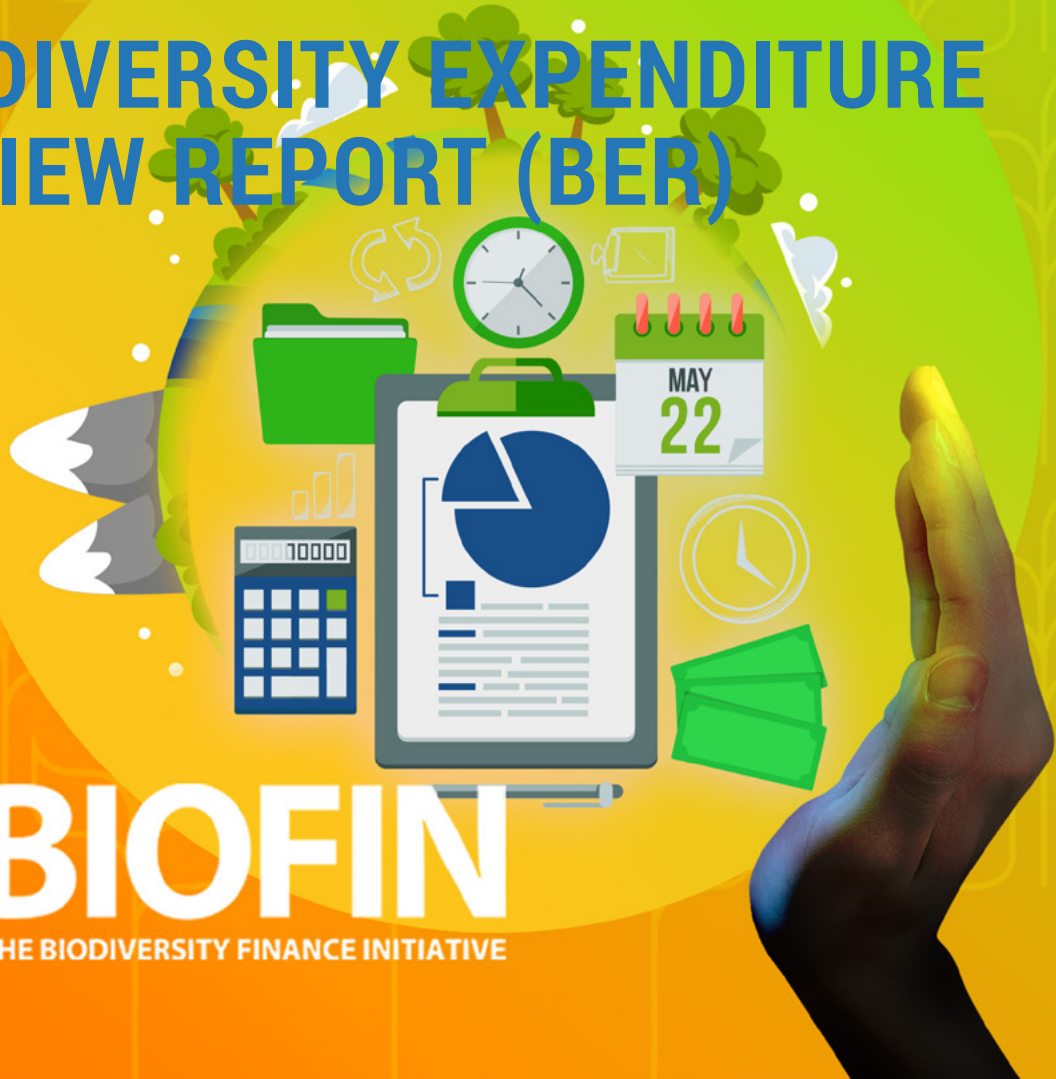




MINISTRY OF ENVIRONMENT
AND TOURISM



BIODIVERSITY EXPENDITURE REVIEW REPORT (BER)



BIOFIN

THE BIODIVERSITY FINANCE INITIATIVE

THE BIODIVERSITY FINANCE POLICY AND INSTITUTIONAL REVIEW (PIR)

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ASSESSMENT ON NATURAL RESOURCE USE FEE COLLECTED AND SPENT LOCALLY
METHODOLGY OF ESTIMATION OF INCORPORATING BASE EXPENDITURE
ON ENVIRONMENTAL PROTECTION AND RESTORATION INTO LOCAL BUDGET BASE EXPENDITURE -

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BIODIVERSITY EXPENDITURE REVIEW



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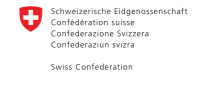
Federal Ministry for the
Environment, Nature Conservation,
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ABBREVIATIONS

BD	Biodiversity
NBP	National Biodiversity Program
EPF	Environmental Protection Fund
GDP	Gross Domestic Product
WB	World Bank
ADB	Asian Development Bank
SDC	Swiss Development Cooperation
UNDP	United Nations Development Program
FAO	Food and Agriculture Organization
TNC	The Nature Conservancy
WCS	Wildlife Conservation Society
WWF	World Wildlife Fund
MET	Ministry of Environment and Tourism
MECSS	Ministry of Education, Culture, Science and Sports
MFA	Ministry of Food and Agriculture
IO	International organizations
MNCCI	Mongolian National Chamber of Commerce and Industry
IMF	International Monetary Fund
SPAC	Special Protected Area Council
RBC	River Basin Council
BE	Business Entity
FWRCC	Fresh Water Resources and Conservation Center
SCB	State Consolidated Budget

I. EXECUTIVE SUMMARY

Biodiversity Expenditure Review (BER) was conducted within the framework of Biodiversity Finance Initiative (BIOFIN) project. The review covered biodiversity expenditure from 2008-2018 incorporating the political and economic impacts. BER analysis was conducted according the BIOFIN Workbook methodology and included the annual expenditures by state and local budgets as well as the funds by donor and international organizations.

The economic status of Mongolia during this review period can be divided into two periods: (i) a period of regional and local economic crisis (2008-2010, 2013-2015); and (ii) a period of economic growth (2011-2012, 2016-2018). During the crisis period, the fiscal policy focused on “reducing the budget and cutting out tolerable expenditures”, while the growth period aimed at “increasing the salaries of civil servants and pension funds step-by-step in accordance with the global economic growth and mineral prices”.

In addition to reviewing the public budget expenditures on conservation-related activities, expenditures related to the projects on sustainable use of biodiversity, improvement of legal and regulatory frameworks, funded various donors or international organizations, were also analyzed. The consulting team has identified biodiversity relevant activities and stakeholders that contribute in achieving the goals and objectives of the National Biodiversity Program. Based on the stakeholders’ identification, the information was collected from 90 projects, of which 71 were implemented by 11 different organizations and remaining 19 were by government agencies.

It was estimated that the total biodiversity expenditure during 2008-2018 was 207.7 million USD, which amounts to 0.35%-0.79% of total State budget expenditure and 0.15%-0.25% of the total GDP; and the average annual biodiversity expenditure was 13.3-25.5 million USD. Analysis on the annual expenditures showed that the most significant decrease of 12% and 21% was observed in 2012 and 2016, respectively, which can be attributed to the 15.3% and 42% decrease of the state budget.

