP are not inter-related in Mongolia (Figure 2). This is due to a key issue in the structure of Mongolia's labour market and high structural unemployment rate. On the other hand, economic growth is mainly driven by mining, manufacturing and rising world market prices, which are the least labour-intensive sectors.

**Figure 2.** CORRELATION BETWEEN GDP AND UNEMPLOYMENT RATE



Due to the impact of the COVID-19 pandemic, Mongolia's economy contracted in 2020 by the most severe level since the 1990's. Despite this, the country's unemployment rate fell, declining from 10 percent to 7 percent in the same year.

By contrast, in most parts of the world, unemployment has risen while economies have shrunk, due to long-term curfew measures. A report comparing the impact of the 2019-2020 pandemic with the global economic and financial crisis of 2007-2008 was jointly released by the ILO and the OECD in 2020<sup>1</sup>. The report shows how the number of employed people in some parts of the world fell between the fourth quarter of 2019, the beginning of the COVID-19 pandemic and the second quarter of 2020 (Table 3). This includes workers who have been fired, laid off or have not renewed their contracts.

**Table 3.** DECLINE OF THE EMPLOYED PERSONS, %

		2020 I/2019 IV	2020 II	World economic crisis
	Mexico	-36%	-20%	-3%
	Italy	-35%	-4%	-2%
	Turkey	-26%	-24%	-2%
	Canada	-27%	-5%	0
	USA	-20%	-9%	-4%
	UK	-21%	-16%	-2%
	Australia	-11%	-2%	2%
	South Korea	-7%	-4%	-1%
	Japan	-8%	-3%	-2%

Source: ILO and OECD, 2020

Compared to the global economic and financial crisis of 2007-2008, the effects of the pandemic hit countries hard and destroyed many jobs.

Table 4 shows the number of people who have received unemployment benefits from Mongolia's unemployment insurance fund since 2017. The number of people receiving unemployment benefits has been relatively stable over the past five years, and by the end of 2021, the number of people receiving unemployment benefits is expected to increase slightly compared to the previous year. This may be due to the fact that in the first half of 2021, Mongolia's economic activity slowed down due to the implementation of strict quarantine measures.

**Table 4.** NUMBER OF PEOPLE RECEIVING UNEMPLOYMENT BENEFITS

Indicator	2017	2018	2019	2020	2021
Number of people received unemployment benefits	21,131	21,935	23,033	21,374	26,145
Unemployment benefit amount (million MNT)	34,692.8	34,364.3	43,549.8	50,228.1	57,016.7

Source: NSO, 2021

<sup>1</sup> The impact of the COVID-19 pandemic on jobs and incomes in G20 economies, ILO-OECD paper, 2020



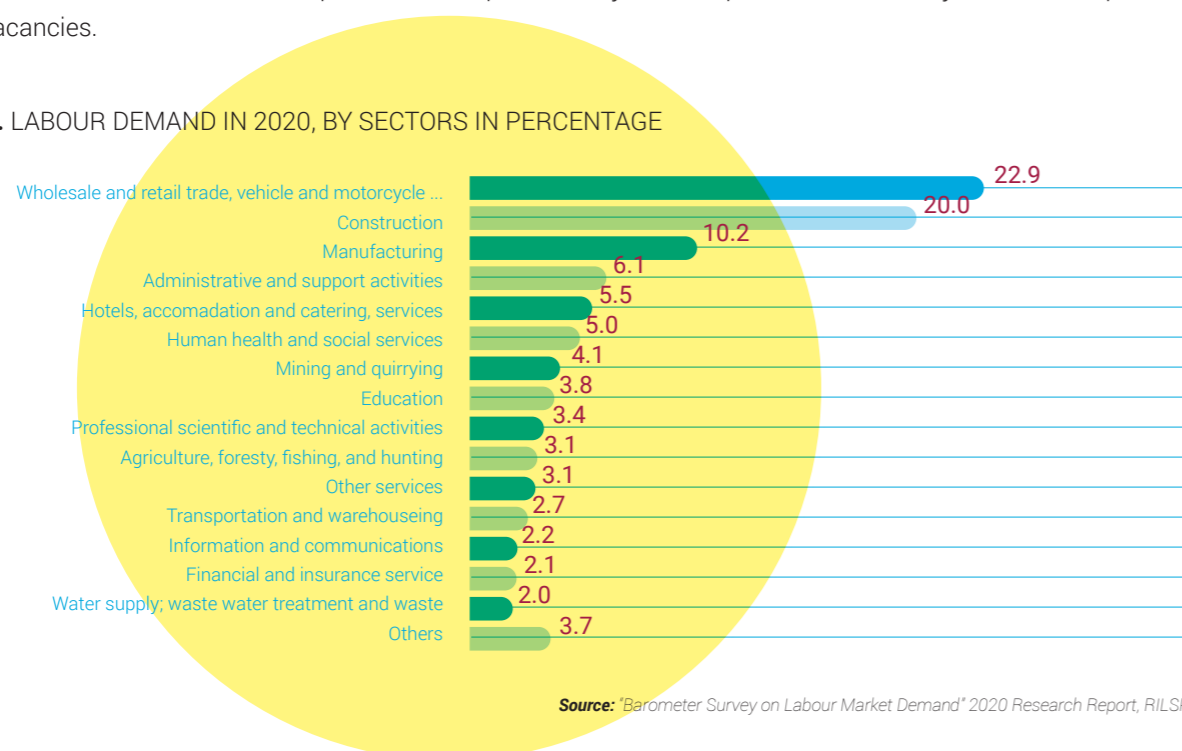
There are a number of reasons why Mongolia's unemployment rate and the number of unemployment benefit recipients did not change significantly during the pandemic compared to other countries in the world. These include: **i)** measures the Government of Mongolia (GoM) has implemented support the economy, such as deferring and reducing personal and corporate income taxes, providing soft loans, and providing wage subsidies to companies with reduced sales revenue per employee. For example, in 2020, 220,852 employees of 7,284 enterprises received MNT 44.2 billion in salary subsidies with double counting;<sup>2</sup> **ii)** the impacts of the pandemic severely affected the self-employed, micro and small businesses, which have ceased operations and lost income, but are often in the informal sector or are covered by voluntary social insurance, but not unemployment insurance, meaning they cannot receive unemployment benefits.

According to the report issued by the Research Institute of Labour and Social Protection (RILSP)<sup>3</sup>, in the third quarter of 2021, the number of compulsory insured increased by 35.8 thousand or 4.1 percent compared to the same period of the previous year, while the voluntarily insured decreased by 25.1 thousand or 14.5 percent compared to the same period of the previous year. This indicates that the COVID-19 pandemic affected the informal sector more than the formal sector.

### 2.3. Demand and supply in the labour market

As per annual "Barometer Survey on Labour Market Demand", conducted by the Human Resource Development Center, short-term labour demand is determined by occupations and sectors of economic activity. According to the Barometer Survey on Labour Market Demand conducted in 2019, 72.7 thousand jobs will be in demand in the labour market in 2020. Of this demand, 81.3 percent will be permanent jobs, 59.8 percent will be new jobs, and 40.2 percent will be vacancies.

**Figure 3. LABOUR DEMAND IN 2020, BY SECTORS IN PERCENTAGE**



<sup>2</sup> Measures taken by the Government during the epidemic of coronavirus infection (COVID-19). MOF Report, 2021  
<sup>3</sup> Impact of the COVID-19 pandemic on the labour market of Mongolia (third quarter of 2021), RILSP

Looking at labour demand by sector, the wholesale and retail trade, construction, and manufacturing sectors tended to be most in demand. Although the construction sector alone accounted for 20 percent of labour demand, it was down by 27.7 percentage points compared with 2019.

**Table 5. LABOUR DEMAND AND NUMBER OF PERSONS EMPLOYED**

Sector	Demand for labour force, 2020	Number of employed, 2019	Number of employed, 2020	Change in number of employed
Wholesale and retail trade, vehicle and motorcycle repair and maintenance	16,648	160,405	166,590	6,185
Construction	14,540	68,847	77,279	8,432
Manufacturing	7,415	90,378	89,722	-656
Administrative and support activities	4,435	20,163	18,050	-2,113
Hotels, accommodation and catering services	3,999	36,280	29,991	-6,289
Human health and social services	3,635	44,376	60,189	15,813
Mining and quarrying	2,981	57,923	51,575	-6,348
Education	2,763	96,108	110,735	14,627
Professional scientific and technical activities	2,472	18,031	11,612	-6,419
Agriculture, forestry, fishing and hunting	2,254	290,160	276,455	-13,705
Other services	2,254	24,547	29,752	5,205
Transportation and warehousing	1,963	61,123	66,541	5,418
Information and communications	1,599	13,019	18,830	5,811
Financial and insurance services	1,527	24,257	29,355	5,098
Water supply; wastewater treatment and waste management	1,454	10,786	8,314	-2,472
Others	2,690	129,755	117,905	-11,850
<b>TOTAL</b>	<b>72,627</b>	<b>1,146,158</b>	<b>1,162,895</b>	<b>16,737</b>

Source: NSO and RILSP

Table 5 shows the results of the Barometer Survey on Labour Market Demand and the total number of employees reported by the NSO. The breakdown of the number of employees by industry suggests that although the number of employed increased by 66,589 people, the number of employees in some sectors decreased by 49,852 people, and by the end of 2020, the total number of employees increased by only 16,737 people. According to the survey, the number of employees increased by 66,589 people, which is close to the projection made in 2020 of 72,627 people. The number of employees in human health and social services, education, services, transportation and warehousing, information and communications, along with insurance, increased by more than expected. In the labour market, there is a higher demand for vocational training than for higher education. For example, professions such as cooks, waiters and welders are considered to be in demand every year.<sup>4</sup> This is also due to the fact that employment in these occupations is less stable.

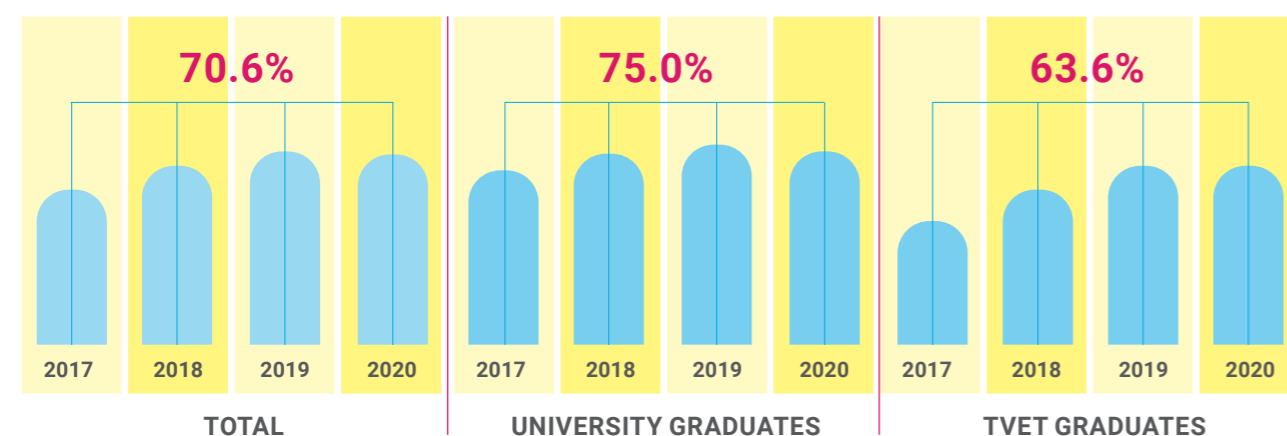
<sup>4</sup> Barometer Survey on Labour Market Demand, RILSP, 2020

However, there is high demand for accountants and nurses that require higher education, and they account for a significant share of labour shortages. On the one hand, more than 100 thousand people are unemployed every year, but on the other hand, in the last 10 years, 57.6-80.1 thousand employees have been in demand in the labour market, and on average, 16.6 thousand have been in short supply every year for the last 8 years.<sup>5</sup> Unemployment is high in the domestic labour market, but Mongolia continues to employ foreign labour. Despite the high number of skilled and educated unemployed in the domestic labour market, the import of labour from abroad and the shortage of labour by companies indicates that there is a mismatch between supply and demand in the labour market.

## 2.4. Employment of University and Technical and Vocational Education and Training (TVET) institution graduates

The Labour Market Survey for the second quarter of 2021, published by the RILSP, includes the findings of a survey to track the employment of university, college and TVET graduates in the 2015-2016 academic year. The survey covered 4,909 graduates representing 44.9 thousand graduates from 2017 onwards, and collected data from 3,671 graduates in 2020. According to this survey, 74.8 percent of all graduates are employed, of which 76.9 percent are university graduates and 71.5 percent are TVET graduates. (Figure 4).

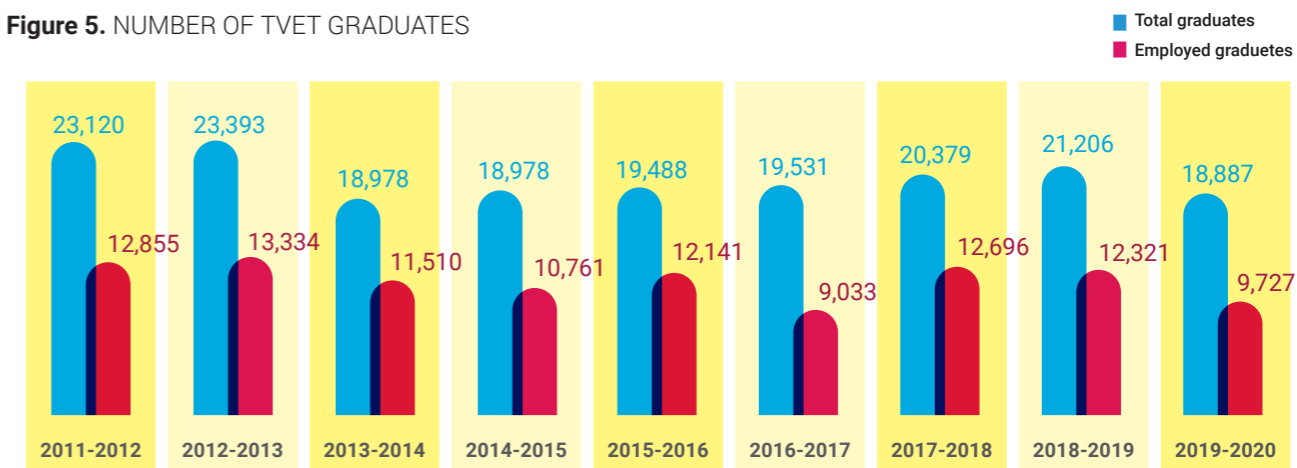
Figure 4. EMPLOYMENT RATE



Source: Labour Market Overview\* Q2I 2021, RILSP

In terms of economic activity, 11.9 percent of employed graduates work in education, 11.3 percent in wholesale and retail trade, 10.6 percent in the service sector and 9.2 percent in construction. However, according to a report released by the Ministry of Labour and Social Protection, the employment rate of TVET graduates is lower than survey result or 51.5-62.3 percent (Figure 5).

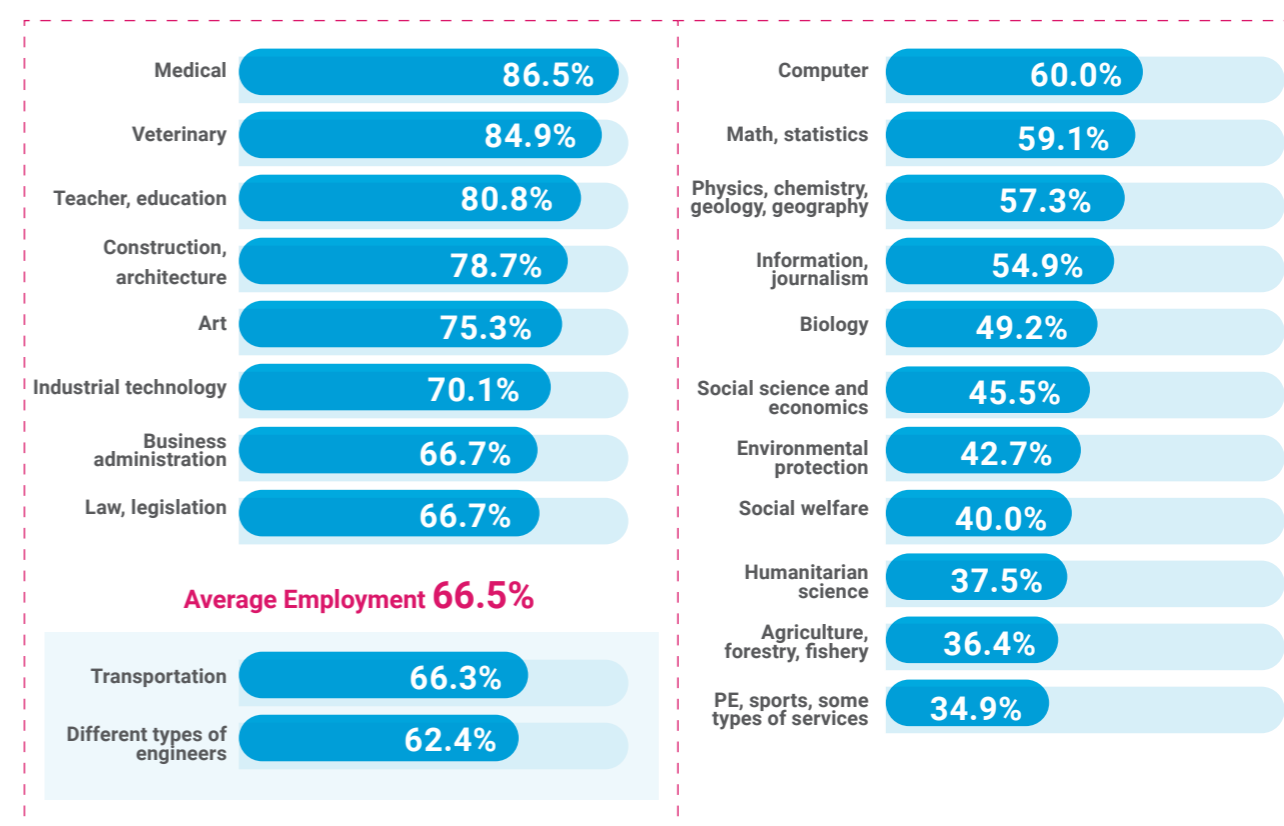
Figure 5. NUMBER OF TVET GRADUATES



Source: MLSP, Department of Vocational Education Policy Implementation and Coordination, 2021

The survey findings revealed that 66.5 percent of university graduates are employed in their profession (Figure 6).

