SECTOR ASSESSMENT (SUMMARY): HEALTH AND SOCIAL PROTECTION

Sector Road Map

1. Sector Performance, Problems, and Opportunities

1. Mongolia is making good progress toward improving its national health outcomes. It has achieved Millennium Development Goal (MDG) targets for infant and under-5 mortality, and is on track to achieve its maternal mortality targets by 2015.\(^1\) Increasing urbanization, primarily in Ulaanbaatar, has important effects on the design and delivery of health services.

2. Geographical, socioeconomic, and gender disparities in health status are a major concern. The effect of rising food prices in 2008, the recent financial crisis, and the 2010 dzud\(^2\) affect the poor and women and children, in particular. Other key issues in the sector are: (i) inefficient health financing due to fragmented sources of funding, inadequate provider payment mechanisms, and allocation of funding biased toward hospitals at the expense of primary health care (PHC); (ii) limited financial protection through health insurance; (iii) weak human resources with inadequate training and continuous education, low ratio of nurses to doctors, critical shortages of personnel in rural areas, and poor working conditions and pay; (iv) poor quality of services provided at PHC and hospital levels; (v) a poorly regulated drug sector; (vi) a quasi-unregulated private health sector concentrated in Ulaanbaatar; and (vii) sector weaknesses in policy, monitoring and evaluation, regulation, and governance standards.

3. Health sector investment contributes to social development through achieving non-income MDGs. A healthier population will be more productive and, therefore, Asian Development Bank (ADB) assistance in the health sector will also contribute, indirectly, to economic development and poverty reduction. Improving health systems will contribute to more effective use of scarce government resources. Health interventions provide an opportunity to support gender mainstreaming through awareness raising, support better systems of data collection and monitoring, and improve access to services, particularly for women.

2. Government’s Sector Strategy

4. In 2005, the government approved the Health Sector Strategic Master Plan (HSMP 2006–2015) as a technical long-term planning document to achieve the health-related MDGs. The HSMP will be crucial in guiding future investments and policy reforms in the health sector. Important strategies of the HSMP include (i) further increasing coverage, access, and utilization of health services through promoting quality PHC; (ii) strengthening health human resources skills and management; (iii) strengthening the financial management system to improve the use of resources; (iv) improving the health insurance system; and (v) supporting a sectorwide health-care approach to improve coordination of inputs and resource management.

5. Decentralization of the health system was initiated in the mid-1990s, but local governments and health managers lacked the capacity to meet their new responsibilities. The Public Sector Finance and Management Law recentralized the health sector budgeting process in 2003 and mandated the use of performance contracts and the formulation of strategic plans. Medium-term planning is still in the formative stages in the health sector. Government budgeting

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\(^2\) A harsh winter with catastrophic economic consequences for herders.
is still driven by line items, and hospitals have little flexibility to manage financial and human resources. Private hospitals are poorly regulated. The government has little experience in designing suitable regulatory and contractual frameworks to monitor private sector performances, ensure quality of care, and enforce licensing and accreditation requirements.

6. Government commitment to health has been demonstrated by substantial increases in the health budget over the past decade. Government health spending as a percentage of total government spending was stable at around 8.4% in 2007–2009. Meanwhile, total health expenditures as a percentage of gross domestic product decreased from 4.6% in 2000 to 3.2% in 2008. Out-of-pocket expenditure as a percentage of private expenditures on health stood at 84% in 2007. The recent adoption of the concession law (public–private partnership) and the expected increase in private investment in health (mainly in the hospital sector) is an opportunity to improve the sector using private resources. This requires improving regulation of the private sector and strengthening social health insurance to ensure access to services provided in the private sector.

3. ADB Sector Experience and Assistance Program

7. ADB has been a major partner in the government’s efforts to reform the health sector since the early 1990s, providing 3 loans for 2 projects totaling $29.9 million, grant financing of $14 million for 1 project, 8 technical assistance operations amounting to about $3.5 million, and 3 grant projects for $4 million. ADB’s sector assistance was consistent with its sector strategies, responsive to the critical needs in the sector, and was in line with the government’s priorities. ADB supported significant changes in the health system, notably the introduction of family group practices to provide PHC in urban areas. However, family group practices continue to face significant challenges of inadequate funding, ambiguous legal status, and unsatisfactory quality of services. One important lesson from Mongolia and other countries is that, given the complexity of the health sector, institutional restructuring in health often takes far longer than in other sectors.