Although the total State budget expenditures increased by 21% and 7% in the respective years, the expenditure on deforestation was reduced by 3 folds in 2012 as compared to the previous year, while the specially protected areas (SPAs) expenditure was reduced by 21% in 2016. Both 2012 and 2016 were the quadrennial election years, thus suggesting that political activities affect the expenditures on biodiversity and conservation.

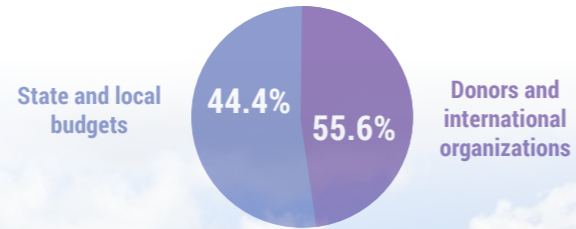
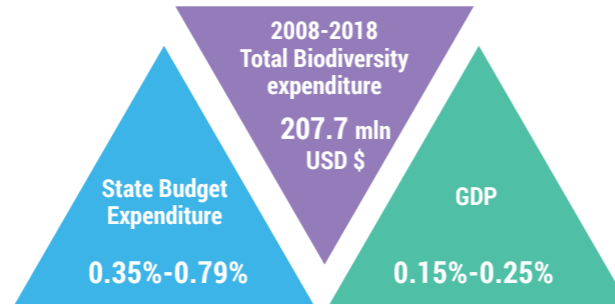
The most significant periods of growth in biodiversity expenditures were observed in 2013 and 2017, immediately after the decline from the previous election years. It can be explained by the direct increase of funding from the State budget, as it was normalized back to the pre-election period. The increased expenditure can also be attributed to the approval of higher number of projects by the donors and international organizations.

Financing from State and local budgets accounts for 44.4% of the total funding for biodiversity expenditures, with the remaining 55.6% was provided by donors and international organizations.

1. The Annual expenditures were converted to USD using the Bank of Mongolia official exchange rate of 31 December each year.

The total biodiversity budget and expenditures largely depend on the revenue generation of the State budget. The public budget allocation related to biodiversity was categorized according to the strategic areas, goals and objectives of the National Biodiversity Program and the Aichi targets.

To reflect the impacts of the inflation rate in the biodiversity expenditure, actual exchange rates of each particular year was applied. Appendix 1 shows the detailed estimation of expenditures for 2008-2018 according to the goals and objectives.



2. Bank of Mongolia official rate as of 31 Dec for 2008-2015: <https://mongolbank.mn>

II. METHODOLOGY

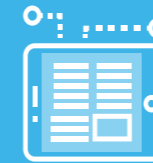
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BIODIVERSITY EXPENDITURE REVIEW SCOPE: At the stakeholder meeting held in June 2016, 3 Ministries, 2 agencies under the Deputy Prime Minister and 10

government agencies were identified as relevant contributors to the conservation of biodiversity, within the framework of the 14 goals and objectives of the National Biodiversity Program (NBP). The consulting team identified agencies responsible for 29 objectives and expected outputs, which were then re-confirmed at the stakeholder meeting held on 8 November 2016. Thus, 19 government agencies and 71 projects from 11 organizations were considered as the main stakeholders for the implementation of the NBP.

2



CLASSIFICATION OF EXPENDITURES: The roles and functions of the agencies were classified by the relevance to the NBP goals, objectives and outputs. The biodiversity projects implemented by donors and international organizations were also classified as per the NBP outputs. The total expenditures were categorized by the recurrent and investment expenditures. Recurrent expenses of government agencies were classified as indirect expenditures, whereas the expenses on activities supporting the program outputs were classified as direct expenditures.

3



DEFINING THE ATTRIBUTIONS: According to the BIO-FIN Workbook methodology, the attribution percentage of each stakeholder was assessed based on their roles and functions contributing to the implementation of NBP. The attribution percentages were reflected in estimating the total indirect expenditures.

4



EXPENDITURE ENCODING: The state budget and its expenditures are encoded by 11-digits coding according to “The Budgetary Revenue and Expenditure Classification Scheme”, approved by the Ministry of Finance. The codes represent the sector, the general budget governor, the central budget governor, and the direct budget governor. The groups and subgroups of the codes represent the classification of the expenditures. It was impossible to identify spending on specific activities using the encoding system due to the fact that direct expenditures refer to unclassified outputs that are instead included in the category of “Services provided by others”

5



DATA COLLECTION: The data on direct budget governor was obtained from the Central Budget Governor, and the data on Central Budget Governor was obtained from the General Budget Governor. This was done in order to avoid any overlapping of the consolidated State budget and expenditure data. The data was collected from the following sources:

- From the MOF: Data on MET, MECSS and MFA was obtained from the Budget Expenditure Division of the Fiscal Policy and Planning Department of the Ministry.
- Directly from organizations and projects: Data on disbursements relating to direct expenditures were obtained from Ministries and their affiliated agencies. Data on projects was obtained from their relevant organizations and from donor agencies in the case of completed projects.
- From official online sources: Macroeconomic data, including the consolidated State budget, the budget performance, GDP and inflation were obtained using the following links: www.worldbank.org; www.mongolbank.mn; <https://www.mof.gov.mn>; <https://www.1212.mn>.

3. MOF, The Budgetary revenue and expenditure classification scheme



OVERVIEW OF THE BUDGET AND EXPENDITURES

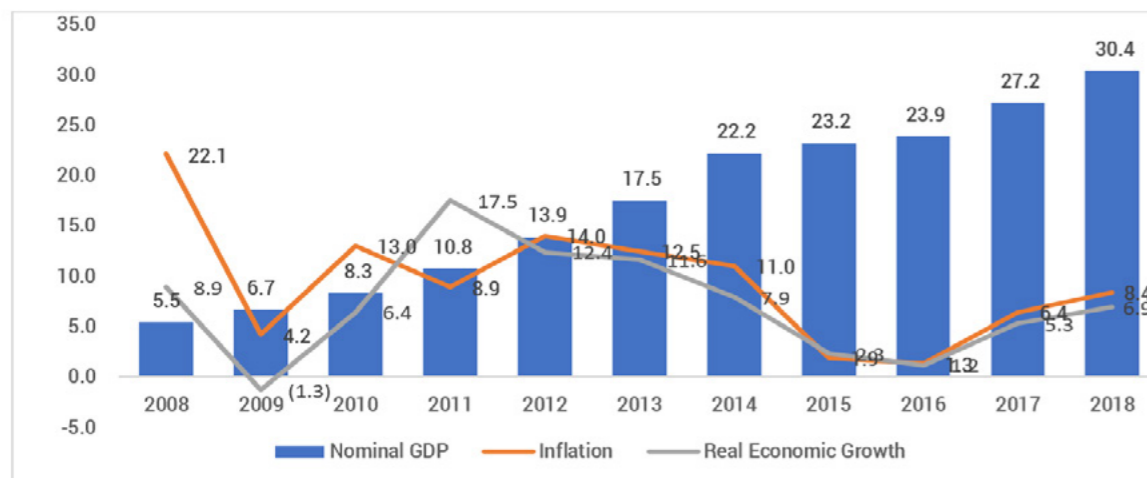


3.1. MACROECONOMIC INDICATORS AND THE STATE OF THE BUDGET

The rate of real economic growth in Mongolia has been steadily declining since 2011, despite the increase in nominal GDP during the period covered by the Biodiversity Expenditure Review (2008-2018). The following graph illustrates the nominal GDP, annual inflation and rate of real economic growth from

2008-2018. The following data indicates that a budget deficit has been prevalent in Mongolia for the years 2008-2018, and that the economy's diversification remains insufficient, despite the economic recovery that occurred in 2018.