Figure 6. EMPLOYMENT STATUS OF UNIVERSITY GRADUATES IN THEIR PROFESSION, 2020

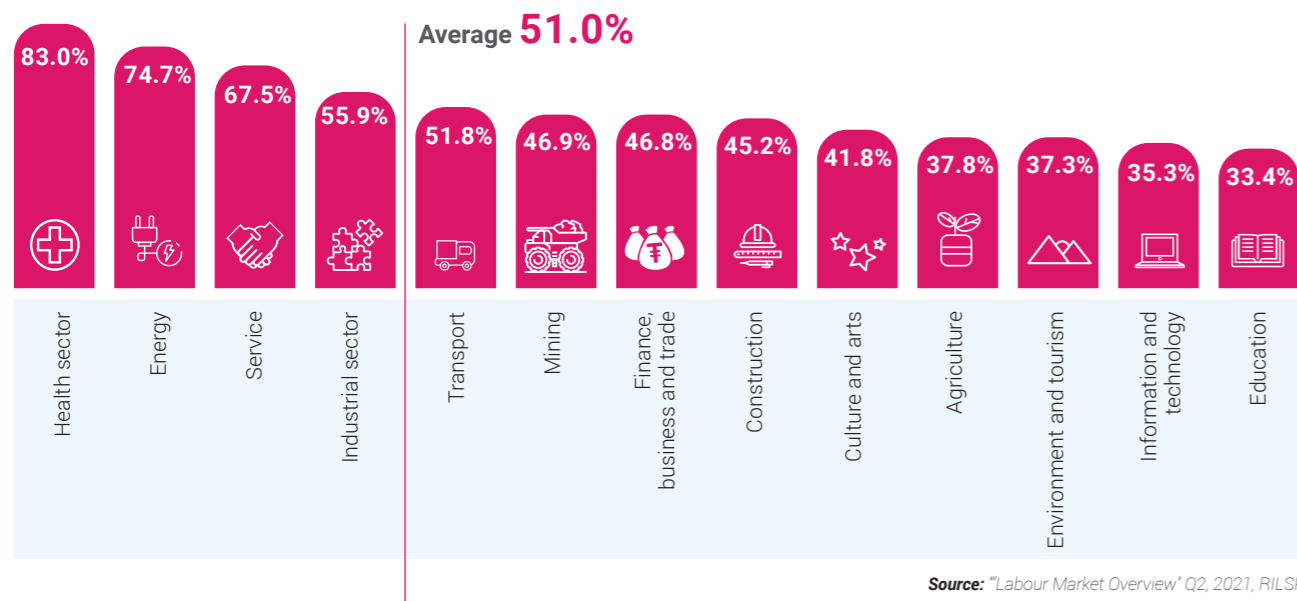


Source: Labour Market Overview\* Q2, 2021, RILSP

However, only 51 percent of TVET graduates are employed in their profession, which is lower than university graduates (Figure 7).

<sup>5</sup> Barometer Survey on Labour Market Demand, RILSP, 2020

Figure 7. EMPLOYMENT STATUS OF TVET GRADUATES IN THEIR PROFESSION, 2020

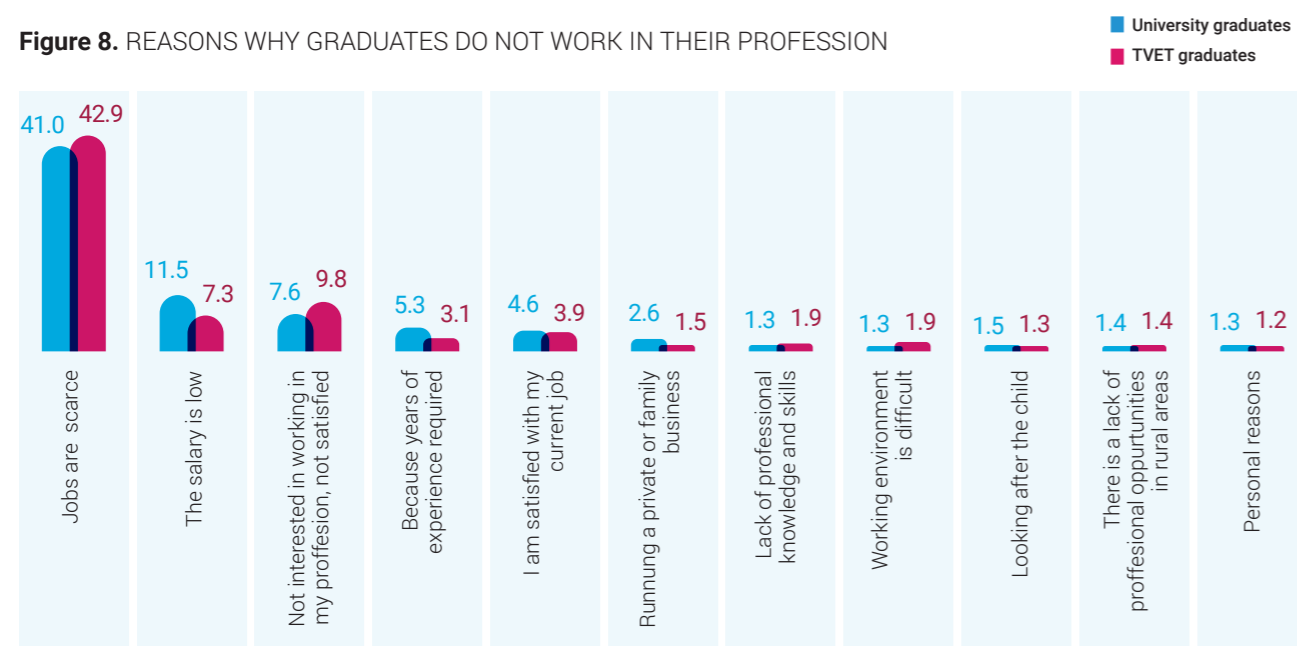


Source: "Labour Market Overview" Q2, 2021, RILSP

In other words, an average of 20,000 students graduate from TVET each year, and assuming that about 63 percent of them find a job and 51 percent will work in their profession, this means only about 32 percent or only 6.4 thousand graduates are likely to work in their professions, which is insufficient.

The main reasons for graduates who are employed, but not in their profession include a lack of professional jobs, low salaries, no interest in working in their profession, satisfaction with current jobs because they require certain years of experience, working according to one's interests, or running a private or family business. According to graduates who are not interested in working in their profession, are dissatisfied with their profession, or are working in other professions, but are satisfied with their work, it can be observed that more than 10 percent of graduates make mistakes in choosing a profession.

Figure 8. REASONS WHY GRADUATES DO NOT WORK IN THEIR PROFESSION



### 3.1. Institutional System of Employment

According to the ILO, the Public Employment Service is a government agency responsible for implementing government labour market policies aimed at assisting anyone entering the labour market and coping with changes in the labour market, as well as overcoming and reducing the impact of economic transformation.

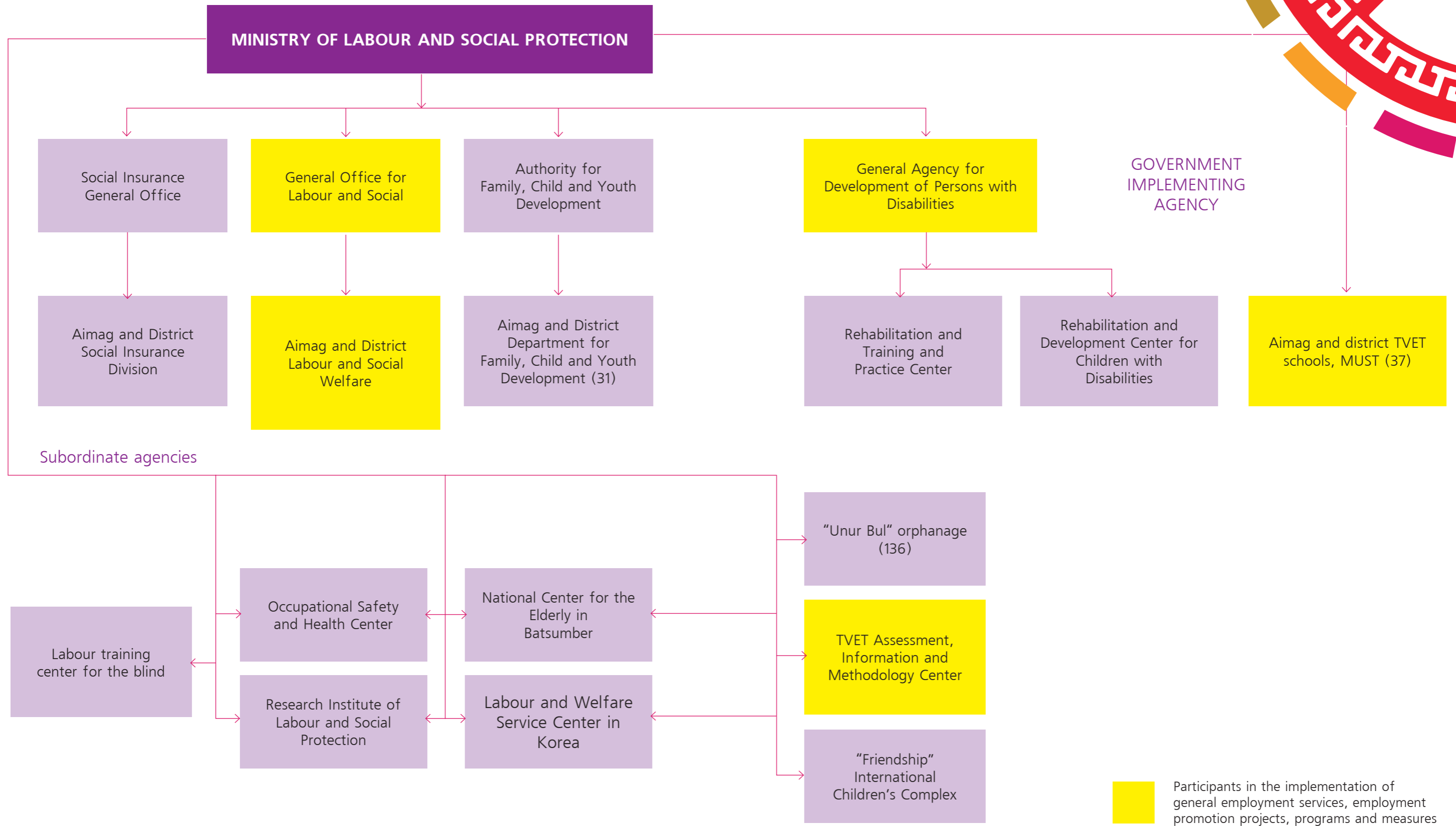
The management and organizational structure of the labour sector has been defined in accordance with article 27.1 of the Law on Employment Promotion: "The institutional system of employment shall comprise of the state central administrative body in charge of employment, national and aimag, capital city and district employment councils, aimag, capital city and district employment agencies, soum and khoroo employment staff / labour office / and labour exchange".

The National Employment Council (NEC), which consists of three parties to the social consensus, discusses employment policies and approves national employment promotion programs. The implementation of employment policies is organized by the General Office of Labour and Welfare Services (GOLWS), an implementing agency of the government. Figure 9 shows the agencies under the Ministry of Labour and Social Protection and the Figure 10 shows the departments and specialists of the Ministry of Labour and Social Protection in charge of employment, vocational education, along with training policy and its implementation.

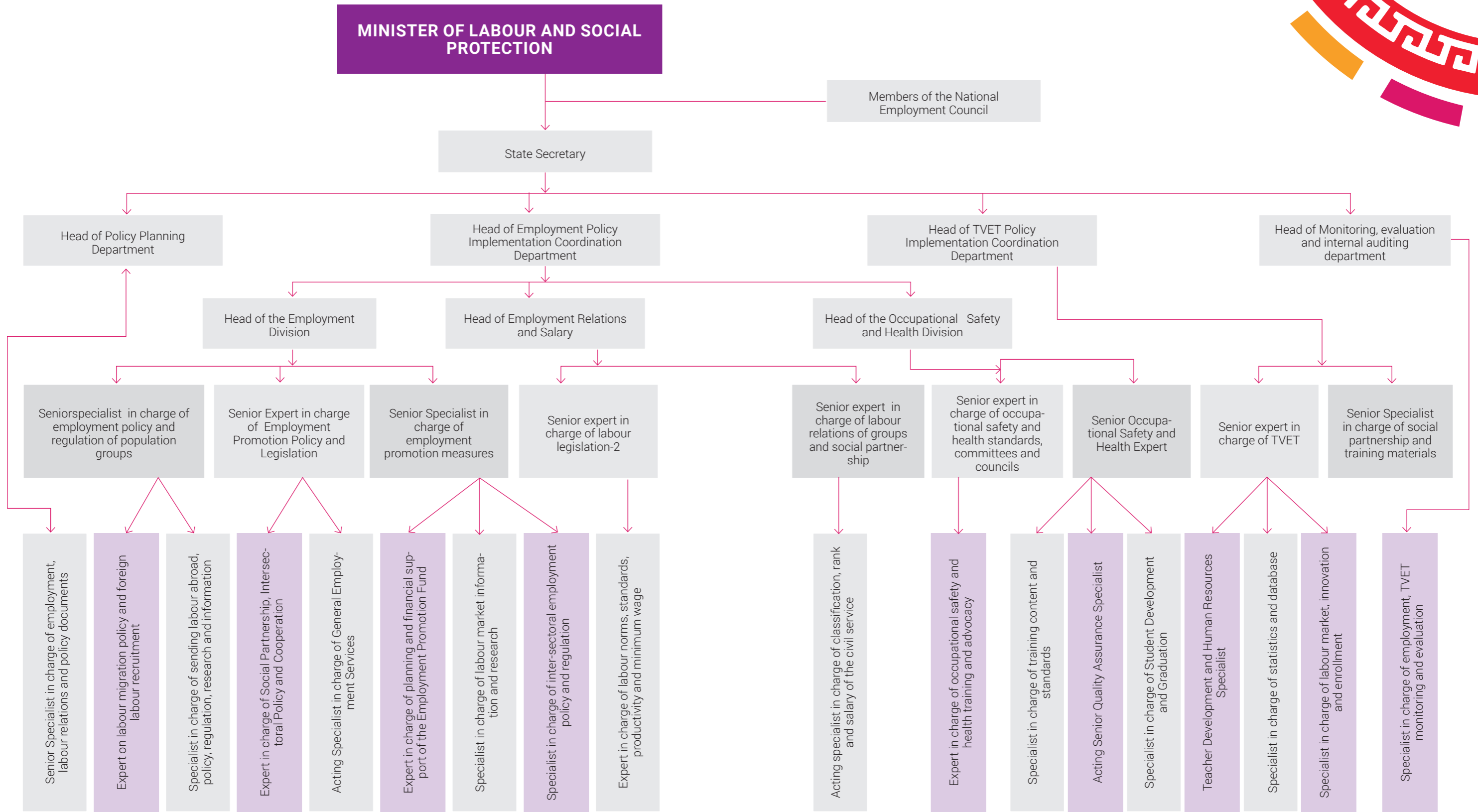
The GOLWS provides integrated management and coordination for implementing employment policy at the national level. It also gives methodological and guidelines to aimag, capital city and district Labour and Welfare Service Departments or Divisions (LWSD) and is able to improve the integrated labour market database and software. The total number of full-time staff of the GOLWS is 67, of which six are Employment Promotion Department staff.

Employment promotion activities are carried out by DLSW in 21 aimags, the Employment Agency (EA) in the capital city, the LWSD in 9 districts, as well as labour and welfare specialists in soums and khoros. Aimag and district LWSD or LWSDs have an employment office. A total of 194 specialists are in charge of employment at aimag and district levels (Table 6).

Figure 9. SUBORDINATE AGENCIES OF THE MINISTRY OF LABOUR AND SOCIAL PROTECTION



**Figure 10.** DEPARTMENTS AND SPECIALISTS OF THE MINISTRY OF LABOUR AND SOCIAL PROTECTION IN CHARGE OF EMPLOYMENT, VOCATIONAL EDUCATION AND TRAINING POLICY AND ITS IMPLEMENTATION



**Table 6.** NUMBER OF STAFF OF LABOUR AND SOCIAL WELFARE SERVICES OFFICE AT AIMAGS AND DISTRICTS (2020)

POSITION	Aimag	District
Head of the employment office	21	9
Specialist in charge of employment promotion programs and projects	35	15
Career guidance and job placement specialist *	22	9
Labour Relations/ Occupational Safety and Health Specialist **	5	1
Specialist in charge of job migration in the labour market	22	9
Labour market/ career counseling specialist concerning foreign workers ***	12	6
Senior Specialist in charge of the Employment Promotion Fund	21	7
<b>TOTAL</b>	<b>138</b>	<b>56</b>

Source: Human Resources of Agencies, General Agency for Labour and Social Welfare Services, 2020

\* In some offices, respective staff are in charge of career counseling and guidance along with job placement activities with employers.

\*\* There is a specialist in charge of labour relations/occupational safety and health, but there is no specialist in offices with limited staff.

\*\*\* Specialists in charge of foreign labour are also responsible for labour relations, occupational health and safety in offices with limited staff.

The labour and welfare sector employs about 1,700 civil servants and provides services for 2.4 million recipients of social welfare services and job seekers. In particular, one specialist working in a soum or khoroo is responsible for both social welfare and employment. During an interview with the Chingeltei District Social Welfare Officer, it was mentioned that 80 percent of working hours of soum and khoroo labour and welfare specialists are dedicated to welfare work, so there is a lack of time to take care of labour issues. However, staff workloads also depend on the population of the soum or khoroo, living standards and the number of citizens of target groups.

From 2012-2016, aimag and District Labour Offices had staff of 724 people, while the Welfare Service Offices / Divisions had staff of 1,427. However, the approved total number of sector employees was reduced to 1,550 or by 601 as a result of merger of Ministry of Labour and Ministry of Human Development and Social Welfare in 2016, establishing the Ministry of Labour and Social Protection. As a result of this restructuring, most labour professionals have been laid off. In future, it is necessary to pay attention to the issues of stable employment of labour sector specialists, improvement of skills and training, as well as increase the availability of staff in shortage.

### 3.2. District Employment Office

The consultants met with the Heads of Employment Offices of LWSDs of six central districts of Ulaanbaatar and familiarized with their working conditions while undertaking this assignment. Under the Swiss Agency for Development and Cooperation (SDC) Youth Employment Support Project, two rooms for individual counseling and group training were provided to aimag and district social welfare offices with necessary equipment. However, the use of these rooms is insufficient and some district offices use them for other purposes. In addition, under the World Bank's "Employment Promotion Project", the service halls and training rooms of the aimag and district employment offices were repaired in 2019-2021.

An average of 20-30 people a day come to the district social welfare offices to get a certificate of unemployment benefits, while only 2-10 people come for job placement and employment training. The number of clients has increased dramatically (usually in April and September) as more people come to seek financial support when the funding of EPF disbursed and EP programs are announced, some days serving 100-150 people. Most working hours of District Social Welfare Division employees are spent on receiving applications for financial support, making selections and issuing certificates of unemployment benefits. Less time is spent on providing counseling and information for the unemployed, career guidance and job placement services, number of people coming to receive these services is also low.