8. ADB is the single largest external financier providing assistance to the health sector, and plays a pivotal role in assisting the government to formulate and implement health sector reforms. Support from other partners tends to be focused on assisting the government to address particular diseases or to develop certain programs. In line with ADB’s corporate priorities, as defined in its Strategy 2020, ADB will work in close consultation with other partners, and will align its assistance with the priorities and strategies of the HSMP. To improve aid effectiveness, efforts will be made to support the implementation of the HSMP and to gradually evolve toward a more sector-based assistance effort in coordination with other development partners in the sector. Collaboration with the World Health Organization (health systems reform) is planned and is actively discussed with the German development cooperation though GTZ (health insurance reform).

9. The important investment needs and the complex and changing social, political, cultural, and economic contexts in which health reforms take place require a long-term partner commitment to see reforms come to fruition. ADB support in the health sector, through the ongoing Third Health Sector Development Project (2008–2013) and the proposed Fourth Health

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Sector Development Project (2011–2016) will focus on policy reforms, capacity development, and investments, primarily in primary health care (Third Health Sector Development Project), hospital, and drug safety subsectors (Fourth Health Sector Development Project). The fifth project would focus on pharmaceutical reforms, food safety, and on reforming the training system for health professionals.
Problem Tree for the Health Sector

Effects

- Reduced economic growth
- Increased poverty

Core problem

- Loss of productivity
- Poor nutritional status
- People are less employable
- Reduced education attainment

- Poor health status of the population

Causes

- Protection through health insurance is limited
- Health care system functions poorly
- Weak health sector governance and management
- Poor lifestyle and nutrition

Causes:
- Benefit packages limited and health insurance coverage insufficient
- Purchasing of health services and payment methods inadequate
- PHC and hospital sector lack development and investment strategies
- Quality of care is deficient at PHC and hospital levels
- Capacity and attitude of health workers are deficient
- Access to safe drugs is limited
- Human resources, management and governance systems are deficient
- Cultural factors and urbanization

PHC = primary health care.
Source: Asian Development Bank estimates
### Sector Results Framework (Health, 2010–2015)

<table>
<thead>
<tr>
<th>Country Sector Outcomes</th>
<th>Sector Outputs with ADB</th>
<th>ADB Sector Operations</th>
<th>Main Outputs Expected from ADB Interventions</th>
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<td><strong>MDGs</strong></td>
<td>1. Increased annual per capita expenditure on PHC from $11 in 2006 to $17 in 2013 (in real terms)</td>
<td>(i) Planned key activity areas</td>
<td>Three district multiprofile hospitals functional and four model FGPｓ used as training centers</td>
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<td>Improved health status of mothers</td>
<td>2. Public reporting system on provider performances established by 2013</td>
<td>(ii) Projects in the pipeline</td>
<td>50 hospital managers trained and four postgraduate specialties upgraded</td>
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<td><strong>Health Sector Efficiency</strong></td>
<td>3. Ulaanbaatar hospital rationalization plan, including the private sector, approved by city and central government by 2013</td>
<td>(iii) Ongoing project</td>
<td>Drug Control Laboratory ISO 17025 certified</td>
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<td>Improved allocative efficiency (% health budget to PHC*)</td>
<td>4. Annual joint health sector reviews with common aide memoire by 2013</td>
<td>Third Health Sector Development Project ($14 million)</td>
<td>Hospital policy and strategic plan for Ulaanbaatar approved</td>
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<td>* PHC includes allocation to FGP and SHCs</td>
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<td>Drug Regulatory Agency established</td>
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<td><strong>Health Insurance Coverage</strong></td>
<td>Increase health insurance coverage from 77% in 2010 to 95% by 2015</td>
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<td>Multiprofile demonstration hospital functional in Songinohairkhan</td>
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<td>Increase the financial protection of the population</td>
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<td>(iii) Ongoing projects</td>
<td>Four new FGPｓ, 15 SHCｓ, and four hospitals renovated, 90 SHCｓ equipped, 80% of rural health workers trained</td>
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**Indicators with Targets and Baseline**
- Reduction of maternal mortality from 60 per 100,000 live births in 2010 to 50 per 100,000 live births in 2015
- Increase allocation of state funding to PHC from 30% to 50%

**Main Outputs Expected from ADB Interventions**
- Improved aid coordination and sector-wide management in health (joint sector reviews, improved coordination)
- Single purchaser for health insurance established
- Regulatory framework for private health sector and PPP operational

**Note:**
- FGP = family group practice, MDG = Millennium Development Goal, PHC = primary health care, PPP = public–private partnership, SHC = soum health center.
- Source: Asian Development Bank estimates.