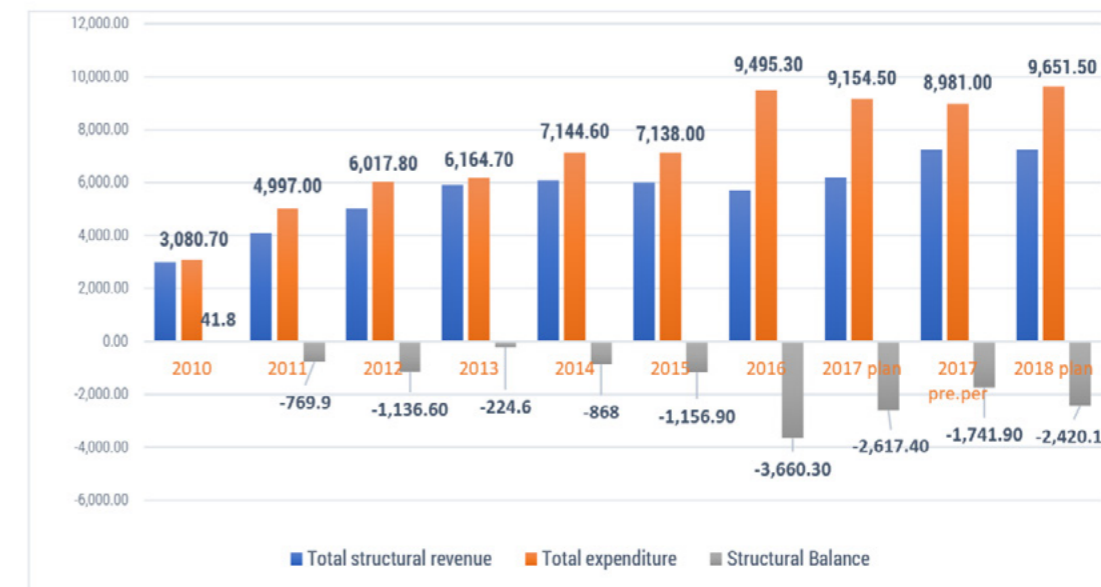
GRAPH 1: GDP, INFLATION AND REAL ECONOMIC GROWTH OF MONGOLIA, 2008-2018



The following data indicates that a budget deficit has been prevalent in Mongolia for the years 2008-2018, and that the economy's diversification remains insufficient, despite the economic recovery that occurred in 2018.

Mongolia's economic situation during this review period can be divided into two periods: (i) a period of regional and local economic crisis, or a period impacted by the crisis (2008-2010, 2013-2015); (ii) a period of growth /2011-2012, 2016-2018/. The fiscal policy of the country during these periods can be described as follows:

GRAPH 2. STATE GENERAL BUDGET DEFECIT FOR 2010-2018 (BILLION TUGRIKS)



2008-2010:

Mongolia experienced a continuing economic crisis during 2008-2010, following South East Asia's economic crisis. According to the "Assessment of the State Budget and Budget Performance for 2008-2012", prepared by the Government of Mongolia, the fiscal policy was described as "A tight fiscal policy that can ensure the achievement of macroeconomic targets, coherent with monetary policy. A policy that can finance the price gaps of fixed costs through freeing up resources, avoiding an increase in the salaries of civil servants, reducing inefficient investments and recurrent expenditures, and directing social welfare services to only those target groups in need". For example, in the Fiscal report of 2009, it was reported that "The Gross Domestic Product (GDP) has been 6,055.8 billion MNT at current prices and 3,564.3 billion MNT at constant prices for

2005. The economic growth has declined by 1.6% compared to the previous years. There has been a 26.6% reduction in wholesale and retail trading, a 20.4% decline in the financial sector, a 48.8% decline in the construction sector and a 16.6% decline in tax on production and services, all of which largely contribute to the decline of the GDP. The world financial and economic crisis has negatively affected the overall economic situation and the financial sectors of Mongolia; particularly, it has resulted in a slowdown of real economic sectors".

Compared with the previous years, the rate of economic growth declined by 1.6% in 2009. In contrast, it increased by 6.1% in 2010. However, despite this being relatively high, it is problematic to consider it to be a sign of economic progress, given the negative growth rate of the previous fiscal years.

4 NSO, "Statistical Yearbook", 2008-2015

5 Bank of Mongolia

6 Asian Development Outlook(www.adb.org) and Mongolia quarterly economic update (http://www.worldbank.org)

7 https://mof.gov.mn/article/entry/complete-budget-performance-2010-2018

8 Ministry of Finance of Mongolia, "State Budget of Mongolia, 2008-2012" (http://www.iltod.gov.mn/)

9 Quarterly Economic Update for Mongolia, April 2011 (http://www.worldbank.org/mn/news/feature/2011/05/05/mongolia-quarterly-economic-update-april-2011)

2011-2012:

Mongolia's Fiscal policy of 2011 aimed to "create an optimal basis for economic growth in the years ahead, promote sustainable economic growth through taxation and other policy instruments, gradually alter the economic structure that is highly dependent on the mining industry, and reduce unemployment through the promotion of small and medium-sized enterprises (SMEs), including the local manufacturing sector of raw material processing". Following the Law on Fiscal Stability approved by the State Great Khural (Parliament) of Mongolia on June 24, 2010, a fiscal stabilization fund was created. This aimed to ensure fiscal stability through the estimation of balanced budget revenue and the accumulation of revenue generated by the increase in mining commodity prices. The approved balanced budget revenue for that particular year was equal to 3,304.6 billion MNT, or 42.2% of the GDP. The total budget expenditures along with the balanced budget revenue was equal to 4,084.1 billion MNT, or 52.1% of the GDP, with the total budget deficit amounted to 779 billion MNT, or 9.9% of GDP. The total revenue of the State budget was equal to 2,492.3 billion MNT, total expenditures came to 2,782.7 billion MNT, and the budget deficit amounted to 290.4 billion MNT.

The 2012 budget was based on the projected economic growth and impacts of world commodity prices. It was also guided by the principles of program budgeting according to the effective laws and regulations, as well as the principles of increasing the revenue of government agencies and other sources of funding to finance budget expenditures. The budget included measures such as a step-by-step increase in the salaries and pensions of civil servants, tax arrangements for the mining of exports, and the support for Development Bank operations.