As of February 2022, there are 6-8 staff working in one of the employment offices of the Social Welfare Division in 6 districts of the capital city, with a total of 44 staff members between them.

**Table 7.** Number of staff of the Employment offices of the District LWSDs (February 2022)

POSITION	BGD	BZD	CHD	KHUD	SKHD	SBD
Head of the employment office	1	1	1	1	1	1
Specialist in charge of employment promotion programs and projects	2	3	2	1	2	2
Specialist in charge of career guidance and job placement	2	3	1	2	3	2
Specialist in charge of labour relations / occupational safety and health	1	1	1	-	1	1
Specialist in charge of job migration in the labour market	-	-	1	1	-	-
Senior Specialist in charge of the Employment Promotion Fund	1	1	1	1	1	1
<b>TOTAL</b>	<b>7</b>	<b>9</b>	<b>7</b>	<b>6</b>	<b>8</b>	<b>7</b>

Source: Employment Office of District LWSDs

Resolution No. 1 of 2022 of the National Employment Council approved the "profiling" service for assessing the skills of unemployed people within the framework of the Employment Promotion Program. Profiling is a method of assessing a citizen's condition and skills before enrolling him or her in an employment service or program, as well as assessing how difficult it is for them to find a job. The Ministry of Labour and Social Protection plans to conduct a profiling assessment of 50 thousand unemployed people in 2022. Policy advisors in charge of the "C" component of the project are providing support in this area. Although there is a risk that it will not be able to serve many people at

the same time due to the small space available for profiling, it is possible to use one-on-one interview rooms, which are not currently used.

Employees also reported that more than 50 percent of LWSD or Divisions' computer hardware was out of date and had difficulty loading some software. The "Profiling" can be done electronically or on the web, rather than in paper form, which saves time and reduces paperwork.

Below are pictures of the workplaces where district employment services are provided by District LWSDs.

**Figure 11.** SERVICE HALL OF THE EMPLOYMENT OFFICE (EO) OF THE LWSDS LWSDs



EO of the BGD LWSD



EO of the CHD LWSD



EO of the KHUD LWSD



CC of the SKHD LWSD

**Figure 12.** EMPLOYMENT SERVICE HALL OF THE DISTRICT LWSD



Individual Counseling Room, BGD LWSD



Individual Counseling Room, CHD LWSD



Individual Counseling Room, BZD LWSD



Individual Counseling Room, SKHD LWSD



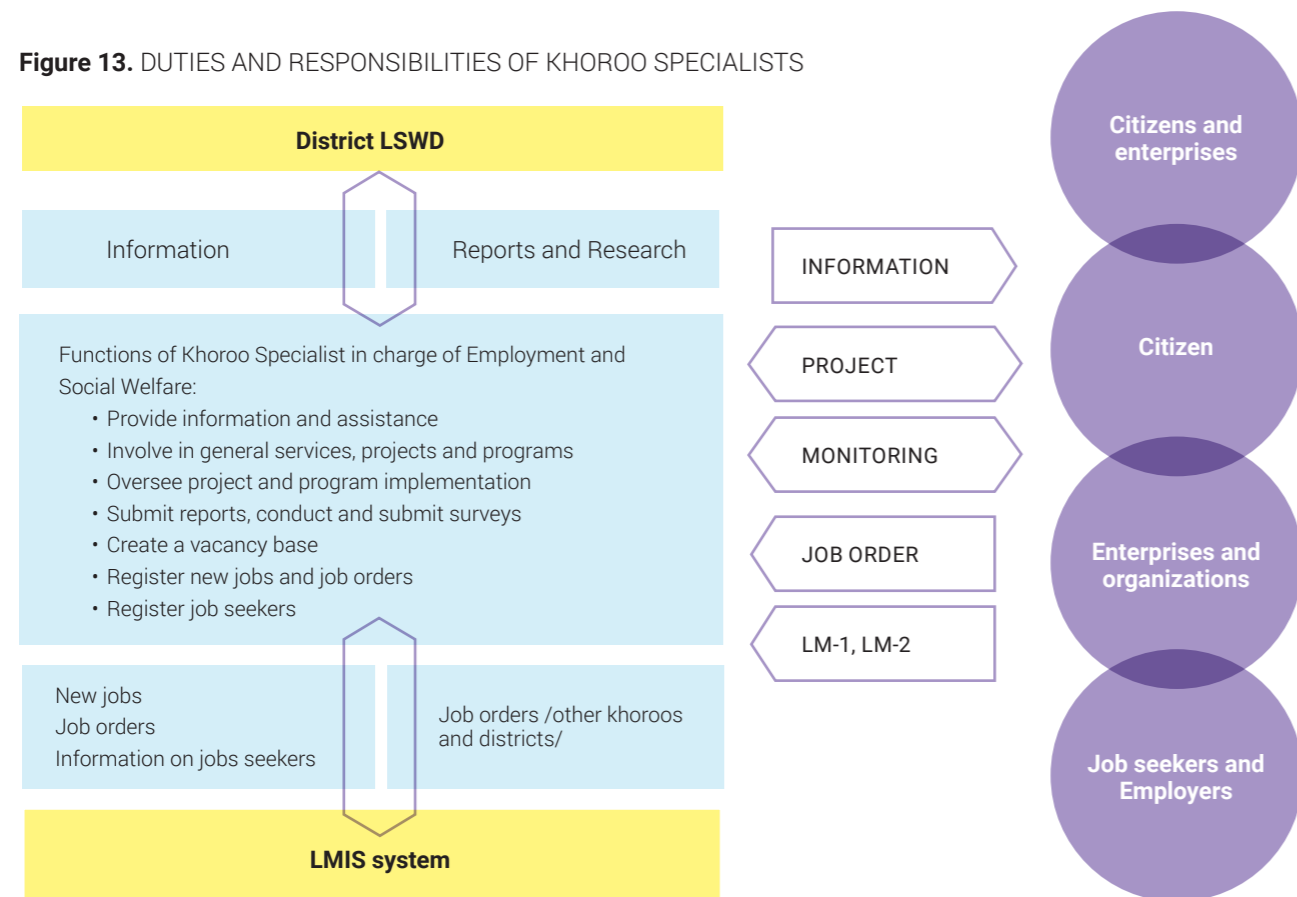
Individual Counseling Room, SBD LWSD

In addition to EP programs and project activities, LWSD provides a limited range of counseling, job guidance, and job placement services to the unemployed and others. In future, it is necessary to have a service hall that is suitable for improving their general services, as well as meeting and reaching citizens. Looking at the working conditions of social workers in 6 districts of the capital city, Chingeltei, Sukhbaatar, Bayangol, Bayanzurkh, Khan-Uul and Songinokhairkhan districts, it is possible to provide employment services by arranging rooms. In addition, the Social Welfare Division needs to work closely with employers to provide employment to the unemployed. The Job Placement Officer of the Employment Office (EO) of the Social Welfare and Labour Division often deals with organizations that import labour and procurement contracts. In future, it is important to analyze the current job descriptions of employees and appropriately define their functions.

### 3.3. Khoroo specialist in charge of employment and social welfare

Every soum and khoroo in Mongolia has a specialist in charge of employment and welfare services. As of the end of 2020, 172 people worked in 169 khorooos throughout Ulaanbaatar, while 411 people worked in 330 soums as employment and welfare service specialists.<sup>6</sup> Given that khoroo specialists are responsible for both labour and social welfare, they spend most of their working hours on social welfare. Depending on population density, approximately 30-80 citizens are served by the khoroo per day, with the majority seeking welfare assistance. The khoroo specialists upload information on new jobs registered, job seekers and job orders into the LMIS, the labour market information system. They also make it possible to view job orders in other districts, by uploading the registration of job vacancies submitted by employers using Form LM-1 and job seekers using Form LM-2 into the LMIS system. Additionally, they submit monthly data and detailed reports to the district LWSO. The duties and responsibilities of the Employment and welfare service specialist are shown in Figure 13 below.

**Figure 13.** DUTIES AND RESPONSIBILITIES OF KHOROO SPECIALISTS



The following information was provided during the interview with B. Bolortuya, an employment and welfare service specialist in the 9th khoroo of Chingeltei district.



*"The 9th khoroo of CHD has a total of **1,716** households, a population of **6,607** and is divided into **10** sub-khorooos or units. There are **63** target households and 331 people, including **161** children and **170** working age citizens. Out of the total working age population, **14** are unemployed. The workload increases during the announcement of the EPP in April and September, along with during the seniors' holiday season in July and August. Under the EPP, it monitors the completeness and accuracy of projects, along with related documents of citizens seeking financial support, as well as provides explanations and assistance. Although it is difficult for vulnerable households or alcohol dependent persons to find jobs, there has been progress in providing psychological training, so more training is needed. It would be more effective to increase the amount of financial support. In order to avail the target group households for employment, psychological training is considered to be more effective in promoting long-term employment. The questions on the LM-1 form, which is filled out when registering a job seeker, are difficult to understand for people with lower secondary education, so the form should be updated with more simple and clear questions. The disruption of the LMIS program during high workload hours slows down the work process."*

<sup>6</sup> Data obtained from the Human Resources Specialist of the GOLWS.



# 4.



## EMPLOYMENT PROMOTION ACTIVITIES

Mongolia ratified the ILO Employment Policy Convention No. 122 of 1964 in 1976. This Convention aims to promote active, full and free employment choices in each member state, in order to eliminate part-time employment and unemployment, meet the needs of the workforce, improve living standards, as well as stimulate economic development and growth.

The Mongolian Law on Employment Promotion states that there are two types of employment promotion activities: **1)** general employment services and **2)** employment promotion measures.

### 4.1. General employment services

General employment services are provided in the following forms. These include:

1. Providing career guidance, counseling and information;
2. Assisting job placements;
3. Registering people receiving unemployment benefits;
4. Inclusion in the integrated registration and information service;
5. Other services.

General employment services are provided through the GOLWS, the aimag LWSDs, the Capital City Employment Department, LWSDs, as well as authorized training institutions and labour exchanges.

#### PROVIDE CAREER GUIDANCE AND COUNSELING AND INFORMATION SERVICES

The Oxford English Dictionary defines "Career" as "an individual's lifelong activity or development" (or a particular part of life). In Mongolia, it became customary to translate this into "occupation" in the employment sector.

According to the more detailed terminology used by the United Nations Educational, Scientific and Cultural Organization, "career" refers to a person's lifelong succession of work and other life responsibilities, including both paid and unpaid work.<sup>7</sup> According to the OECD, "career guidance services are services and activities aimed at assisting individuals in their education, professional development, career choice and management at any stage of their life, regardless of age"<sup>8</sup>.

In countries with developed markets, career guidance and counseling is divided into the following five main areas.<sup>9</sup>

- 1. Career information:** This covers all information needed to plan, get a job and maintain any paid or voluntary jobs. These include information on governmental and non-governmental programs, services, jobs and other issues on professions or occupations, skills, promotion, educational opportunities, future trends and conditions in the labour market, educational programs and opportunities, education and training.
- 2. Career education:** This is provided by educational institutions and, in some cases, by professional counselors, on-the-job mentors and others selected from colleagues. It enables students to understand their value and contribute to society, to have knowledge of the labour market and to make informed choices about education, training, life and careers and on the other hand, as well as learn how to provide services to the community, manage their daily lives, and plan their career.
- 3. Career counseling:** This helps people clarify their goals and aspirations, understand their situation, make informed decisions, take responsibility for their actions, as well as manage and cope with planned or unplanned career changes.
- 4. Employment counseling:** This helps people to identify short-term employment goals, gain insight into the skills required in the workplace, learn the skills needed to find a job and work sustainably in the workplace. For example, the ability to write a CV, fill out an application form, and get a job interview.
- 5. Job placement:** This service connects people with employers or offer vacancies.

#### JOB PLACEMENT SERVICE

Article 3.1.10 of the Law on Employment Promotion defines "job placement" as a service that helps job seekers to find a job that suits their interests, professions and skills, as well as helps employers to find an employee that meets their needs.

Internationally, "job placement" is the process of bringing employers and employees together to establish an employment relationship. (Ulrich Walwei 1996). Job mediation involves activities aimed at establishing an employment relationship between the authorized stakeholders. (M Ruebner and Jaeger, 2014).

<sup>7</sup> United Nations Educational, Scientific and Cultural Organization. Handbook on career counselling a practical manual for developing, implementing and assessing career counselling services in higher education settings, Paris, 2002

<sup>8</sup> OECD ба Европын Комисс: Ажил мэргэжлийн чиг баримжаа: Бодлого боловсруулагчдад зориулсан гарын авлага. (OECD/Европын Комисс, Парис, 2004), хуудас 10

<sup>9</sup> "Ажил мэргэжлийн чиг баримжаа олгох зөвлөгөө өгөх төв байгуулахад баримтлах зөвлөмж" гарын авлага, Д.Нармандах, Вульф Шмайдер, 2016

**Table 8.** ORIGIN OF JOB MEDIATION SERVICES<sup>10</sup>

Public sector Job mediation services	Year of origin	Private sector Job mediation services	Year of origin
SWEDEN	1902	GREAT BRITAIN / GABBITAS & THRING", JOHN GABBITAS/	1873
GREAT BRITAIN /INITIATED BY BRITISH RESEARCHER HENRY ROBINSON IN 1650/	1905	USA /FRED WINSLOW, ENGINEER/	1893
NORWAY	1906	SWITZERLAND	1910
JAPAN	1909	AUSTRIA	1918
AUSTRIA	1918	AUSTRALIA	1947
GERMANY	1927	IRELAND	1970
USA /WAGNER PAYSER ACT/IMPLEMENTED AS A ONE-STOP SERVICE SINCE 1998 /	1933	ISRAEL	1989
NEW ZEALAND AND BELGIUM	1935	NORWAY	1993
NETHERLANDS	1940	DENMARK	1994
SPAIN	1943	GERMANY	1994
FRANCE AND CYPRUS	1945		
TURKEY AND AUSTRALIA	1946		
ICELAND	1956		
ISRAEL	1959		
PORTUGAL	1966		
BULGARIA	1989		

International experience shows that public employment agencies and private Job mediation agencies work closely together. In Japan, for example, there is a standard for employers to pay 10 percent or more of an employee's salary hired through labour exchanges annually. There is a system for non-governmental organizations to oversee the activities of employment agencies. In the Republic of Korea, labour exchanges are funded by state and local budgets, run temporary Job mediation centers related to the development of the district, and implement various activities, such as specialized labour exchanges and part-time Job mediation centers.

In Mongolia, Job mediation services are provided by aimag and district LWSDs, as well as private labour exchanges. As of 2021, 88 private labour exchanges have been registered with the GOLWS and 32 labour exchanges are operating and receiving funding from the EPF. Private labour exchanges operate in accordance with MNS6620:2016, a requirement for employment service providers approved by the National Council for Standardization. The principle of organizing employment services free of charge and not using child labour is being followed according to ILO Convention No. 181 on Private Employment Services, ratified by Mongolia in 2016, along with Recommendations No. 83 and No. 188 of the Convention.

The general employment services are provided by the GOLWS, UBED, district LWSDs, authorized private exchanges, as well as authorized training institutions. In case this function was outsourced on contractual basis, 70 percent of the down payment is provided per person and the remaining 30 percent is provided after submission of the training report in accordance with the guidelines issued by the GOLWS.

The GOLWS annually announces a selection and issues a two-year permit to operate a private labour exchange to a qualified organization, and annually evaluates the performance of the contract. In the case of private exchanges, they register job placements in the electronic database before the 26th of each month and submit a performance report in hard copy to the GOLWS. Funding is provided in the following month after a review of the reports by the GOLWS's Specialist in charge of career guidance and labour exchanges. Funding of the EPF begins in March, so January and February reports are received in March.

**TABLE 9.** REALIZATION OF GENERAL EMPLOYMENT SERVICES

General employment services	Managing agency	Implementing or fund recipient agency	Financing method
1 Career guidance and counseling services	UBED, district LWSD	Authorized training institution	Per person, 70% down payment and 30% upon completion of training and reporting
2 Career guidance and counseling services	GOLWS	Private labour exchange	100% upon submission of the performance report
3 Job placement	UBED, district LWSD	UBED, district LWSD	By budget execution
4 Job placement	GOLWS	Private labour exchange	100% upon submission of the performance report

Some aimags and districts do not have individual counseling rooms or have a relatively large number of clients, so it is not possible to provide adequate general services as required. Therefore, consulting services are provided on a contract basis. Aimag and district LWSDs and private labour exchanges are funded by different cost tariffs for the provision of general employment services. (Table 9)

**Table 10.** FINANCING TARIFFS FOR GENERAL SERVICES

General services	Tariff (₮)	Legal basis
<b>Aimag DLWSs and district LWSDs</b>		
1 Career guidance and counseling services	Individual/one-on-one Group	Order A/96 of the Minister of Labour and Social Welfare dated June 18, 2021 on "Benchmark cost for employment promotion services and activities"
	12,000 6,000	
2 Job mediation services	7,000	

<sup>10</sup> "Career Guidance", Researchers (G. Tumennast., Scharpf, M., Ertelt, B.J. 2018. X.14)

Private labour exchange				
1	Career guidance and counseling services	Individual/one-on-one	12,500	Regulation A/123 of the Minister of Labour dated May 27, 2014 on "Registration and Financing of Private labour exchanges" /estimated by tariff/
		Group	126,000	
2	Job mediation services	Ordinary	12,500	
		Job mediation in high-productivity industries	17,500	
		Job mediation of TVET and University graduates within the year of graduation	25,000	
		Incentives for stable employment of employees recruited through job placements in March, June and December		
	Job seekers and unemployed citizens	63,000-273,000		
	Unemployed citizen over 40 years old	126,000-525,000		
	A citizen who has difficulty finding a job	147,000-630,000		

UNED, Aimag and District LWSDs provide 20-30 percent of their planned career guidance and counseling services to citizens themselves and contract out 70-80 percent to authorized training institutions.

Private labour exchanges have a high per capita Job mediation cost, because they are responsible for their running costs (rent, communications, internet, staff salaries, advertising, etc.). Therefore, they are always interested in raising Job mediation tariffs. Although there are three different tariffs used for Job mediation services, depending on the target client, they are usually funded at a basic tariff.

Although private exchange clients are willing to acquire the skills required by the employer, including vocational, retraining and other capacity-building training, private exchanges offer paid trainings or refer them to local LWSDs, because no funding is provided to private exchanges for this purpose. Whereas UNED, Aimag LWSDs and District LWSDs spend their tariffs on activities related to job placements such as organizing fairs, communication, advertising, and publishing brochures.

## 4.2. Employment Promotion Program and its implementation

Chapter 3 of the Law on Employment Promotion states that employment promotion measures shall be implemented in the form of the following projects and programs. These include:

1. Preparation for employment;
2. Organizing employment trainings;
3. Support to herders, self employed and citizens who will establish partnerships or cooperatives;
4. Support to employers;
5. Organizing public works;
6. Support to employ citizens having difficulty finding a job;
7. Other projects and programs defined by legislation and decisions of the Government and the NEC.

The following five programs and measures to support employment were approved by Resolution #1 of the NEC on February 9, 2021. These include the:

1. Preparation for Work Program
2. Entrepreneurship Recovery from the Pandemic Program
3. Youth Employment Support Program
4. Employment Support Program for People with Disabilities
5. Employment Promotion Program for the Elderly

A total of 18 measures from the five employment promotion programs were targeted at 24 groups (Table 10). The measures included in the programs are divided into 34 types according to the type of implementation and funding breakdown, of which eight measures are implemented by the GADPD, while 24-26 are executed by the GOLWS, UBED, aimag and district LWSDs.

The 2021 Employment Promotion Program is characterized by a shift from social welfare to employment promotion, as well as measures to combat COVID-19. The "Youth Employment Support Program" will support the employment of young people who are receiving social welfare services and are able to work. The "Entrepreneurship Recovery from the Pandemic Program" provides interest-free loans to businesses that have been hit hard by COVID-19 to help them grow their operations and raise their livestock.

**Table 11.** EMPLOYMENT PROMOTION PROGRAM (2021-2022)

Program	Program measures	Scope
PREPARATION FOR WORK PROGRAM	<ol style="list-style-type: none"> <li>1. Preparation for work</li> <li>2. Organize employment training</li> <li>3. Selection (Competition) of socially responsible employers</li> </ol>	<ul style="list-style-type: none"> <li>• Working age with a member of the household able to work and in need of social welfare support and assistance</li> <li>• A child of working age who has dropped out of school;</li> <li>• a citizen released from prison;</li> <li>• A citizen who has left an orphanage;</li> <li>• Citizens who have not been able to find a job for more than 6 months</li> </ul>
ENTREPRENEURSHIP RECOVERY FROM THE PANDEMIC PROGRAM	<ol style="list-style-type: none"> <li>4. Provide financial support to citizens and businesses</li> <li>5. Re-stocking of herders</li> <li>6. Sales support</li> <li>7. Employer support</li> <li>8. Organize public works</li> </ol>	<ul style="list-style-type: none"> <li>• Micro producers and service providers;</li> <li>• Producers and service providers in the form of partnerships and cooperatives;</li> <li>• Self-employed citizens;</li> <li>• Citizens who have returned from working abroad;</li> <li>• Member of a household with no or a few livestock;</li> <li>• Member of a contract herder household;</li> <li>• Unemployed citizen</li> </ul>
YOUTH EMPLOYMENT SUPPORT PROGRAM	<ol style="list-style-type: none"> <li>9. Provide general employment services to youth</li> <li>10. Provide mentoring services to youth</li> <li>11. Provide financial support to the best youth "Start-Ups"</li> <li>12. Part-time job placement for students and youth</li> </ol>	<ul style="list-style-type: none"> <li>• Unemployed youth aged 15-34, ready to work and actively looking for a job;</li> <li>• Young people who have been working for up to 3 years after graduation from universities and TVET institutions who are still inexperienced in their field</li> <li>• Universities and TVET institutions;</li> <li>• Business entities and organizations,</li> </ul>
EMPLOYMENT SUPPORT PROGRAM FOR PEOPLE WITH DISABILITIES	<ol style="list-style-type: none"> <li>13. Support PWDs to find a job in the open labour market</li> <li>14. Provide financial support</li> <li>15. Support for employers who create jobs for PWDs</li> </ol>	<ul style="list-style-type: none"> <li>• PWDs whose loss of ability to work is confirmed by the decision of the Medical Labour Verification Commission;</li> <li>• Parents caring for children with disabilities in permanent care;</li> <li>• Employers providing jobs for PWDs;</li> <li>• NGOs that work to protect the interests of PWDs and provide jobs for PWDs;</li> </ul>
EMPLOYMENT PROMOTION PROGRAM FOR THE ELDERLY	<ol style="list-style-type: none"> <li>16. Organize counseling services for the elderly</li> <li>17. Organize counseling services for elders' NGOs</li> <li>18. Provide repayable financial support</li> </ol>	<ul style="list-style-type: none"> <li>• Senior retirees registered in the database based on their request submitted to the LWSD and associations working to protect the interests of the elderly;</li> <li>• Elderly people who are engaged in a family business or household production and WSDs;</li> <li>• NGOs</li> </ul>

The scope of the EPP reveals that it is aimed at people who have difficulty accessing the labour market, in need of long-term training and counseling. However, there is a lack of programs and measures aimed at job seekers exposed to structural unemployment or temporary unemployment, who are ready to work if they receive employment support and additional services.

According to the EPP's October 2021 expenditure report, the execution rate of the Preparation for Work Program was 29.1 percent. The Entrepreneurship Recovery Program was 60.1 percent, the Youth Employment Support Program was 50.4 percent, the PWD Employment Support Program was 38.5 percent and the Elderly Employment Support Program was 77.8 percent, respectively. Although GOLWS aim to complete 70 percent of the planned measures of the EPP in the first half of the year, this has not materialized in reality. (Table 12)

**Table 12.** PERFORMANCE OF THE EPP

Employment promotion programs and measures	Plan		Performance as of October 2021		Performance, %	
	Persons	MNT	persons	MNT	persons	MNT
1. Preparation for Work Program	7,520	595,727,170	2,545	173,538,800	33.8%	29.1%
2. Entrepreneurship Recovery from the Pandemic Program	18,213	12,296,848,200	9,507	7,391,179,345	52.2%	60.1%
3. Youth Employment Support Program	11,602	810,200,000	1,855	408,261,680	16.0%	50.4%
4. Employment Support Program for People with Disabilities	3,295	8,544,105,300	1,589	3,290,294,100	48.2%	38.5%
5. Employment Support Program for the Elderly	759	1,224,051,000	521	952,841,500	68.6%	77.8%
<b>TOTAL</b>	<b>41,389</b>	<b>23,724,947,670</b>	<b>16,017</b>	<b>12,301,330,425</b>	<b>38.7%</b>	<b>51.8%</b>

Source: EPF Data issued by the GOLWS, November 2021

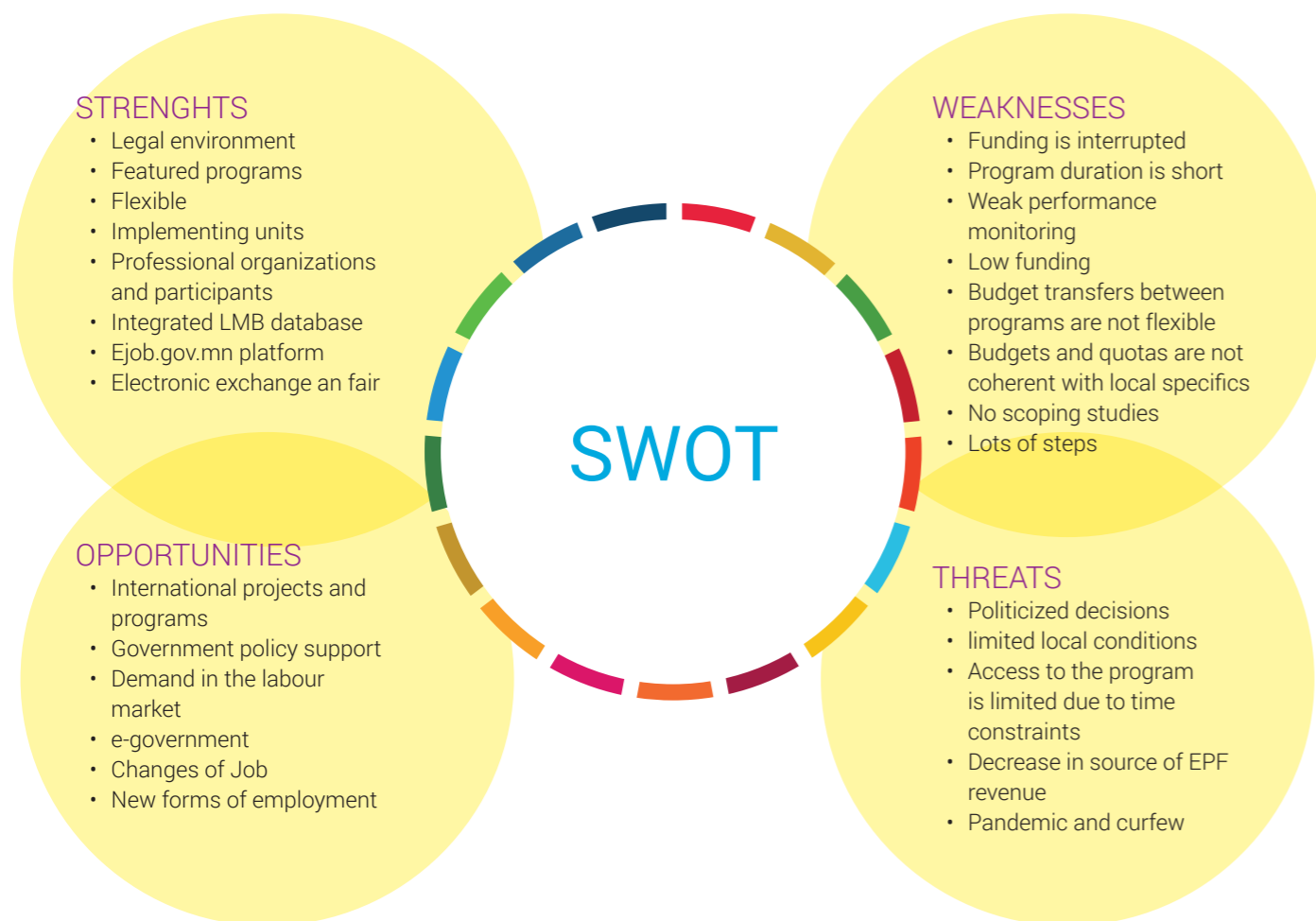
The source of the EPF's income consists mainly of job fees paid by enterprises employing foreigners, funds allocated from the state budget, and the balance at the end of the previous year. Mining and construction are the main sectors that hire foreigners (mostly from China) on a seasonal basis. Due to the influx of job fees from March each year, the income of the EPF is low in the first months of the year. Depending on the source of income of the EPF, the actual period of implementation and financing of the EPF program is active from April to June and from September to December.

### 4.3. Organizations carrying out employment promotion activities and participants

Participants to the employment promotion activities include policy makers such as the Government, the Ministry of Labour and Social Protection and other ministries; policy implementation coordinators such as GOLWS, UBED, aimag and district LWSDs; support providers such as international projects and programs; the TVET Assessment, Information and Methodology Center; human rights organizations; professional associations; contracted labour exchanges; training institutions; employers; NGOs; beneficiaries or participants of the program; entrepreneurs and unemployed people.

A SWOT analysis of employment activities in 2021 was carried out based on performance information provided by stakeholders who participated in employment promotion activities.

**Figure 14.** SWOT ANALYSIS OF EMPLOYMENT PROMOTION ACTIVITIES



The situation analysis suggests that employment activities have many advantages, many stakeholders, can increase funding sources, expand the scope of activities and that it is possible to advance the system in line with the modern evolving labour market.

### AGENCIES IMPLEMENTING THE EP PROGRAM

The GOLWS provided methodological guidance nationwide, while the UBED, aimag LWSDs and LWSDs in nine districts of UB coordinated the implementation of 521 programs active in 2021.

After the NEC approves the EPPs and general guidelines on coordinating the program and general services in the given year approved by the order of the Minister of Labour and Social Welfare, the GOLWS, aimag and district LWSDs announce their activities to the public and manage programs. The GOLWS manages implementation of three general services and three programs. Among the EPP activities, seven are managed by the UBED, 22 by the aimag LWSDs, 13 by the District LWSDs and 21 by the LWSDs in remote districts of Ulaanbaatar, or in Bagakhangai, Baganuur and Nalaikh districts (Table 12-16).

The Labour and welfare service department and divisions (LWSDs) are coordinating the provision of small loans funded by the Child Protection Project and the World Bank through commercial banks. Some activities of the EPP, such as preparation for work, career guidance, vocational training, retraining, on-the-job training and start-up selection are contracted out to authorized training and professional organizations.

Table 12-16 details the organizations involved in the implementation of the EPP and the method of financing the program by each activity. There are three main methods used to finance EPP activities: i) tariffs, ii) setting the maximum available funding and iii) considering the price offer of the contractor.

**Table 13.** ORGANIZATIONS IMPLEMENTING THE “PREPARATION FOR WORK” PROGRAM

Program measures		Agencies implementing and providing funding	Executing organizations	Method of financing
1.1. Preparation for work	Provide career guidance, counseling and information	Aimag and district LWSDs	Private labour exchange, relevant professional organizations	Per person, 70% down payment and 30% upon completion of training and reporting
	Organize training on workplace communications and psychology	Aimag and district LWSDs	Training institutions	
	Prepare for job placement meeting	Aimag and district LWSDs	Aimag and district LWSDs	
1.2. Organize vocational training and re-training	Organize classroom training	UNED, LWSDs of aimags and 3 remote districts of UB	Authorized professional training institutions	Per person, 70% down payment and 30% upon completion of training and reporting
	Organize on-the-job training	UNED, LWSDs of aimags and 3 remote districts of UB	Employer	Per person, 70% down payment and 30% upon completion of training and reporting
1.3. Competition/Selection of socially responsible employers		GOLWS	Was not organized due to lack of relevant regulation	

**Table 14.** ORGANIZATIONS IMPLEMENTING “ENTREPRENEURSHIP RECOVERY FROM THE PANDEMIC” PROGRAM

Program measures		Agencies implementing and providing funding	Executing organizations	Method of financing	
2.1	<b>Provide financial support to citizens and enterprises</b>	Provide financial support to citizens/ repayable	Aimag and district LWSDs	Citizens and enterprises specified on the scope	100% through tender
		Organize training on Entrepreneurship	Aimag and district LWSDs	Authorized training institution	Per person, 70% down payment and 30% upon completion of training and reporting
		Provide short-term working capital support /fintech	Aimag and district LWSDs	Not implemented due to lack of regulation	100% through tender
		Support for employers	Aimag and district LWSDs	An employer who hires a jobseeker on contract specified in the program	100% upon submission of the performance report
2.2	<b>Re-stocking of herders</b>	Re-stocking and financial support for herders	UNED, LWSDs of aimags and 3 remote districts of UB	UNED, LWSDs of aimags and 3 remote districts of UB	100% upon performance
		Provide financial support to contractual herder households	UNED, LWSDs of aimags and 3 remote districts of UB	UNED, LWSDs of aimags and 3 remote districts of UB	100% upon performance
		Operational expenditure	UNED, LWSDs of aimags and 3 remote districts of UB	UNED, LWSDs of aimags and 3 remote districts of UB	100% upon performance
		Organize livestock herding trainings and meetings	UNED, LWSDs of aimags and 3 remote districts of UB	Experienced herder	100% upon performance
2.3	<b>Measures to provide sales support</b>	Aimag and district LWSDs	Organize day events and fair	70% down payment and 30% upon completion and reporting	
2.4	<b>Organize public works</b>	UBED and Aimag and district LWSDs	Local administrative organizations, business entities and NGOs will organize and provide salaries to citizens who are provided with temporary jobs	After the report, 100% will be provided to individuals	

**Table 15.** IMPLEMENTING ORGANIZATIONS OF THE “YOUTH EMPLOYMENT SUPPORT” PROGRAM

Program measures		Agencies implementing and providing funding	Executing organizations	Method of financing	
3.1	<b>Provide mentoring services to youth</b>	In cooperation with social partnership organizations, involve youth in mentorship programs aimed at providing them with on-job training, training the next generation of staff and building an organizational culture	Selected Aimag and District LWSDs and Youth Employment Support Project/BGD	Youth Employment Service Center	Youth Employment Support Project had been funded by the SDC
3.2	<b>Provide financial support to the best “start-up” youth</b>	Selection of the best “Start-Up” youth team	UBED and Aimag LWSD	Start-up selected by the authorized agency	100% for winning team
		Mentoring “Start-Up” youth	UBED and Aimag LWSD	Authorized agency	70% down payment and 30% upon submission of the report
		Selection of “Start-Up” youth and youth teams nationwide	UBED and Aimag LWSD	Start-up selected by the authorized agency	100% for winner
3.3	<b>Part-time job placement for students and youth</b>	Ensuring the implementation of the Student Part-time Employment Procedure approved by Government Resolution No. 228 of 2020 and part-time job placement	UBED and Aimag LWSD	UBED	According to the plan

\* Although, part-time employment of students in youth employment programs is budgeted locally, in some areas, this measure has not been implemented due to the absence of universities, low working conditions and lack of demand.

**Table 16.** IMPLEMENTING ORGANIZATIONS OF THE “EMPLOYMENT PROMOTION PROGRAM FOR PWDs”

Program measures		Agencies implementing and providing funding	Executing organizations	Method of financing	
4.1	<b>Support PWDs to work in the open labour market</b>	GADPWD	Organization won the tender	70% down payment and 30% upon submission of the report	
4.2	<b>Санхүүгийн дэмжлэг</b>	Provide financial support to the self-employed / 50% repayable	Aimag and district LWSDs	Self-employed PWDs	100% by tender
		Provide financial support to non-governmental organizations (non-repayable)	GADPWD	NGO with selected project	70% down payment and 30% upon submission of the report
		Provide financial support to businesses / repayable	GADPWD	Enterprise with selected project	70% down payment and 30% upon submission of the report
		Job maintenance support	GADPWD		
		Organize entrepreneurship training	Aimag and district LWSDs	Authorized training institution	Per person, 70% down payment and 30% upon submission of the report
4.3	<b>Support employers who create jobs for PWDs</b>	Incentives	Aimag and district LWSDs	An employer what hired a PWD	100% upon submission of the performance report
		Reimbursement of changes in workplace conditions and adjustments	GADPWD	An organization that has made adjustments to the workplace of PWDs	Appropriate % of the performance report
4.4	<b>Support for office or workplace rent</b>	Support for workplace rent	GADPWD	Organizations received financial support	Appropriate % of the performance report
4.5	<b>Organize professional and refresher training</b>	Organize classroom training	LWSD of aimags and 3 remote districts of UB	Authorized training institution	Per person, 70% down payment and 30% upon submission of the report
		Organize on-the-job training	GADPWD	An enterprise with an adjustable workplace and the opportunity for internship	Per person, 70% down payment and 30% upon submission of the report

4.6	<b>Other employment promotion activities for PWDs</b>	External monitoring and evaluation of the implementation of article 111 of the Law on Labour and the program	GADPWD	Organization won the tender	70% down payment and 30% upon submission of the report
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**Table 17.** IMPLEMENTING ORGANIZATIONS OF THE “EMPLOYMENT PROMOTION PROGRAM FOR THE ELDERLY”

Program measures		Agencies implementing and providing funding	Executing organizations	Method of financing
5.1	<b>Organize Senior Professionals' consulting services</b>	Aimag and district LWSD	Senior professionals	100% upon performance
5.2	<b>Coordinate consulting services through NGO of Seniors</b>	GOLWS	Organization won the tender	70% down payment and 30% upon submission of the report
5.3	<b>Provide repayable financial support</b>	Aimag and district LWSD	A Senior citizen running an enterprise	100% through tender

#### 4.4. Challenges related to EP activities

In the 10 years since 2012, the NEC has approved a total of eight EP programs. In doing so, the EP program was approved only twice in the previous year (Table 18).