2013-2015:

The State Great Khural approved the total balanced budget revenue at 7,088.3 billion MNT, revenue for Fiscal Stability Fund at 169.8 billion MNT, and the total revenue and grants at 7,258.1 billion MNT. In accordance with the Law on Fiscal Stability, the total budget expenditures were reduced by 814.8 billion MNT, including the reduction of current expenditures by 234.2 billion MNT through budget supplement, thus keeping the budget deficit no higher than 2% of the GDP. However, a directive was issued not to disburse savings from recurrent expenditures accumulated in the first 8 months of the year. This reduced tolerable recurrent expenditures of the General Budget Governors that were planned for October to the end of 2013 and generated

savings from unused budget from the previous months of the year.

According to Resolution #34 of the State Great Khural, "Some Measures for Increasing Economic Acceleration", issued on 8 May 2014 and Resolution # 147 on "Transferring the Budget to Savings Mode" issued on 10 May 2014, budgetary agencies at all levels had been shifted into savings mode. This was conducted through generating savings from planned budgets, refraining from increasing vacancies, eliminating overlapping functions, removing inefficient expenditures, and consequently reducing certain types of expenditures by certain percentages.

Despite the budget constraints, paying of salaries, the disbursement of funds for social insurance and social welfare services, operational fixed cost-related expenditures, and other partial

disbursements regarding financing needs was included within the regulation framework for the management of Treasury cash.

2016-2018:

Although the pressure of foreign debt pressure was significant from 2016-2017, a degree of economic recovery place as the result of an increase in mining commodity prices. The International Monetary Fund (IMF) approved a three-year extended arrangement under the Extended Fund Facility (EFF) for Mongolia, comprising a total amount of 434,3 million USD to support the country's economic reform program. The total financing package therefore amounted to approximately 5.5 billion USD, due to additional financing provided by partners such as the Asian Development Bank, the World Bank, Japan, and Korea, and the

People's Bank of China, all of which have agreed to extend its financing program to Mongolia. But, the policy of restricting government expenditures and not increasing salaries and other expenses remained in force.

Despite the implementation of the above policies and an increase of 1.75 times in the budget expenditures of 2016 compared with the period of economic regression in 2008, a decline was observed during 2017-2018. This is also taking into account the impacts of inflation.

TABLE 1: CONSOLIDATED STATE BUDGET EXPENDITURES (CSBE), 2008-2018

Он	CSBE /million USD/	Increase/Decrease in comparison with previous year
2008	1,984.90	-
2009	1,717.40	-13.50%
2010	2,450.50	42.70%
2011	3,578.60	46.00%
2012	4,322.80	20.80%
2013	3,715.20	-14.10%
2014	3,783.30	1.80%
2015	3,576.90	-5.50%
2016	3,814.50	6.60%
2017	3,700.20	-3.00%
2018	3,650.80	-1.30%

For the purposes of establishing fiscal management principles and special requirements to ensure fiscal stability, the Law on Fiscal Stability was adopted on 24 June 2010 and amended on 8 February 2015. This law enabled the determining of rights, duties and responsibilities of State bodies regarding the implementation and monitoring of these principles and requirements. It also allowed the regulation of matters in connection with the creation of renewable wealth, and the ability to make investments supporting economic development and the generation of financial savings using mineral revenues. The Law on Fiscal Stability specified that the consolidated budget shall have a deficit amounting to no more than 2% of the GDP of that particular fiscal year or be in surplus. The law also stated that the total annual budget expenditure growth rate should not exceed the most significant non-mineral GDP growth rate of that particular year, in addition to the average non-mineral GDP growth rate for the previous 12 consecutive years.

TABLE 2: GDP AND PERCENTAGE OF BUDGET EXPENDITURES IN GDP, 2008-2015 (BILLION MNT)

OH	Expenditures		
	GDP (at current prices)	Percentage of Budget Expenditures in GDP	
2008	5.5	2.5	45.80%
2009	6.7	2.5	37.00%
2010	8.3	3.1	37.10%
2011	10.8	5	46.20%
2012	13.9	6	43.30%
2013	17.5	6.2	35.30%
2014	22.2	7.1	32.20%
2015	23.2	7.1	30.80%
2016	23.9	9.5	39.70%
2017	27.2	9	33.00%
2018	30.4	9.7	31.70%

The decline in percentage of Budget Expenditures in GDP since 2017 can be explained by the conditions and terms of the IMF extended arrangements, rather than a result of the Law on Fiscal Stability.

An overall deficit continues to persist in spite of the current account of exports being in surplus since 2014, which played a role in reducing the current account deficit. The main factors with an impact on the deficit were the dependence of imports of goods on the success of economic revival, and a lack of possibility to generate sustainable earnings from exports, due to a heavy dependence on fluctuations of mining (90% of total

exports) commodity prices in the world markets. The overall deficit currently accounts for 10% of the GDP, indicating that a risk of volatility is accumulating.

Thus, the possibility to allocate additional financing for the implementation of the National Biodiversity Program from the consolidated State budget continues to be limited.



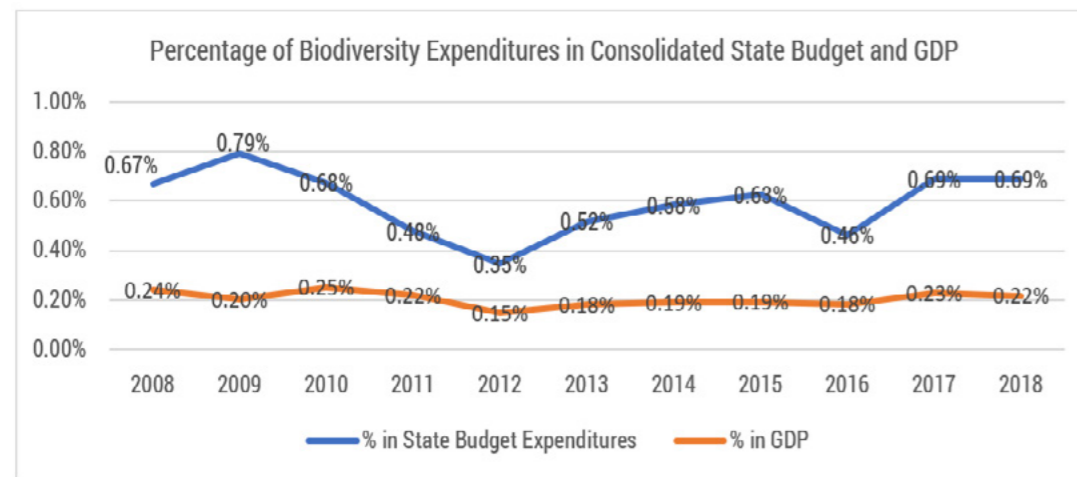
IV

TRENDS IN TOTAL BIODIVERSITY EXPENDITURES 2008-2018

The total biodiversity expenditures from 2008-2018 amounted to 207.7 million USD, which equals to the 0.35%-0.79% of the total State budget expenditures, and 0.15%-0.25% of the total GDP. It was also estimated that 44.4% of the total funding was provided by the state and local consolidated budgets

and the remaining 55.6% was provided by donors and international organizations. Graph 4 shows the trends in biodiversity expenditures funded by the consolidated State budget and its percentage of the GDP.