**Table 18.** DATE OF APPROVAL OF THE EP PROGRAMS BY THE NEC

Nº	Date of approval	Number of programs	Date of implementation	No of Resolution of the NEC
1.	2012.03.12	5	2012	2
2.	2012.12.04	8	2013	4
3.	2014.01.13	10	2014	5
4.	2015.02.12	5	2015	7
5.	2015.12.16	8	2016	8
6.	2017.01.27	6	2017-2018	1
7.	2019.01.14	6	2019-2020	1
8.	2021.02.09	5	2021-2022	1

Source: Resolutions of the NEC

After the approval of the EPP, the monthly schedule of funds required for implementation of the program is approved by aimags and districts. When a program is approved late, planning and scheduling, along with funding, are delayed. Due to these reasons and seasonal payments for seasonal foreign workers, the EPP source of income from March to April is the biggest challenge for effective implementation of employment promotion activities. Funds from the state budget are usually provided to the EPF from March onwards. By the time the EPPs begin in April-May, seasonal businesses, such as construction, roads and agriculture, have already selected workers from the labour market. On the other hand, labour demand is expected to increase in the first half of the year. For example, the Labour Market Demand Survey conducted by the RILSP estimated that 81.6 percent of labour demand in 2020 and 74.9 percent of labour demand in 2021 will occur in the first half of that year. From the beginning of the year, January-March, it is appropriate to organize activities to meet the demand for labour in the labour market, to prepare the unemployed for work and involve them in vocational training as well as other program activities. Therefore, it is necessary to extend the implementation period of sustainable and successful programs, reduce the number of programs and make some programs continuously implemented.

In addition to the above-mentioned obstacles related to the implementation of EPPs, the following challenges are faced by EPP activities.:

	When approving EPPs and measures, it is necessary to simultaneously address the issue of human resources, structure and staffing to implement them, as well as to include salaries and expenses in the budget.
	Perceptions of programs and services are limited among the general public and access to clients with limited needs is low due to insufficient awareness-raising activities to promote EP activities.
	The quality and effectiveness of the implementation of EP services and programs is not regularly assessed. The scope and target groups of EPPs are intended to include all groups that need support to enter the labour market, but are not based on detailed research and estimates. Although the IRLSP conducts labour market surveys and demand surveys, there is a lack of research that is consistent with local employment policies, goals and specifics.
	As the history of information on citizens receiving employment services is not visible in the Labour Market Information Database (LMIS) of the Social Welfare and Labour Department, it is possible for one citizen to access many services at the same time.
	Local LWSDs do not make sufficient efforts to evaluate the results of successful projects and programs that are relevant to their specific needs and to incorporate them into future planning. For example, the "Vegetable Growing Program" successfully implemented by the UBED was removed in 2021, and the quota for vocational and re-training in Selenge aimag was reduced from 200 to 22, which was insufficient for a aimags with many soums.
	Due to the fact that there are many problems related to the settlement of debts and receivables in the implementation of financial support measures for citizens and enterprises, there is a need to improve and expand coordination, increase the number of human resources in charge of implementation, or outsource it to financial institutions, such as NBFIs.

	There is a high demand to increase and develop new measures to support enterprises and employers. However, as most program activities target the informal sector, they have little effect on official unemployment and labour statistics. Therefore, it is necessary to coordinate the registration of informal employment.
	EPPs, activities and service tariffs have not been changed for a long time and some are below market value. For example, during a discussion organized by the Association of Private Exchanges, it was mentioned that most exchanges have come to a standstill due to low tariffs on services provided to private exchanges.



11 Barometer Survey on Labor Market Demand, RILSP, 2019  
 12 Barometer Survey on Labor Market Demand, RILSP, 2020



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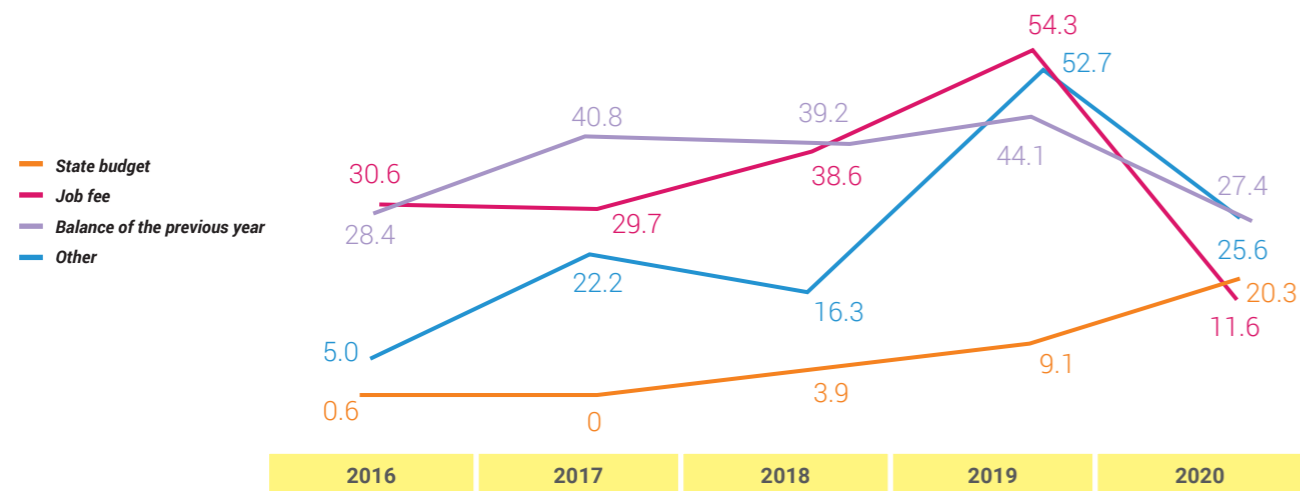
## EMPLOYMENT PROMOTION FUND

### 5.1. Source of Income of the Employment Promotion Fund (EPF)

The income of the Employment Promotion Fund (EPF) consists of the sources specified in article 22 of the Law on Employment Promotion. The main source of income of the EPF is the funds allocated from the state budget and job fees paid by employers who employ foreign nationals.

Article 9.2 of the Law on Sending Labour Force Abroad and Receiving Labour Force and Specialists from Abroad states that “the amount of job fee per month shall be equal to twice the minimum wage set by the Government of Mongolia for each foreign citizen”. As of 2021, the job fee per foreigner is 840 thousand MNT per month. In addition, business entities and organizations that do not meet the requirement of Article 111.1 of the Law on Labour that “business entities and organizations with 25 or more employees shall employ persons with disabilities or dwarfs in four or more percent of their job positions” shall transfer the charge to the EPF for not employing PWDs according to Article 111.2 of the Law, “... if a person with a disability or a dwarf is not employed, a monthly fee shall be paid for each position supposed to be filled”. In addition, the repayment of small loans and financial support from the EPF and in some years, funds allocated from local budgets, are sources of financing of EPF.

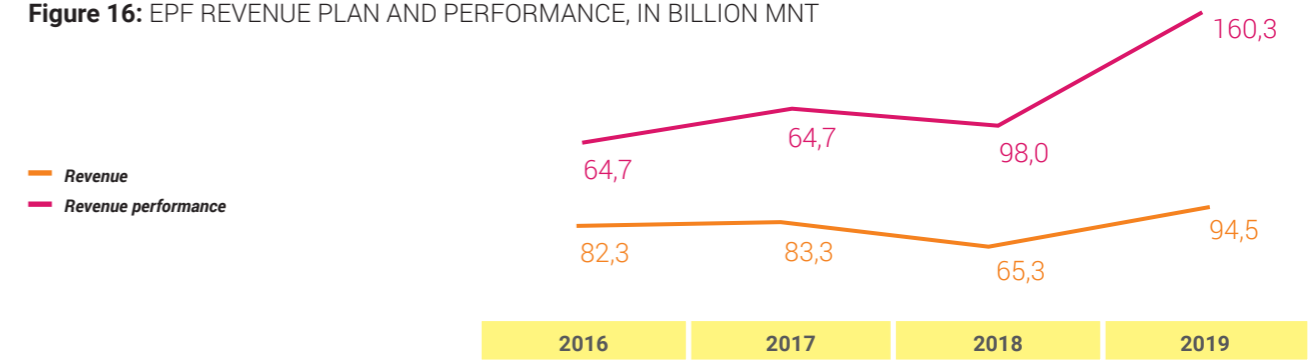
Figure 15. EPF REVENUE PERFORMANCE, IN BILLION MNT



Source: Ministry of Finance, 2021

In 2016-2020, the EPF revenue in total exceeded the planned revenue amount.

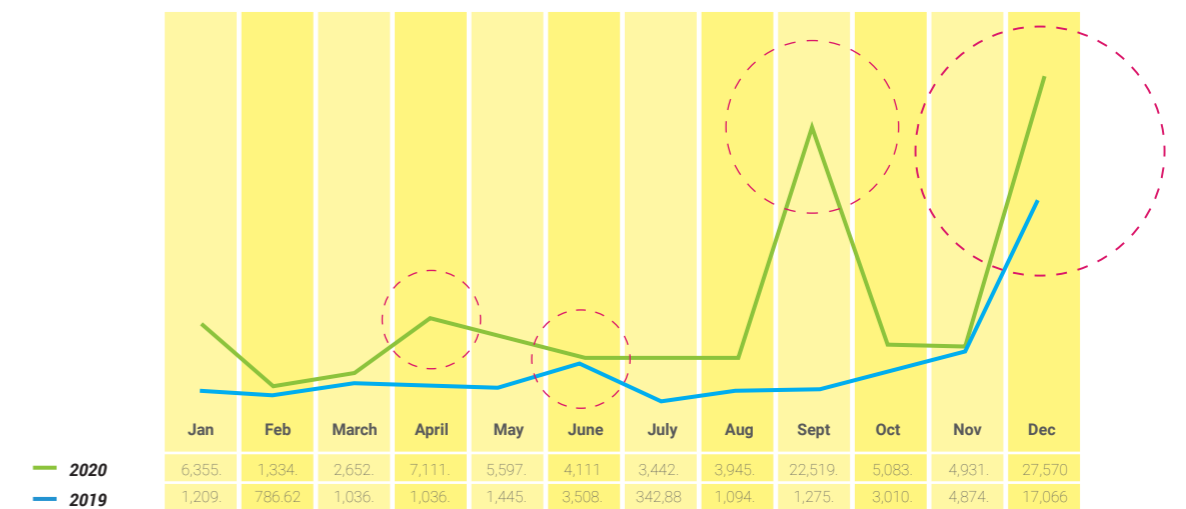
Figure 16: EPF REVENUE PLAN AND PERFORMANCE, IN BILLION MNT



Source: Ministry of Finance

Although EPF's total revenue exceeds against the plan, the revenue is unbalanced throughout the year, as most revenue comes from job fees paid by employers who hire foreign nationals. For example, the job fee is expected to increase in the second quarter of each year, starting in April, and further increase in June and September, as employers pay the next year's job fee in advance (Figure 17).

Figure 17. EPF REVENUE PERFORMANCE, BY MONTHS AND IN MILLION MNT



Source: Treasury Department, MOF, December 2021

### 5.2. Employment Promotion Fund Expenditure

Funds of the EPF are spent on general employment services specified in article 23 of the Law on Employment Promotion, EPP and the programs and projects defined by the NEC and the Government.

**Figure 18: EPF BUDGET, IN BILLION MNT**



Source: Ministry of Finance

In 2016-2021, the budget of the EPF increased 2.2 times, or from 49.5 billion to 109.6 billion MNT (Figure 18). In the last 5 years, the budget of the EPF has been 23.8 times higher than the budget allocated for general employment services.

**Table 19. EPF SPENDING, BY INTENDED PURPOSE, IN MILLION MNT**

PURPOSE	2016	2017	2018	2019	2020
General services	968.2	809.1	1,005.3	1,335.4	637.0
Total program	15,016.7	23,535.3	25,392.8	30,154.4	17,869.0
Other measures of employment promotion	10,552.2	6,920.0	8,362.5	5,549.1	3,702.3
Child protection measures				312.9	239.2
Micro loans		20,000.0	20,000.0		
TVET	10,149.3	2,271.0	2,271.0	18,588.3	54,851.2
<b>TOTAL EXPENDITURE</b>	<b>36,686.4</b>	<b>53,535.4</b>	<b>53,535.4</b>	<b>55,940.1</b>	<b>77,324.6</b>
<b>Budget</b>	49,539.0	61,198.0	61,198.0	83,382.4	88,957.2
Performance in %	74.1%	87.1%	87.1%	67.1%	86.9%

Source: Ministry of Finance

However, the number of people involved in the EPP is relatively small, compared to the number of people who have received general employment services.

**Table 20. NUMBER OF PEOPLE INVOLVED IN THE EPP AND RECIPIENTS OF GENERAL EMPLOYMENT SERVICES**

Intended purpose of spending	2016	2017	2018	2019	2020
<b>1 General service</b>	90,322	149,545	133,066	162,643	84,573
1.1 Career guidance and consulting services	54,476	103,862	89,961	118,584	51,567
1.2 Job mediation services	35,846	45,683	43,105	44,059	33,006
<b>2 EP program and measures</b>	48,596	63,324	64,791	74,487	29,127

2.1	Preparation for work and employment skills program	5,684	9,631	7,677	7,353	2,587
2.2	Job support program	11,690	36,466	38,464	45,728	18,577
2.3	Youth employment and start-up business support program	19,725	4,281	4,869	8,177	2,637
2.4	Herder employment support program	4,032	4,886	6,637	6,265	1,598
2.5	Job support program for people with disabilities	4,849	5,782	5,617	5,622	2,844
2.6	Senior Consultant Development Program	2,616	2,278	1,527	1,342	884

Source: MLSP, 2021

The Employment Promotion Programs implemented in 2015-2021 show no significant changes in the measures, scope or target groups of the programs. For example, the public works program became a part or measure of the Job Support Program since 2017, the Job Support Program in 2021 was changed into a program to revitalize businesses during the pandemic and the Herder Employment Support Program became part of this program.

In the last 5 years, 52-68 percent of the EPF's total budget has been allocated to the Job Support / Entrepreneurship Recovery from the Pandemic Program (Figure 19).

**Figure 19: BUDGET OF THE EPP, AS A PERCENTAGE OF THE TOTAL PROGRAM BUDGET, 2017-2021**



Source: MLSP

The largest budgets are allocated to the Employment Promotion Program (Entrepreneurs Recovery from the Pandemic), which is mainly spent on financial support, rent discounts and employer support. For example, in 2021, 12.5 billion MNT in financial support was provided to citizens and businesses, while 7.2 billion MNT or 56 percent of the budget was allocated to the program to restore business activities during the pandemic.

**Table 21.** FUNDS SPENT ON FINANCIAL SUPPORT IN 2021, IN MILLION MNT

	MEASURES	Performance	
		Number of people	Performance
1	Financial support to citizens / repayable	1,193	4,723.0
2	Support to Employers	119	614.2
3	Financial support for re-stocking herder households	371	1,707.01
4	Sales support measures	409	210.36
5	Financial support for self-employed / 50% repayable	704	2,470.68
6	Provide financial support to non-governmental organizations / non-repayable	-	548.0
7	Financial support for business entities / repayable	-	614.0
8	Job maintenance support	-	164.74
9	Incentives for employers who create jobs for PWDs	55	275.39
10	Support for office / workplace rent	215	248.89
11	Provide repayable financial support	375	897.0
12	Total financial support	3,441	12,473.27
12	Total cost of employment promotion programs and measures	18,254	18,800.50
13	<b>Total financial support and incentives as percentage of total cost of the EPP</b>	<b>19%</b>	<b>66.3%</b>

Source: GOLWS

**Note:** Measures 1-4 of the above measures are a program to restore the activities of entrepreneurs during the pandemic, measures 5-6 are a program to support youth employment, measures 7-10 are a program to support the employment of people with disabilities, 11th measure was implemented as part of the Elderly Employment Support Program and the title of the measure is included by the title of the EPF budget performance report submitted by the GOLWS. The support (440.0 million in total) for the “Best Start-Up” Youth and Youth Team of the Youth Employment Support Program and the “Start-Up Youth and Youth Team Selection” nationwide has been grouped to support start-up businesses and not included in financial support.

The activities of the EPP implemented in 2017-2021 can be divided into the following six sets of activities, grouped by common characteristics:

- PROVIDING FINANCIAL SUPPORT;
- ORGANIZING TRAININGS;
- UNDERTAKING PUBLIC WORK, SENIOR PROFESSIONALS’ CONSULTING SERVICES AND COLLECTIVE VEG-ETABLE GROWING

- PLACING STUDENTS IN PART-TIME JOBS AND SUPPORTING JOB PLACEMENTS OF PWDs;
- ORGANIZING ACTIVITIES TO SUPPORT START-UP BUSINESSES;
- OTHERS.

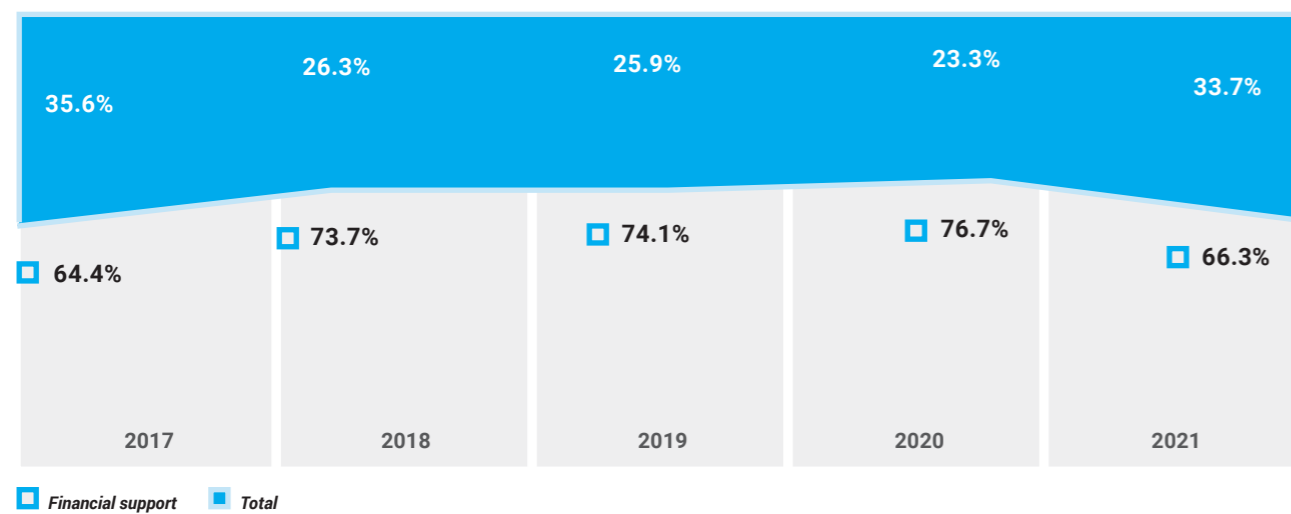
Table 22 shows how the budget of the EPP was allocated for the above six sets of activities in 2017-2021.

**Table 22.** BUDGET FOR MEASURES OF EPPS

MEASURES	2017		2018		2019		2020		2021	
	Budget (Million MNT)	% in total budget	Budget (Million MNT)	% in total budget	Budget (Million MNT)	% in total budget	Budget (Million MNT)	% in total budget	Budget (Million MNT)	% in total budget
<b>Financial support</b>	15,164.1	64.4%	18,710.9	73.7%	22,345.4	74.1%	13,617.9	76.7%	12,473.3	66.3%
<b>Training</b>	1,765.5	7.5%	1,748.7	6.9%	1,789.2	5.9%	507.8	2.9%	862.2	4.6%
<b>Public and similar works</b>	6,260.6	26.6%	4,639.9	18.3%	4,532.3	15.0%	3,007.5	16.9%	2,720.9	14.5%
<b>Job placement / part-time job and job placement with support</b>	51.3	0.2%	106.7	0.4%	101.5	0.3%	45.0	0.3%	44.9	0.2%
<b>Organize events to support start-up businesses</b>	293.8	1.2%	186.7	0.7%	304.6	1.0%	143.3	0.8%	727.9	3.9%
<b>Other</b>	-	0.0%	-	0.0%	1,081.6	3.6%	437.8	2.5%	1,971.2	10.5%
<b>TOTAL</b>	<b>23,535.3</b>	<b>100%</b>	<b>25,392.8</b>	<b>100%</b>	<b>30,154.6</b>	<b>100%</b>	<b>17,759.2</b>	<b>100%</b>	<b>18,800.5</b>	<b>100%</b>

While 64-77 percent of the total budget for EPPs was allocated to financial support only (Figure 20), 14.5-27 percent of the budget was spent on public works, yet only 3-7.5 percent was spent on training. Due to the global pandemic, the total cost of the EPPs decreased in 2019-2021.

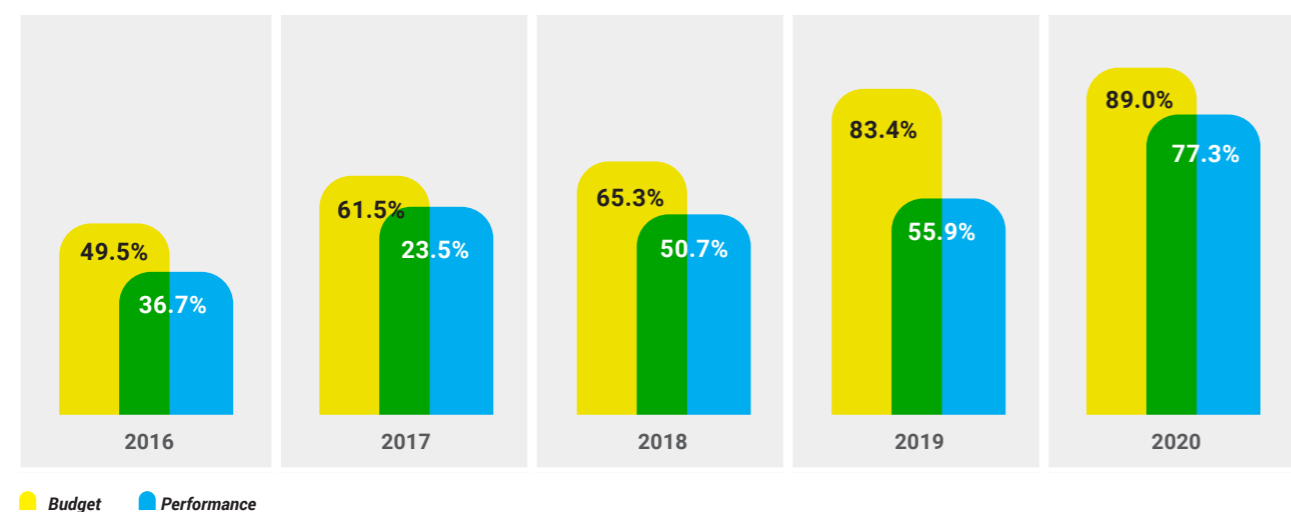
**Figure 20.** PERCENTAGE OF FINANCIAL SUPPORT IN TOTAL BUDGET OF EPP, 2017-2021



Source: MLSP

Due to the insufficient implementation of the EPP and some measures, the budget execution of the EPF has averaged 78.5 percent per year for the last five years. The main factor contributing to the lower-than-expected performance of the EPF is the fact that the EPF is unable to spend it, due to the late collection of revenues.

**Figure 21.** BUDGET EXECUTION OF THE EPF, IN BILLION MNT



Source: Ministry of Finance, 2021

In addition, the following factors contribute to the low budget execution of the EPF:

- Unable to spend evenly throughout the year due to the fact that the main source of the fund's income, job fees from employers who hire foreign nationals, is more concentrated in some months;
- Late permission of the transfer of the balance of the previous year to the fund (usually in March-April);
- The NEC annually (sometimes once every two years) approves the updated EPP funded by the EPF. No budget is spent on programs in the first months of the year, as the program is usually approved after the end of the year, after which the budget schedule for the program is approved;
- There are some delays in the implementation of certain programs due to delays in the approval of procedures and guidelines for certain programs planned for the year;

- Citizens are not able to participate in the program, due to the fact that some new programs and activities may not meet the needs of the labour market, or sufficient dissemination of information about the program. For example, in 2020, although 47.8 percent of the budget allocated by the UBED to the EPF is dedicated for the Contract Herder Program, expenditure performance was low due to small number of participants in the program. Even though the NEC meeting could have shifted the budget to another program, the low performance of the year also affected next year's planning, as a result of inability to implement other measures in time.

### 5.3. Principles of financing the Employment Promotion Fund and treasury transactions

The NEC approves the EPPs to be implemented in a given year in the first month of the year, and discusses the budget as well as number of participants for each program. The number of people eligible for the program and budget are allocated based on the number of units, number of unemployed, proposals submitted by the unit during budget planning and other factors. Aimag and district LWSDs implement some activities within their mandate and contract out most activities to other organizations depending on the type of service or program, the budget allocated and number of people eligible in the program.

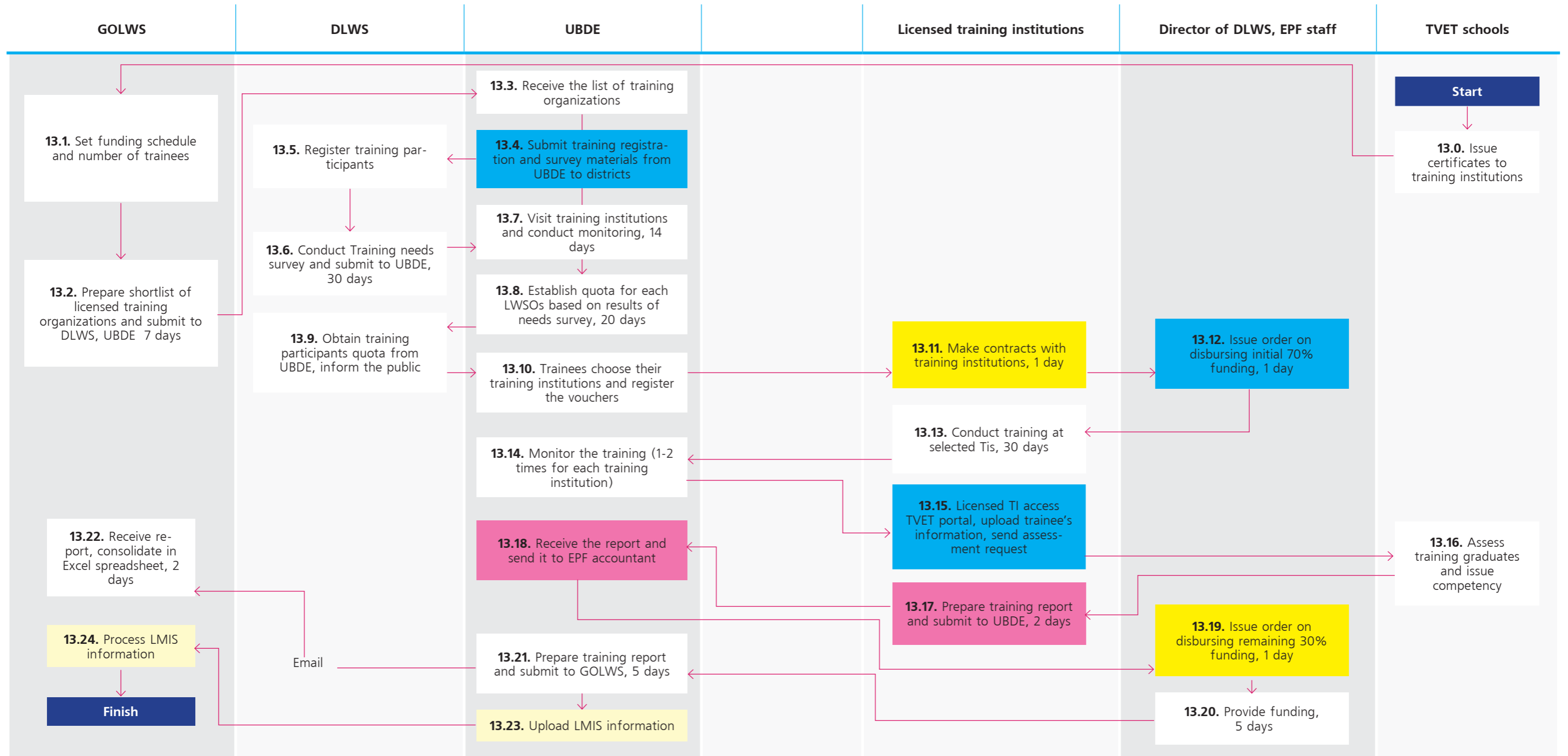
In concluding contracts with enterprises, NGOs and private exchanges, the contract price is set in accordance with the Order of the Minister of Labour and Social Welfare dated June 18, 2021 "On re-determining the amount of expenditures per unit of employment promotion services and measures". Although the order setting the cost per unit of service and program activities was renewed in 2021, the amount of expenditure (tariff) was not changed and only some tariff-related measures were amended. Failure to update the standard cost tariffs in line with market prices poses a risk of insufficient funding for EPPs and general employment services. For example, in order to obtain the permission to conduct vocational and refresher training, training institutions are required to create conditions for trainees to practice using relevant equipment. However, there are cases when the income from training provided using the funding of EPF does not cover the cost of using equipment.

When providing funding to organizations that provide employment services and implement program activities, funding is provided on the basis of two main principles: 70 percent down-payment by contract, 30 percent balance by submission of performance report, or 100 percent financing based on performance. In a few cases, funding is provided at contract value. Performance-based 100 percent funding measures include financial support, incentives, Job mediation services for private labour exchanges, public works and senior professionals' consulting services.

Other activities are funded by a 70 percent down payment and remaining 30 percent upon completion of the works. However, in some cases, the balance of the contract impedes the continuity and quality of employment support services and activities due to the complexity of the funding process. For example, the competent training institution that organizes vocational and re-training courses is required to certify the individual competencies of the graduates in order to receive the remaining contract funding. In doing so, the TVET Assessment, Information and Methodology Center takes professional exams from graduates and, if successful, issues a Certificate of Competency to students. The training institution shall attach the Certificate of Competency issued to the graduates to its report and apply for funding to the UNED or respective aimag or district LWSD where the contract was signed. Then the UBED or LWSD evaluates the contract and provides the remaining funding. In some cases, it may take one month for the authorized training institution to receive the remaining funding under this process.<sup>13</sup>

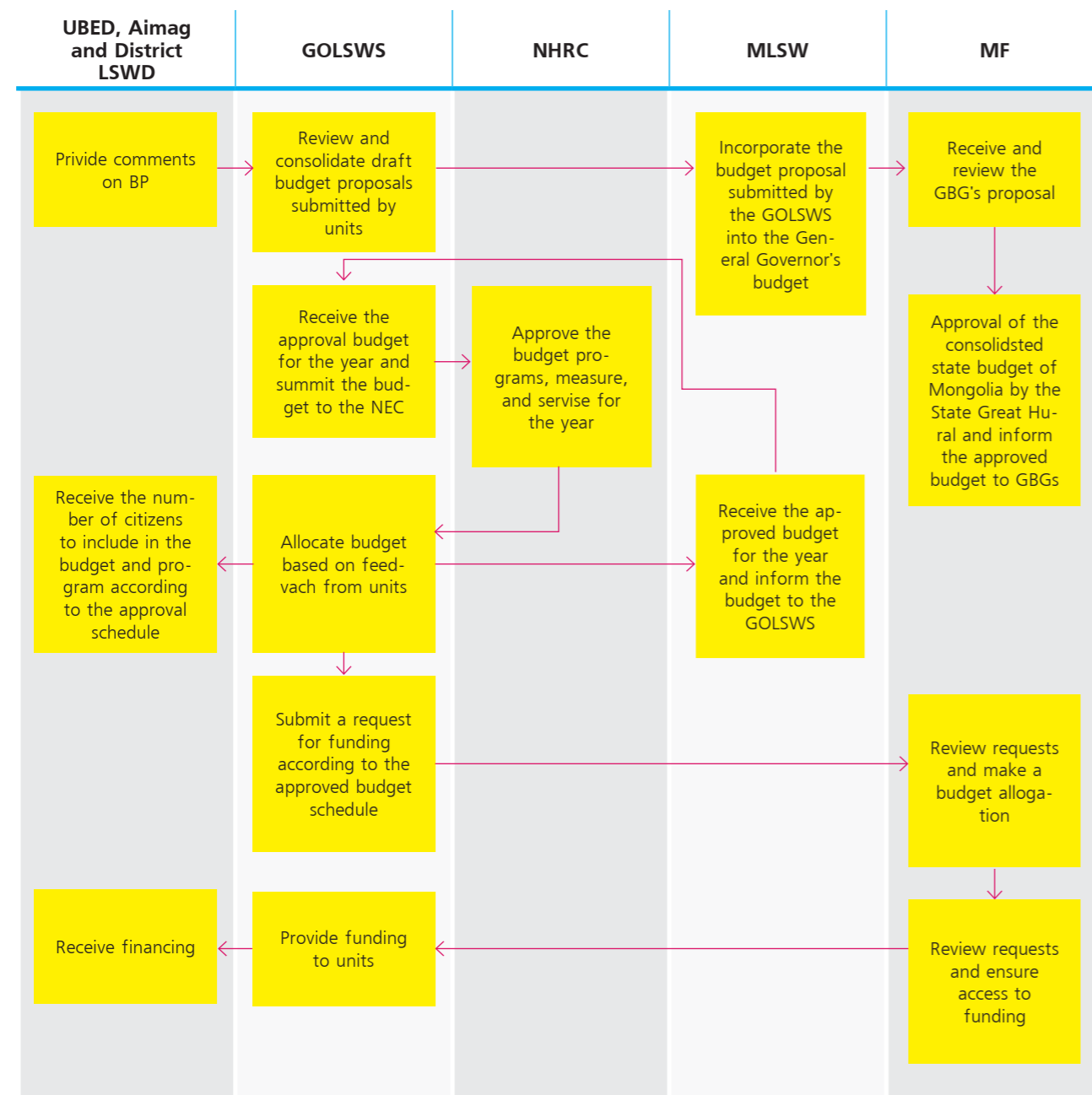
<sup>13</sup> Interview with the head and specialists of the UBED, November 2021. The names of the officials interviewed are included in the appendix to this report.

**Figure 22: ORGANIZING SHORT-TERM VOCATIONAL TRAINING – CURRENT BUSINESS PROCESS**



Source: Report of the consultants of the "Employment Promotion Project" implemented with the financial support of the World Bank

**Figure 23.** THE PROCESS OF ALLOCATING FUNDS FROM EPF TO PRIMARY UNITS



## 5.4. EPF Budget allocation

Table 23 shows the budget for the providing general employment services and implementation of employment promotion programs in 2021, along with its execution by aimags.

**Table 23.** EPF'S 2021 BUDGET SCHEDULE AND EXECUTION (THOUSAND MNT)

	Aimags	Approved budget	Execution/Performance	Execution rate, %
1	ARKHANGAI	626,088.0	601,780.86	96.1%
2	BAYAN-ULGII	600,982.0	547,033.25	91.0%
3	BAYANKHONGOR	585,301.0	585,074.70	100.0%
4	BULGAN	457,418.0	426,007.19	93.1%
5	GOBI-ALTAI	503,789.0	467,172.72	92.7%
6	DORNOGOVI	445,471.2	372,024.37	83.5%
7	DORNOD	688,446.0	639,819.00	92.9%
8	DUNDGOVI	427,228.0	395,819.76	92.6%
9	ZAVKHAN	619,646.0	552,383.51	89.1%
10	UVURKHANGAI	666,864.0	579,731.30	86.9%
11	UMNUGOVI	403,801.0	378,562.40	93.7%
12	SUKHBAATAR	450,335.6	417,015.35	92.6%
13	SELENGE	570,556.0	528,582.77	92.6%
14	TUV	641,295.4	550,342.00	85.8%
15	UVS	654,055.4	590,314.12	90.3%
16	KHOVD	737,862.0	708,175.66	96.0%
17	KHUVSGUL	779,476.0	729,377.38	93.6%
18	KHENTII	663,561.0	576,682.89	86.9%
19	DARKHAN-UUL	479,154.0	466,777.51	97.4%
20	ORKHON	556,848.0	530,649.14	95.3%
21	GOVISUMBER	279,401.0	235,344.71	84.2%
22	BAGANUUR	349,610.0	305,756.65	87.5%
23	BAGAKHANGAI	204,586.0	136,608.00	66.8%
24	NALAIKH	378,213.0	324,863.40	85.9%
25	BAYANGOL	696,256.0	572,409.71	82.2%
26	BAYANZURKH	955,642.0	861,570.00	90.2%
27	SONGINOKHAIRKHAN	1,118,248.0	1,021,182.00	91.3%
28	SUKHBAATAR	561,859.0	421,725.00	75.1%
29	KHAN-UUL	631,526.0	590,322.27	93.5%
30	CHINGELTEI	665,172.0	607,854.25	91.4%
31	UBED	924,677.0	459,834.38	49.7%
	<b>TOTAL</b>	<b>18,323,367.6</b>	<b>16,180,796.25</b>	<b>88.3%</b>

Source: MLSP

Article 4.7 of the "Regulation on raising, spending and monitoring the funds of the Employment Promotion Fund" approved by the Government Resolution No. 375 of December 28, 2011, states that: "When allocating the approved budget of the fund to aimags, the capital city and districts, the state administrative body in charge of employment shall approve the proposal of the aimag, capital city and district employment agency based on population size, unemployment, poverty level and number of people involved..." However, at present, after the approval of the EPP to be implemented in that year, the GOLWS develops a fund allocation schedule within the approved budget, taking into account the quotas and budget proposals submitted by local administration.