GRAPH 4: CONSOLIDATED STATE BUDGET EXPENDITURES ON BIODIVERSITY AND ITS PERCENTAGE OF THE GDP



Despite the steady growth of biodiversity expenditures, excluding 2012 and 2016, its percentage of the consolidated State budget has largely fluctuated. Its percentage of the GDP, however, has been relatively constant. This indicates that political elections have had a greater influence on the allocation of the consolidated State budget than the country's economic situation. In other words, biodiversity expenditures have limited or little impact on political decision-making as compared to the expenditures relating to social welfare issues. As a result, social welfare-related expenditures tend to increase in election years.

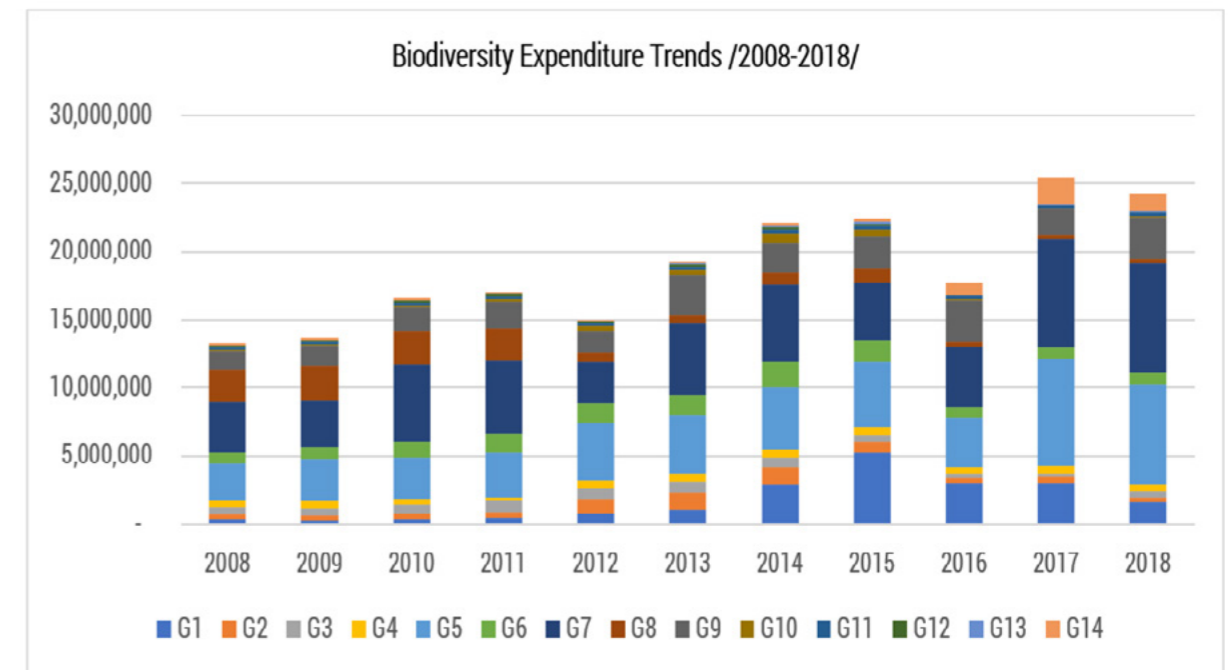
Analysis on the annual expenditures showed that the most significant decrease of 12% and 21% was observed in 2012 and 2016, respectively, which can be attributed to the 15.3% and 42% decrease of the state budget. Although the total State budget expenditures increased by 21% and 7% in the respective years, the expenditure on deforestation was reduced by 3 folds in 2012 as compared to the previous year, while the specially protected areas (SPAs) expenditure was reduced by 21% in 2016. The highest increase in biodiversity expenditure was observed in 2013 and 2017, which can be explained by the immediate increase of funds after the election years, and the

approval of higher number of projects by donors and international organizations.

Graph 5 shows that 51.1% of total biodiversity financing was provided for the purposes of achieving the Goals 5 and 7, of which 23.6% was for Goal 5 (SPAs), and 27.5% for Goal 7 (forests). The public budget accounted for the 54.7% of SPAs related expenditure and 48.4% of the forest-related expenditure.

It shows that the dominant sources of funding for SPAs and forest related goals are state funds, while a limited public funding was provided for the remaining goals. The expenditures funded by the state and donor or international organizations are shown in Appendix 1.

GRAPH 5: BIODIVERSITY EXPENDITURE TRENDS (BY GOALS OF THE NATIONAL BIODIVERSITY PROGRAM)

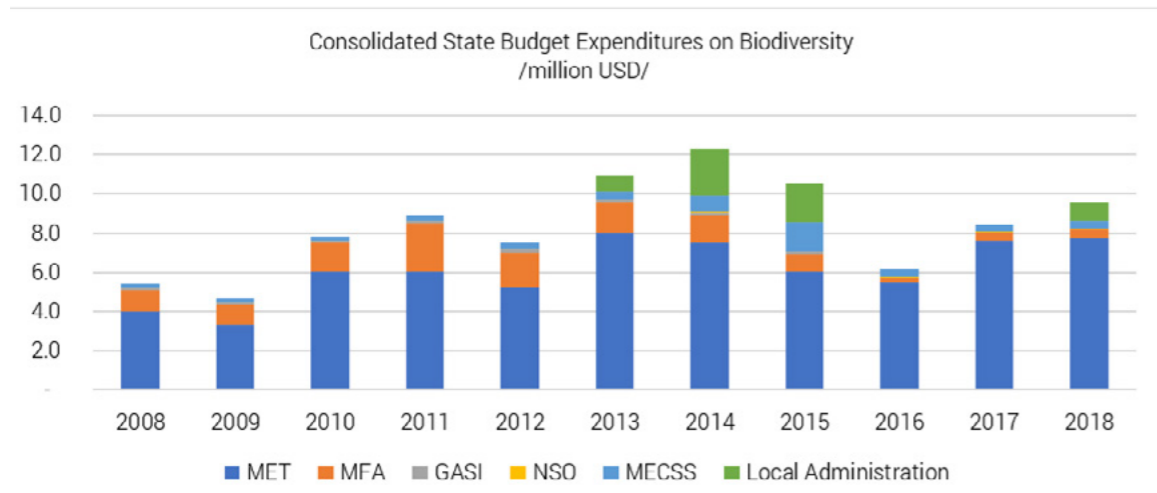


TRENDS OF STATE BUDGET FINANCING FOR BIODIVERSITY, 2008-2018

It was estimated that the total expenditures by the 19 state agencies were 92.3 million USD, which amounts to 44.4% of total expenditures from 2008-2018. Examination of funding from the consolidated State budget for biodiversity conserva-

tion measures shows that 72.6% was allocated to MET and its 6 affiliated agencies, 13.9% to MFA and its 1 affiliated agency, 5.5% to MECSS and its 7 affiliated agencies, 0.3% to NSO, 1.2% to GASl and 6.5% was funded to the local budget.