In relation to the above statistics, the EPF Budget allocation for 2021 includes the following details:

1) The relevance of the population number is low when comparisons are made between aimags and districts with similar population sizes.

**Table 24.** COMPARISON OF BUDGETS OF AIMAGS AND DISTRICTS – BY NUMBER OF POPULATION

Aimag/District	Population	Budget /2021 Budget – thousand MNT/
SELENGE	Budget	570,556.00
DARKHAN-UUL	103,580	479,154.00
ORKHON	105,361	556,848.00
BAYANZURKH	372,760	955,642.00
SONGINOKHAIRKHAN	340,272	1,118,248.00

2) Comparisons of the budgets of aimags and districts with similar unemployment rates reveals that the budget allocated to each unit is irrelevant to the number of unemployed.

**Table 25.** COMPARISON OF AIMAG AND DISTRICT BUDGETS – BY NUMBER OF UNEMPLOYED

Aimag/District	Number of unemployed persons	Budget /2021 Budget – thousand MNT/
BAYAN-ULGII	4,689	600,982.00
BULGAN	229	457,418.00
DORNOD	1,272	688,446.00
UVURKHANGAI	2,450	666,864.00
SONGINOKHAIRKHAN	3,577	1,118,248.00
KHAN-UUL	3,342	631,526.00

Allocation of the EPF budget was only based on the proposal of the aimag, capital city and district employment agencies. The previous year's budget schedule does not serve as a basis for a fair distribution of the budget needed to implement EP services and programs in a particular local area. In the future, there is a need to have a clear methodology for allocating the EPF budget, taking into account actual local needs, the number of unemployed, the number of households and citizens living below the poverty line, as well as the number of employed people.

## 5.5. Benchmark cost for financing EP services and measures

Employment promotion activities and services are funded by tariffs approved by the Minister of Labour and Social Welfare. The tariff was re-approved on June 18, 2021 by Order No. A/96 "Re-defining the Cost per Unit of Employment Promotion Services and Measures". In doing so, it did not change the standard cost (tariff), but approved amendments to some tariff measures.

Despite rising national average wages and commodity prices over the past five years, there is a risk that the maintenance of tariff rates will lead to insufficient costs, disruption of employment service providers, and reduced service delivery.

At the request of the heads of the Employment Policy Implementation Coordination Department and Divisions of the Ministry of Labour and Social Protection, the consulting team developed a proposal to revise the cost per unit of services and measures. The tariff revision was based on the following suggestions and grounds:

1. Comments received from 25 employment support providers and 3 catering service providers through electronic and telephone conversations;
2. The cost of human resources (working hours, average salary), training materials, stationery, printing, copying and information dissemination required to implement the service or activity being estimated;
3. Compliance with applicable normative expenditures approved by other laws;
4. Incorporated comments received from the Labour and Welfare Department and divisions.

A survey of the actual costs of career guidance and counseling among 25 authorized training institutions found as follows:

- a) Authorized training institutions provide group and individual counseling and training in employment skills, employment relations, career choices and personal development;
- b) The average time per person to provide the service on an individual basis was defined to be more than 40 minutes for 60 percent of participants, 20-40 minutes for 32 percent and shorter for 8 percent of participants;
- c) Group counseling and training would last 10 minutes for 12 percent of cases, 11-15 minutes for 40 percent, 16-20 minutes for 24 percent, 21-25 minutes for 4 percent, 26-30 minutes for 24 percent and 51 over more minutes for 8 percent of cases;
- d) The average monthly salary of staff providing career guidance services is between MNT 800.0-1,000 thousand;
- e) Materials such as manuals, questionnaires, personal development tests, evaluation sheets, collaborative plan templates, job listings, business cards, registration forms, glue, paper, computers, printers, coffee, tea and candy are required for providing career guidance and counseling services.

The following trainings are provided by authorized training institutions within the framework of entrepreneurship training included in the Entrepreneurship Support Program and the Employment Support Program for Persons with Disabilities. These include:

### 1. Qualify as a trainer under ILO programs (MNT 89,0 thousand package)

- SYIB Start Your Business / Project Writing Training
- Grow your business
- Develop business ideas
- Green business opportunity training

### 2. Project development training in accordance with the ISO 21500 MNS project standard;

### 3. "Organizing a group" training;

### 4. "Cooperative" training;

### 5. Marketing and sales training.

These courses are taught by trainers from Business Development Support Centers, Entrepreneurship Training Centers and Business Incubator Centers, with the average duration of training 3-5 days. The above trainings included a standard equipment set (ILO package worth MNT 89 thousand), and use writing paper, felt-tip pens, colored paper, writing paper, working paper, highlighters, stickers, stationery, a computer, printer and projector.

Based on this information, a proposal has been developed to increase or maintain a portion of the standard costs of EP services and programs to be financed by the EPF.

#### I. It is estimated that the benchmark or standard costs will change as follows:

- a) The tariff for career guidance services will rise by MNT 6-7 thousand;
- b) The cost of entrepreneurship training will increase by MNT 15,000;
- c) The cost of ensuring individual preparedness should reduce by MNT 18,000.

The main rationale for changing the above costs is that it includes the cost of training materials, student manuals and exercise materials, as well as the standards to be followed in case of contracting out the career guidance and Job mediation services to private sector organizations.

#### II. The following benchmark costs are proposed to remain the same:

- a) The budget / cost allocated to LWSDs to provide Job mediation services (MNT 7,000). This is due to the fact that in connection with the introduction of profiling services, it is necessary to increase, based on reasonable estimates, the budget / cost allocated to LWSDs in future;
- b) The cost of organizing public work (MNT 3,500). The average hourly wage was MNT 3,270 or less than 3,500, when the salary of employees working outside the UB General Services Department is used as a benchmark. However, while maintaining the hourly wage, proposals submitted to the GOLWS by local LWSDs and Chingeltei district LWSD advise increasing the time for organizing public works to 14 days and extending it by 7 days if necessary.

The following costs are not possible to determine when estimating benchmark costs:

1. Expenditures on soft skills and vocational (theoretical) training included in training program activities;
2. Short-term vocational and e-skills training costs included in the Women's Employment Support Program. These will be conducted in accordance with the program of the TVET

Assessment, Information and Methodology Center. There are more than 1,500 registered training centers, of which more than 290 are active. However, none are registered to provide basic competency training. The Women's Employment Support Program provides short-term professional and e-skills training through a Level 2 qualification training program. However, Level 2 qualification training lasts at least 2 weeks and has a program of at least 20 hours per week. Therefore, it is not possible to estimate the benchmark cost of these trainings, because there are no soft skills training or vocational theoretical training programs, or they are not been finalized and approved. In the case of short-term skills training, the program needs to clearly state what competencies the training aims to acquire.

The revised cost estimates for the cost of services and measures are included in the Annex to this report.

## 5.6. EPF Financial Reporting

Article 25.1 of the Law on Employment Promotion regulates deadlines for reporting on the Employment Promotion Fund as follows:

*"...25.1.1 Quarterly report(s) shall be submitted by the district employment office to the capital city employment office; the sum officer in charge of labour matters submits (it) to the aimag employment office within (the) 5th of (the) first month of the following quarter; aimag, capital city employment offices, Central labour exchange office shall submit the report to the State central administrative body in charge of labour matters within (the) 15th of (the) first month of the following quarter;*

*25.1.2 (The) State central administrative body in charge of labour matters shall submit the consolidated quarterly report within (the) 20th day of the first month of the following quarter and (the) annual report within (the) 10th of February of the next year to the central public administration in charge of finance and budget matters, to the National Employment Council and to the Central social insurance authority.*

Although the Law on Employment Promotion states that "Registration and reporting forms of the Employment Promotion Fund shall be approved jointly by the Cabinet members in charge of finance, budget and labour matters," currently, financial statements of the EPF are prepared in accordance with the financial statements and disclosure forms of budgetary organizations approved by Order No. 388 of the Minister of Finance, dated November 27, 2006.

#### The following software is used in operating the FES:

- **Fiscal** – The EPF budget is typed into the Fiscal software of the Ministry of Finance with the total amount of each program, for each common employment service, in the form of salaries of NEC members and other EPPs.
- **FreeBalance** – Aimag, district and capital city employment agencies use this software for funding authorization and transactions.



- **Explorer, Talst** - Through this software, the budget and performance of the EPP and general service costs are recorded along by the number of people in the program and measures. From the above software, it is possible to download the report in two ways: the execution of expenses incurred under each program, along with the number of participants or according to the financial statements and disclosure form approved by the Minister of Finance Order No. 388 of November 27, 2006. In addition, detailed information on citizens and companies that have provided financial support will be available. In future, the software will be developed and tested in 2022, so that citizens will be notified of the financial support repayment schedule via SMS. Both softwares are currently used only for the internal needs of employment agencies.
- **E-balance, e-tailan** – The EPF report is consolidated into the portfolio of the General Budget Governor (MLSP) of the labour and social welfare sector.

**In order to improve the current process of approving, allocating and financing the EPF budget, the following issues need to be addressed:**

- 1) After the State Great Hural approves the total budget of the EPF, the NEC convenes the council meeting and approves the program, activities and schedule for spending, which delays the start of the program and the time for the units to receive program-based funding. Therefore, it is appropriate if the NEC meeting is held before the new year, in November or December, to approve the program and budget schedule.
- 2) The instability of the program risks making some measures ineffective, as EPPs are updated and approved annually. Therefore, regular activities included in the program should be separated from the program making these regular measures and accordingly allocate a budget for this purpose. The content, duplication and loopholes of program activities were studied by policy consultants and a separate evaluation report was developed.
- 3) In the first quarter of the year, the main source of income for the EPF is the previous year's remaining balance of the fund. There are cases when the Ministry of Finance is not granting permission to use the balance of the previous year. This issue needs to be addressed in consultation with the MOF Treasury Department.
- 4) Funding is provided to the UBED, aimag and district LWSDs through the account for additional funds from the state treasury. This is one of the reasons for the delay in funding due to the treasury transaction system. In addition, the provision of additional funding accounts requires additional adjustments for reporting and consolidation. Therefore, it is necessary to create an environment for financing through the main account.
- 5) The current terms under which the EPF budget is distributed do not provide a basis for a fair allocation needed to implement EP services and programs in the local area. In future, it is necessary to have a clear methodology for allocating the EPF budget, taking into account the actual needs of the local area, the number of unemployed, the number of households and citizens living below the poverty line and the number of employees.

## 5.7. Small loans and financial support of the Employment Promotion Fund

### SMALL LOANS

According to the article 12.2 and 12.7 of the Law on Employment Promotion and the “Regulation on Issuing Small Loans from the Employment Promotion Fund, Issuing Guarantees, Reimbursement of Interest and Providing Financial Support” approved by the Government Resolution No. 340 of the Government of Mongolia dated November 3, 2021, small loans of up to MNT 10 million for self-employed herders and herders, up to MNT 25 million for citizens to establish partnerships and cooperatives or return from working abroad, and up to MNT 50 million for micro-enterprises and service providers, are provided through commercial banks for a 24 month-term.

Small loans are given through commercial banks, whereby the small loan borrower must have sufficient collateral equals to 40 percent of the loan amount. The number and assets of small loan borrowers are shown in Table 26.

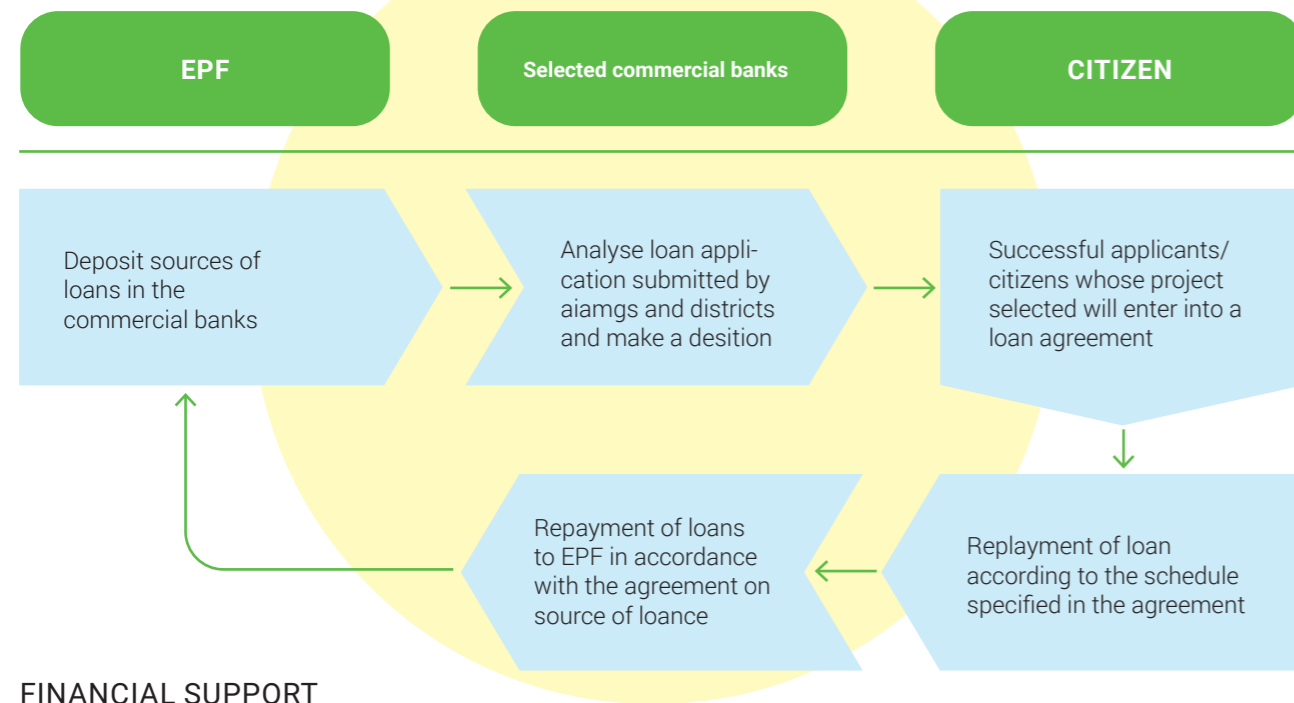
**Table 26.** AMOUNT OF SMALL LOANS GRANTED BY EPF

Banks	Year	Source		Loans		Amount of loans disbursed from repayment
		Financing source	Amount	No of persons	Amount in MNT	
GOLOMT BANK	2017	EPF	20,000,000,000	1,780	20,851,530,000	851,530,000
<b>AMOUNT</b>			20,000,000,000	1,780		
STATE BANK	2018	EPF	6,900,000,000	936	7,984,574,000	1,084,574,000
KHAAN BANK	2018	EPF	9,000,000,000	1,037	10,331,682,675	1,331,682,675
<b>AMOUNT</b>			15,900,000,000	1,973	18,316,256,675	
STATE BANK	2019	World Bank	3,990,000,000	496	4,447,272,000	457,272,000
KHAAN BANK	2019	World Bank	4,010,000,000	514	4,504,300,000	494,300,000
<b>AMOUNT</b>			8,000,000,000	1,010	8,951,572,000	
STATE BANK	2020	World Bank	1,091,880,000	85	802,500,000	
KHAAN BANK	2020	World Bank	1,132,620,000	44	395,900,000	
<b>AMOUNT</b>			2,224,500,000	129	1,198,400,000	
<b>TOTAL AMOUNT</b>			<b>46,124,500,000</b>	<b>4892</b>	<b>49,317,758,675</b>	<b>4,219,358,675</b>

Source: MLSP, 2021

When a project is developed by an aimag or district LWSD and submitted to a commercial bank, the commercial bank makes the final decision on whether to grant the loan to the applicant and is responsible for its repayment. Long-term placement of small loans in commercial banks can slow down the lending process, but the advantage is that the bank has the responsibility in case of default.

**Figure 24.** THE PROCESS OF ISSUING SMALL LOANS THROUGH COMMERCIAL BANKS



## FINANCIAL SUPPORT

The financial support of up to 36 months (from 2022 to 48 months) under EPPs is the most sought measure. Financial support is interest-free and non-collateral, so it is a real help to citizens, the self-employed, as well as small and medium-sized businesses. As of 2021, the EPF has provided the following financial support through the UBED, aimag and district LWSDs:

### 1. Within the framework of the program to restore activities of entrepreneurs during the pandemic:

- Repayable financial support to individuals and enterprises of up to MNT 5 million;
- Short-term working capital support of of MNT 150-500 thousand (Fintech);
- Financial support of MNT 4-5 million for restocking herder households;
- Financial support of up to MNT 3 million for restocking contracted herder households.

### 2. Within the Youth Employment Support Program:

- Selecting and rewarding the best "Start-Up" youth team, with MNT 10 million for the winning team (non-repayable);
- Select and reward "Start-Up" youth team nationwide, providing MNT 13–20 million (non-repayable) to the winning team.

### 3. Under the framework of the Employment promotion program for people with disabilities:

- Financial support of MNT 3-5 million for a project to create jobs for PWDs or parents caring for PWDs (50 percent repayable);
- Financial support of MNT 5 million per job for PWDs and up to MNT 20 million in total (non-repayable) for the NGO project;
- Financial support of up to MNT 20 million (repayable) to enterprises owned by PWDs or enterprises where at least 50 percent of employees are PWDs;
- Job retention support for enterprises with PWD jobs;

### 4. Within the Employment Support Program for Elderly:

- Provide repayable financial support.

Projects requesting financial support are selected, supported and reimbursed by aimag and district LWSD staff. Currently, information related to financial support, such as the amount and repayment of financial support received by citizens and businesses, is registered using two softwares, Aplorer and Talst.

However, there is an urgent need to improve the coordination of financial support measures. If the recipient does not repay on time, there is a risk that the repayment of financial support will be poor due to the fact that it is not registered in the credit database of the Bank of Mongolia. According to the Social Welfare and Labour Department, a total of MNT 38 billion in financial support has not been repaid since 2015, and there are on-going lawsuits. This increases the workload of LWSD staff in terms of debt settlement and increases the salary fund of the GOLWS due to the need of hiring of a contract lawyer responsible for the repayment of financial support.

The provision on "Up to MNT 1.0 million of unsecured, interest-free and repayable short-term working capital financial support required for business activities of self-employed citizens and business entities can be disbursed electronically using new financial technology (fintech)" was newly added into article 5.13-14 of the "Regulation on Issuance, Guarantee, Interest Reimbursement and Financial Support of Small Loans from the Employment Promotion Fund," approved by the Government on November 3, 2021. The possibility of using this principle in other financial support activities through modern electronic financial institutions such as **'Simple', 'Pocket' and 'Numur, should be explored.**

The problem with financial support repayment is that, as noted above, large receivables are recorded in the financial statements of employment departments and divisions. Although large receivables have been recorded, poor repayments are a major reason for qualified audit reports for LWSDs financial statements.

Therefore, it is necessary to improve the organization and regulations of the measures to provide financial support, resolve the issue of human resources in charge of implementation, or to contract professional financial institutions such as electronic financial institutions and NBFIs.

# 6. CONCLUSION

- 1.** The Law on Employment Promotion should be amended. Improvements to EPF and TVET regulations should be also considered. Detailed arrangements on how to plan and allocate the fund's budget, as well as how to ensure the repayment of overdue financial support arrears and receivables, should be included in relevant regulations.
- 2.** The fact that economic growth and decline do not have an impact on the unemployment rate indicates that the structural unemployment is high in Mongolia. Although growth in mining and manufacturing is high, these are not labour-intensive sectors. Consequently, labour absorption is low, with most workers employed in agriculture and services.
- 3.** In the labour market, demand for occupations of graduates of TVET is higher than for higher education. For example, a cook, a waiter, a welder, etc. This is due to the fact that employment in these occupations is less stable.
- 4.** On the one hand, more than 100 thousand people are unemployed every year, but on the other hand, the labour market has been in demand for 57.6-80.1 thousand workers per year for the last 10 years. The import of skilled labour indicates that there is a mismatch between supply and demand in the labour market.
- 5.** Only 51 percent of TVET graduates are employed in their profession, which is lower than university graduates (66.5 percent).
- 6.** Assuming that an average of 20,000 students graduate from TVET each year, and that about 63 percent of them will find a job and only 51 percent will work in their profession, indicates that about 32 percent or only 6.4 thousand graduates will be able to work in their profession. Therefore, the quality of TVET needs improvement, to provide skills that meet market demand. Therefore, TVET quality should be improved to ensure that graduates acquire in-demand skills and occupations. Notably, the TVET system should be responsive to future of work and work of future so that changes are timely reflected in the relevant curriculum.
- 7.** There are about 1,700 civil servants in the labour and welfare sector, of which about 260 are civil servants in charge of labour issues. One specialist at soum and khoroo is also responsible for social welfare and labour, and devotes 80 percent of their working hours to welfare-related activities. Since 2000, human resources have become unstable due to a series of structural changes that have separated and merged labour and welfare institutions. In the future, it is necessary to pay attention to issues such as providing experience and skills to labour specialists, providing them with training and increasing the number of staff.
- 8.** Employees of the District LWSD spend most of their working hours receiving applications for financial support, conducting tenders, providing unemployment benefits, providing counseling and information to the unemployed and providing career guidance. They spend less time on Job mediation services. The number of citizens who come to receive services on this issue is also small.
- 9.** General employment services are provided by departments, divisions in charge of labour and social welfare, authorized private labour exchanges and training institutions. People who use private exchanges intend to acquire skills required by the employer, and are willing to receive vocational, refresher and capacity-building training. However, private exchanges offer them paid training or refer them to relevant LWSDs, because private labour exchanges are not provided with such funding.
- 10.** EPPs are more targeted at groups (PWDs, youth, the elderly, the poor, etc.) that have difficulty accessing the labour market and require long-term training, counseling and interventions. There is a lack of programs and measures aimed at job seekers who are exposed to structural unemployment or temporary unemployment, and ready to work if they receive employment support and additional services.
- 11.** Due to the instability of EPF revenue sources, the actual period of implementation and financing of the EPF program is active from April to June and from September to December. However, more than 70 percent of labour demand in arises in the first half of the year. This makes the program less able to support current labour demand.
- 12.** Local LWSDs do not make sufficient efforts to assess the outcomes of successful projects and programs that meet their specific needs and incorporate them into future planning.
- 13.** There is a great need to increase and create new measures to support enterprises and employers. Since most program activities are aimed at informal sector workers and citizens, they have little impact on official unemployment and labour force statistics, so the registration of informal employment needs to be arranged.
- 14.** Lack of data disaggregated by sex and certain age groups regarding beneficiaries of Employment promotion programs, measures and services makes it hard to draw any conclusions on issues related to gender equality, diversity and inclusion.
- 15.** EPPs, activities and service tariffs have not been changed for a long time, and some are below market value.
- 16.** Although EPF's total revenue exceeds the plan, revenue generation varies from month to month in a year. The fund revenue starts inflowing in March-April, before peaking in June-September. It then increases again in December, because employers pay the next year's job fee in advance.
- 17.** In the last five years, the EPF budget has been 23.8 times higher than the budget allocated for general employment service. However, the number of people involved in the EPP is relatively small compared to the number of people receiving general employment services.
- 18.** In the last five years, on average, 64-77 percent of the total budget for EPPs has been spent on financial support measures alone, 14.5-27 percent of the budget spent on public works, and only 3-7.5 percent on training activities.
- 19.** After the State Great Hural approves the total budget of the EPF, the NEC convenes the council meeting and approves the program, activities and schedule for spending, which delays the start of the program and the time for the units to receive program-based funding. Therefore, it is appropriate if the NEC meeting is



held before the new year, in November or in December, to approve the program and budget schedule.

- 20.** When approving EPPs and measures, it is necessary to address the issue of human resources, structure and staffing to implement them, as well as to include salaries and expenses in the budget.
- 21.** Allocation of the EPF budget is only based on the proposal of the aimag, capital city and district employment agencies. The previous year's budget schedule does not serve as a basis for a fair distribution of the budget needed to implement EP services and programs in particular local area. A clear methodology is needed for allocating the EPF budget, taking into account actual local needs, the number of unemployed, the number of households and citizens living below the poverty line, and the number of employed people.
- 22.** The instability of the program risks making some measures ineffective as EPPs are updated and approved annually. Therefore, regular activities included in the program should be separated from the program making these regular measures and accordingly allocate a budget for this purpose. Policy consultants will continue to study the content, duplication and loopholes in the program.
- 23.** In the first quarter of the year, the main source of income for the EPF is the previous year's remaining balance of the fund. Granting the permission to use the balance of the previous year within the first month of the following year needs to be resolved in consultation with the Ministry of Finance.
- 24.** Funding is provided to the UBED, aimag and district LWSDs through the account for additional funds from the state treasury. This is one of the reasons for the delay in funding due to the treasury transaction system. In addition, the provision of additional funding accounts requires additional adjustments for reporting and consolidation. Therefore, it is necessary to create an environment for financing through the main account.
- 25.** Interest-free, non-collateral financial support from EPPs is the most sought measure. There is a need to improve the coordination of measures by clarifying the procedures for settling debts and receivables related to outstanding financial support, resolving the issue of human resources in charge of implementation, or contracting out the service to financial institutions, such as NBFIs.

## RECOMMENDATIONS

THE CONSULTING TEAM IS MAKING THE FOLLOWING RECOMMENDATIONS AFTER THOROUGH ANALYSIS OF THE CURRENT STATE OF EMPLOYMENT PROMOTION POLICIES AND MEASURES, IMPLEMENTATING ORGANIZATIONS, MANAGEMENT AND FINANCING SYSTEM. THESE INCLUDE:

### Recommendation 1.

**Reduce the number of programs to 5-7.** Regular measures need to be planned separately from the program. The consulting team assessed the implementation of all EPPs carried out in 2012-2021 and prepared a separate report. Based on this report, identify regular measures to be included in the EPF's budget planning. For example, since 64-77 percent of the total budget of the EPP is spent on a single measure or financial support, the implementation steps will be reduced if a consolidated budget and activities are planned. However, when reducing the number of employment promotion programs, it is important to plan and budget a separate program for promoting employment of people with disabilities.

### Recommendation 2.

**Improve the quality and standards of general services, as well as increase their accessibility and funding.** The goal of reducing unemployment has not been met as aimag, capital city and district LWSDs spend most of their time selecting projects and programs to provide financial support under the EPP, nominally providing general services such as counseling and information to citizens, offering career guidance and job placements.

### Recommendation 3.

**Reorganize the functions and staffing of the current LWSDs to shift the EPF operations to citizen-centered services.** Focus the functions of staff on 1) assessing the situation and skills of the unemployed, 2) providing services and programs that meet their needs and 3) providing Job mediation services. If necessary, increase human resources by internally, by reorganizing LWSDs and arranging capacity-building training.

### Recommendation 4.

**Employment promotion program design, coverage and target group should be identified based on analysis and local labour market trends and specifics.** Currently, the programs and measures are planned not fully aligned with local specifics nor do they reflect the necessary changes when needed. For instance, there is lack of measures targeting to increase employability of remote youth and women.

### Recommendation 5.

**Data on people participated in Employment promotion programs, measures and services, including the number of people who got jobs after receiving services disaggregated by sex and by certain age groups should be available in relevant reports.** Given the lack of data, it is not possible to make analysis on whether the programs, measures, and services contribute to ensuring gender equality and inclusion. It is highly recom-

mended to have employment promotion programs ensuring increased participation of both women and men in the labour market.

### Recommendation 6.

**Quality of activities and services provided by private institutions involved in implementing Employment promotions programs, measures and services should be improved.** Currently, private labour exchange offices and training institutions lack quality assurance, have poor collaboration among each other and receive limited support from the government in terms of capacity building. Moreover, payments for employment promotion measures and services provided by private institutions are not made on time, cost calculations are lower than market tariffs, which in turn negatively affect the quality of services.

### Recommendation 7.

**Begin operating EP services and programs at the beginning of the year and implement them regularly throughout the year.** LWSDs are unable to obtain funding and are stagnant until April, as the NEC meeting is held in the first month of the planned year and approves the program, activities and schedule for spending the budget after the state budget is approved by the State Great Hural. However, more than 70 percent of labour demand in the labour market occurs in the first half of the year. Therefore, the NEC meeting should be held before the following year, or between the 15th of November and 25th of December, as well as include the relevant legislation and timeframe for approving the EPP and budget schedule for the following year. Programs and activities for the following year should be approved before the end of the previous year and submitted to the relevant subordinate offices.

### Recommendation 8.

**Reasonable budgeting based on the actual needs of aimags and districts when drafting the budget is needed.** The EPF budget is allocated unfairly to the aimag and district LWSDs. Establishing and following a methodology for allocating the EPF budget appropriately is key, taking into account the actual needs of the particular aimag or district, the number of unemployed, the number of households and citizens living below the poverty line and the number of people who are employed.

### Recommendation 9.

**The budget allocated to the UBED, aimag and district LWSDs should be funded on a regular basis based on performance.** Flexible arrangements to increase or decrease funding for LWSDs should be put in place based on quality indicators, such as the number of people provided with services and job placements. If LWSDs mediate people with disabilities and youth with no working experience to jobs, the respective expenses should be calculated with increased cost per capita and financed accordingly.

### Recommendation 10.

**Conditions should be created for EPF financing to be made through the main treasury account.** Because funding for UBED, aimag and district LWSDs is provided through the additional funding account of the state treasury, further adjustments are required for funding delays, fund reporting and consolidation.

### Recommendation 11.

**Systemize the settlement of debts and receivables related to outstanding financial support and address human resource issues in charge of implementation.** This requires setting up comprehensive measures to repay the debt of MNT 36 billion accumulated so far. In future, it is also important to study and arrange the outsourcing services to professional organizations, such as an e-financial institution or an NBF.

# 8.

## LIST OF MEETINGS AND INTERVIEWS

- **M.Sanjaadorj**, Head of Budget Expenditure Division, Fiscal Policy and Planning Department, Ministry of Finance
- **S.Dambii**, Head of the Employment Policy Implementation Coordination Department, Ministry of Labour and Social Protection, and Sh. Gereltsetseg, Expert in charge of Planning and Financial Support of the Employment Promotion Fund
- **A.Khaliunaa**, Director, Vocational Education and Training Policy Implementation Coordination Department, Ministry of Labour and Social Protection
- **B.Altantulga**, Head of the Employment and Job Support Division, Ministry of Labour and Social Protection
- **B.Altantsetseg**, Senior Expert, Welfare Fund, Employment Promotion Fund, Integrated Budget Policy and Planning, Ministry of Labour and Social Protection
- **Ts.Erdenetugs**, Chief Accountant and Senior Analyst of the General Budget Governor, Ministry of Labour and Social Protection
- **B.Battsetseg**, Specialist in charge of Vocational Education and Training Support Fund, and budget and financing of vocational education and training institutions
- **Ch.Tsedendorj**, M.Altankhorol, Treasury Department, Ministry of Finance
- **J.Tuguldur**, Specialist, Budget Expenditure Division, Fiscal Policy and Planning Department, Ministry of Finance
- **T.Enkhtuya**, Youth Employment Support Project Coordinator, Swiss Agency for Development and Cooperation
- **B.Tserendavaa**, Head of Finance and Planning Department, GOLWS
- **T.Lkhagvasuren**, Senior Specialist, Employment Promotion Department, GOLWS
- **B.Munguntsetseg**, Senior Specialist in charge of the Employment Promotion Fund, Financial Planning Department, GOLWS
- **S.Nyamdorj**, Head of the UB Employment Department

- **N.Munkhgerel**, Head of the Employment Division, GOLWS
- **N.Odontuya**, Senior Specialist, UB Employment Agency
- **A.Sereeter**, Head of Chingeltei District LWSD
- **D.Odgerel**, Head of the Employment Office of Chingeltei District, P.Gantsetseg, Project and Program Specialist
- **D.Nyamaa**, Head of the Employment Office of Bayanzurkh District LWSD
- **D.Uyanga**, Head of the Employment Office, Bayangol District LWSD
- **B.Altantsetseg**, Head of the Employment Office of Khan-Uul District LWSD
- **S.Uugantuya**, Head of the Employment Office of Songinokhairkhan District LWSD
- **D.Batdulam**, Head of the Employment Office of Sukhbaatar District Social Welfare Department
- **T.Uyanga**, Head of the Employment Office of Nalaikh District LWSD (telephone interview)
- **Ch.Odmandakh**, Head of Employment Office, Baganuur District LWSD (telephone interview)
- **B.Gantsolmon**, Head of Employment Division, Selenge Aimag LWSD (telephone interview)
- **N.Munkhjargal**, Head of Employment Division, Khuvsgul Aimag LWSD (telephone interview)
- **D.Oyundelger**, Specialist in charge of Employment Promotion Program and Project, Tuv aimag LWSD (telephone interview)
- **J.Ulzijargal**, Head of Employment Division, Bayankhongor Aimag LWSD (telephone interview)
- **A.Amarjargal**, Executive Director of the Mongolian Labour Exchange Con-federation
- Discussion on “Innovation and Future Jobs 2021”

# 9.

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# 10.

## ANNEX

### BENCHMARK COSTS OF EMPLOYMENT PROMOTION SERVICES AND ACTIVITIES

Measures to make costs as a benchmark		Current tariff		Proposed tariff	
<b>One. Provide general employment services</b>					
1.1	Maximum per person cost of career guidance and counseling services / MNT thousand	Individual	12.0	Individual	18.0
		In group	6.0	In group	13.0
1.2	Maximum per person cost of Job mediation services / MNT thousand	7.0		7.0	
<b>Two. Employment promotion programs and measures</b>					
<b>2.1 Preparation for work program</b>					
2.1.1	Maximum per person cost of soft skills training / MNT thousand	Maximum per person expenditure of training on workplace communication and psychology, 30.0 thousand MNT		It was not possible to estimate the cost based on currently available information. It is necessary to get familiarized with the program developed by the TVET Assessment, Information and Methodology Center and collect information from implementing organizations.	
2.1.2	Maximum per person of vocational (theoretical) training (MNT thousand)				
2.1.3	Maximum per person of the on-the-job training with Mentor / MNT thousand	-		12 months based on the minimum wage	
2.1.4	Maximum per person of measures aimed to ensure individual preparedness / MNT thousand	50.0		32.0	

2.2 Entrepreneurship Support Program							
2.2.1	Maximum per person cost of entrepreneurship training / MNT thousand	3 days = 30.0			3 days = 45.0		
2.2.2	One-time financial support for relocation of households from Ulaanbaatar to rural areas for livestock herding	50-200 km	201-350 km	351-500 km	50-200 km	201-350 km	351-500 km
		150.0	350.0	500.0	150.0	350.0	500.0
2.2.3	Benchmark cost for organizing livestock herding training / MNT thousand	1 hour = 3.5			1 hour = 3.5		
2.2.4	Maximum monthly cost of operating a point of sale / thousand MNT	Ulaanbaatar	Aimag center	Soum center	Ulaanbaatar	Aimag center	Soum center
		700.0	600.0	400.0	700.0	600.0	400.0
2.3 Youth Employment Support Program							
2.3.1	Financial support for the best "Start-Up" youth or youth team selected at the aimag and district level / MNT Million	10.0			10.0		
2.3.2	Financial support for the best "Start-Up" youth or youth team / MNT Million	1st place	22nd place	3rd place	1st place	2nd place	3rd place
		20.0	17.0	13.0	20.0	17.0	13.0
2.4 Employment Support Program for PWDs							
2.4.1	Benchmark/Standard cost of comprehensive supported employment for PWDs to work in the open labour market (MNT Million)	-			Per job – 10.0		
2.4.2	Maximum per capita cost of entrepreneurship training / MNT thousand	3 days = 40.0			3 days = 59.5		
2.5 Employment Support Program for Elderly							
2.5.1	Expenses for consulting services of Senior professionals / MNT thousand	1 hour – 3.5			1 hour – 3.5		

2.6 Green Jobs program							
2.6.1	Benchmark/ Standard cost of planting, caring for and protecting trees / MNT thousand	-			Estimated wage based on the number of trees planted and the number of days worked by the standard labour cost for public works and additional incentives based on tree survival rate if the planted trees are cared and grown.		
2.6.2	Amount of expenses for organizing public works / MNT thousand	1 hour – 3.5			1 hour – 3.5		
2.7 Employment Support Program for Women							
2.7.1	Variable cost per child enrolled in childcare services / MNT thousand	-			In UB	At the Aimag center	Soums except aimag centers
					13.7	15.0	16.7
2.7.2	Short-term skills training	-			It was impossible to estimate this cost based on currently available information. It is necessary to get familiar with the program developed by the TVET Assessment, Information and Methodology Center and collect information from implementing organizations.		