GRAPH 5: STATE AND LOCAL BUDGET EXPENDITURES ON BIODIVERSITY (BY MAIN STAKEHOLDERS)



Direct expenditures account for 63.5% of the total financing of the MET on biodiversity, of which 54.5% of was spent on SPAs and reforestation, 6.5% disbursed through local budget and 1.4-1.7% put towards the government contribution to the Education

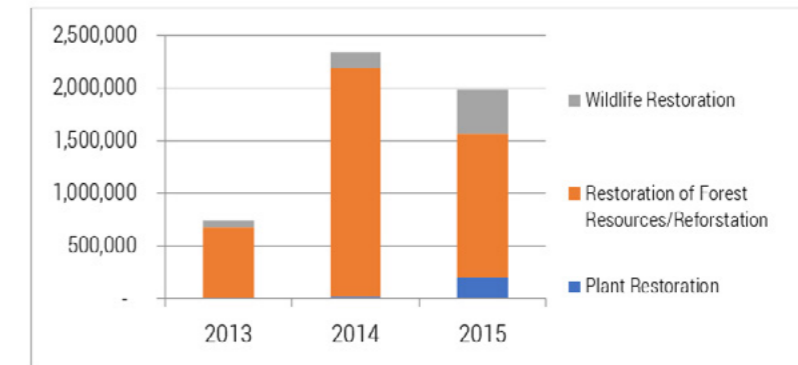
for Sustainable Development project, as well as trainings and activities related to public awareness on environmental issues.

As per the laws, the revenue from natural resources use fee should be spent on biodiversity conservation activities at the lo-

cal level. In 2013-2015, a total of 120.8 billion MNT local budget revenue was generated from water, spring water, forest, wildlife and flora resource use fees. According to the law, 63.4 billion MNT ought to have been used for restoration and protection purposes. However, only 48.9%-49.2% was spent on its intended purpose. It can be observed that 85% of the total collected revenue was from the water resource use fee.

The Law on Natural Resources Use fee regulates the revenues from using the resources of forest, fauna, flora, land and water. The expenditures of the revenue from flora, fauna and forest resources are directly correlated with NBP goals 4, 7, 8, whereas the revenue from land and water resources use fees are not relevant. The spending on resources that are connected to the goals and objectives of the NBP are as follows:

GRAPH 6: LOCAL BUDGET EXPENDITURES ON BIODIVERSITY



As shown in Figure 6, expenditures related to forest restoration accounted for 83% of the total expenditures, whereas 12.5% was invested in wildlife restoration and 4.5% in plant restoration.

Further analysis and research should be conducted on the revenue collection of natural resources use fee and its intended expenditure. The consideration ought to be given to alternative solutions that can ensure consistency in generated revenue, or the needs of the restoration and preservation activities.

The local expenditure data in 2018 was obtained from the performance-based contracts signed between aimag governors

and the Minister of Environment and Tourism. It was estimated that a total of 6.0 million USD was spent at local level during 2013-2015 and 2018. Out of the total expenditures funded by local budgets, 77% was spent on reforestation and restoration, 10.9% on the support and capacity building of FUGs, 5.3% on wildlife protection, and biotechnical and other expenditures accounted for 3% or less. According to the 2018 Reports on performance-based contracts signed between aimag governors and the Minister of Environment and Tourism, the Umnugobi and Tuv aimags spent 46.2 million MNT on reforestation.

11 The data on disbursement and local budget revenue generated through collection of resource use fees was used as it wasn't possible to determine the total expenditures of aimags and soums. For 2018, relevant expenditure data obtained from the performance reports of aimag governors was used.

13. Багшийн мэргэжил дээшлүүлэх институт, Насан туршийн боловсрол төв, Боловсролын хүрээлэн, Ботаникийн хүрээлэн, Дарханы ургамал газар тариалангийн хүрээлэн, Ургамал хамгааллын хүрээлэн, МАА-н эрдэм шинжилгээний хүрээлэн

14. Аймаг, сумдын нийт зарцуулалтыг тодорхойлох боломжгүй тул Байгалийн нөөц ашигласны төлбөрөөс орон нутгийн төсөвт төвлөрүүлж, хуулийн дагуу зарцуулсан хувийг авч үзэв. 2018 оны тайланг АЗД нарын үр дүнгийн тайлангаас холбогдох зарцуулалтыг авсан болно.

OTHER FINANCING SOURCES AND EXPENDITURES

The largest stakeholders in the financing of biodiversity in Mongolia are donors and international organizations, with an expenditure amounting to 55.6% of the total biodiversity expenditures. Information and data on the 71 projects conducted by international organizations and donors has been compiled and is described in detail in the next section of this report.

To collect information on biodiversity-related activities and financing from the private sector, series of meetings were organized with several private sector representatives e.g. MNCCI, certain mining companies, and MONOS LLC. However, obtaining valid and accurate data was not possible, as no official registration of such expenses was recorded, or in some cases the private sector entities were reluctant to share the information.

Limited information was obtained from some of the mining companies. However, the data was not included in this report, as the amounts were the mandatory rehabilitation expenditures as per the Environmental Management Plans. It was decided that these rehabilitation expenses were not direct biodiversity expenditures.

The MNCCI included the criteria "Socially responsible investing" as one indicator used for the annual selection of top entrepreneurs. Although the expenditures on environment-related activities are not registered separately, rather the investment is estimated in lump sum. The MNCCI is planning to revise the

criteria and account the environmental responsibilities as well as the environmental expenditures separately.

According to the MNCCI, the information submitted by the top 15 companies reveals that a total of 93 billion MNT was spent on 'social responsibility' in 2015. The funding was spent mainly on supporting athletes, donations to people needing assistance, financing small-scale social-oriented projects, and planting trees. Furthermore, some companies may have included their spending on the implementation of their "Environmental Management Plans". An access to analyze the submitted documents was requested, alas the permission was denied by the MNCCI due to the confidentiality agreement with the private companies.

Considering that some BIOFIN countries in Asia Pacific region obtained data from the Stock exchange, an attempt to collect data from the publicly-listed companies submitted to the Stock Exchange in Mongolia was also unsuccessful. The reason for this was that the report template of the Stock Exchange and the Financial Regulatory Commission does not require listed companies to provide the specific information on environment or corporate social responsibility.



MAIN STAKEHOLDERS AND THEIR BIODIVERSITY EXPENDITURES

Data on the budgets and actual expenditures of 19 government agencies, including 3-line Ministries, 14 affiliated agencies, the National Statistics Committee and the General Agency of Special Inspection were analyzed.

Official Development Assistance (ODA) analysis included a total of 69 projects funded by UNDP, ADB, GIZ, FAO, SDC, KfW, WWF, TNC and WCS. Biodiversity expenditures were estimated based on the relevant activities of the projects.

National NGOs were not included in this review, as all projects implemented by NGOs were funded by government, local administration or international organizations on a contractual basis. NGOs themselves almost did not raise funds. Therefore, international NGOs, including WWF, TNC and WCS, specializing in environmental protection who raised their own funds for the implementation of projects, were included in the reviews.

An attempt to obtain data on private sector funding for biodiversity from the MNCCI was unsuccessful. Some of the mining companies provided the company expenditures on environmental activities, although it was same as the mandatory expenses as per the Environmental Management plan. Therefore, these data was not used for biodiversity expenditures.



BUDGET PORTFOLIO OF THE MINISTER OF ENVIRONMENT AND TOURISM

The Budget Portfolio of the Minister of Environment and Tourism includes the budgets of 55 agencies such as 6 General Budget Governors, MET, Fresh Water Resources and Conservation Center, Forest R&D Center, Environmental Information and Computation Center, SPA Administration (30), and River Basin Administration (21).

GENERAL OVERVIEW OF THE PLANNING AND SPENDING OF THE MINISTERS PORTFOLIO

The Budget Portfolio of the Minister of Environment and Tourism displays similar fluctuation to the consolidated State budget following the economic cycle. However, the establishment of the Clean Air Fund in 2011 resulted in doubling of the Minister’s Portfolio budget. The establishment of the River Basin Administration and an increase in SPA Administrations also contributed in immediate increase of the budget. There is a 2-20-point difference between the actual spending of the Minister’s budget the actual expenditures of the consolidated State budget, suggesting the under-spending.

Based on the analysis conducted on Portfolios of the Minister of Environment and Tourism, the overview can be summarized as follows:

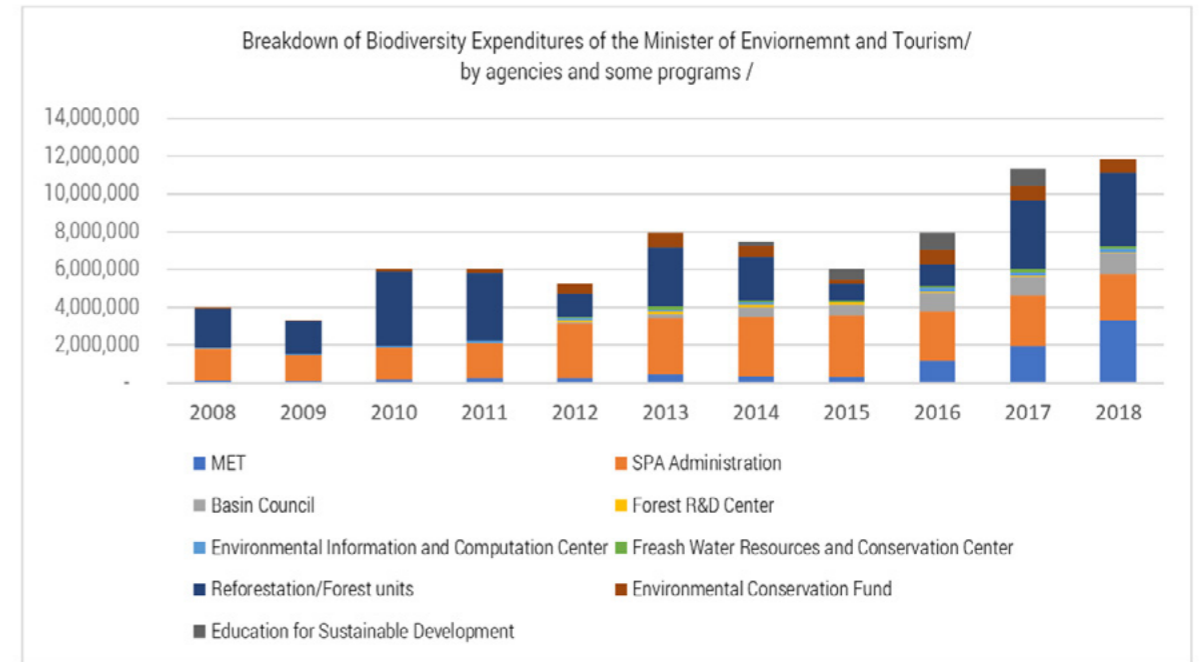
1. Despite an increase of the MET Budget since 2008, the actual expenditure tended to decline, taking into account the impact of inflation. The actual performance rate was between 75.2%-88.1% for 2011-2015, and between 23.7%-98% for the remaining years. It indicates that the cuts to environment-related expenditure had been greater than the average cut to the consolidated State budget during the period of economic decline.

2. Expenditures tended to increase when the economy was strong, with increased budget revenues financing new programs, such as the Clean Air Fund, and investment into construction and building improvements. However, no significant changes were observed in expenditures related to biodiversity conservation, restoration, sustainable use, or capacity strengthening required for the creation of new financing mechanisms. There was also no change to funding for necessary equipment and instruments, except in the establishment of the River Basin Councils and SPA administrations. Instead, these pressing issues were resolved through donor-funded projects.
3. It is a necessity to closely collaborate with the State Great Khural, Government and MOF on the needs for increasing biodiversity expenditures, ensuring that they are reflected in the budget ceiling and in the Mid-Term Fiscal Framework Statement. This ought to be done by using well-thought justifications, accurate estimations and action plans for the implementation of results-based policies and programs that are tailored towards ecosystems and species.

BIODIVERSITY EXPENDITURES OF THE MINISTER OF ENVIRONMENT AND TOURISM BUDGET PORTFOLIO

The total biodiversity expenditures for 2008-2018 amounted to 66.9 million USD, of which 81% were invested in SPAs and forest-related direct and indirect expenditures as defined by attributions of the Ministry and its affiliated agencies to the NBP.

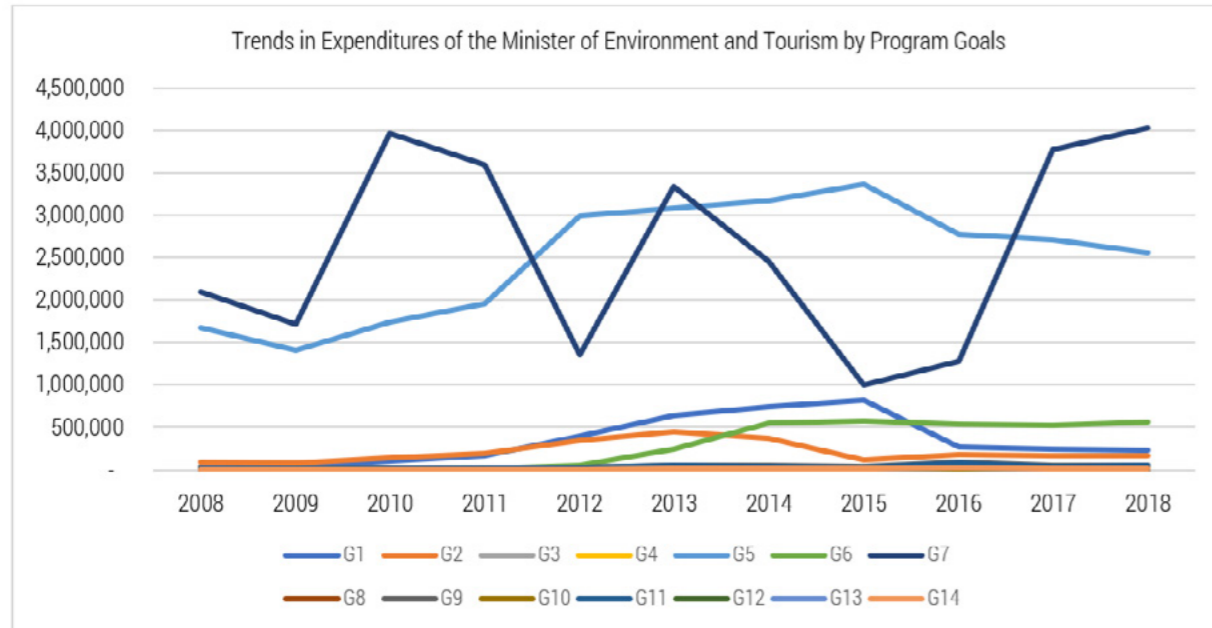
GRAPH 11: SPENDING ON BIODIVERSITY FROM THE BUDGET PORTFOLIO OF THE MINISTER OF ENVIRONMENT AND TOURISM, 2008-2018 (BY AGENCIES)



Of the total expenditures, 41% of disbursements were related to SPAs and 42.7% used for reforestation. The increase in spending on reforestation aligned with the overall increase in expenditures during 2010 and 2011. The increase in spending on reforestation and SPAs also affected to increase alongside overall expenditures in 2013-2014 and 2017-2018, as can be seen in Graph 11. The increase of total expenditures of the MET, of which 81.3% of expenses relate to the reduction of air pollution and climate change programs, correlate with overall expenditure increase in 2017 and 2018.

The breakdown of expenditure by program goals reveals that the expenditures for reforestation and SPAs have been dominant, as mentioned previously. In contrast, expenditures related to the creation of financing mechanisms for biodiversity conservation and sustainable use have been insufficient. Furthermore, expenditures for the purposes of trainings and advocacy (Goal 1.2) for the public, communities and decision-makers have been inadequate. This is particularly significant as it is the basis for reducing the requirement for future expenses on restoration.

GRAPH 12: SPENDING ON BIODIVERSITY FROM THE BUDGET PORTFOLIO OF THE MINISTER OF ENVIRONMENT AND TOURISM, 2008-2018 (BY PROGRAM GOALS)



The following conclusions can be made based on the Budget Portfolio of the Minister of Environment and Tourism regarding expenditures relevant to NBP implementation:

1. A focus should be given on reducing the future costs on conservation and sustainable use of biodiversity.
2. Concrete justification and estimation of necessary direct expenditures should be reflected in the budget ceiling of

the following year and in the Mid-term Fiscal Framework Statement;

3. Biodiversity is essential for the agro-based economy that is Mongolia. Thus, it is essential to regulate economic incentives for the industrial sector, as specified in Goals 9-14. A legal and regulatory framework must be established and standards, procedures and instructions for enforcement should be developed.

MINISTRY OF FOOD, AGRICULTURE AND LIGHT INDUSTRY

GENERAL OVERVIEW OF THE BUDGET PORTFOLIO OF THE MINISTER OF FOOD, AGRICULTURE AND LIGHT INDUSTRY, AND THE ACTUAL PERFORMANCE

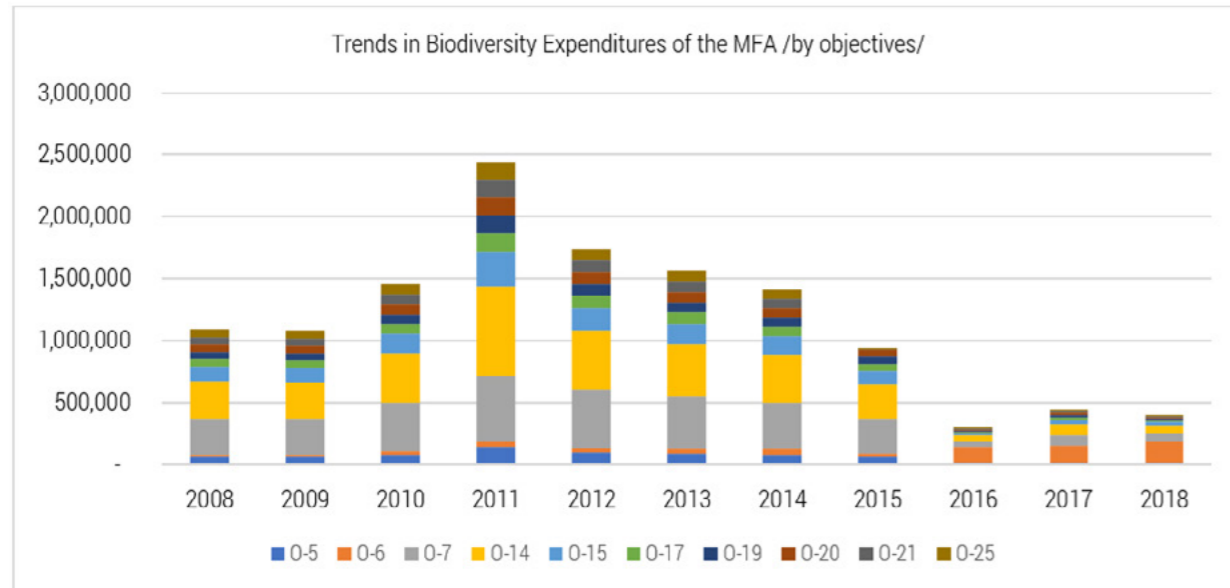
The budget performance of the MFALI during the review period was significantly affected by changes in government structure along with the economic situation of the country. Specifically, the light industry belonged to this Ministry until 2012, but following the 2012 elections, all industrial sector issues, including light and heavy industry, food etc were transferred to the newly-established Ministry of Industry. For 2008-2018, the percentage of the actual performance expenditure of the total budget was between 92%-96%, which is higher than the MET Portfolio. This may be explained by the fact that animal husbandry and agriculture comprise the main sector of the economy. .

BIODIVERSITY EXPENDITURES IN THE BUDGET PORTFOLIO OF MINISTER OF FOOD, AGRICULTURE AND LIGHT INDUSTRY

The total spending from the Budget Portfolio of the Minister of Food, Agriculture and Light Industry that can be considered relevant to the NBP amounted to 12.8 million USD during 2008-2018. Issues such as the analysis and registration of genetic resources of animals and cultivated plants, the establishment of a genetic bank, the monitoring of chemical substances used for agriculture, and the improvement of a regulatory framework for the protection of pasture and land degradation and restoration were included in the program. Therefore, it was appropriate to assess only the MFA portfolio rather than the Budget Portfolio of the Minister of Food and Agriculture. In addition to the expenditures of the MFA, National Livestock Gene-Pool Center were also analyzed. The estimation suggested that the percentage of the MFA's functions were relevant to the NBP was 2%, with the relevance of the activities conducted by the National Livestock Gene-Pool Center at 60%. Overall, this relevance referred to 11 objectives within the framework of 6 goals of the program.



GRAPH 14: BIODIVERSITY EXPENDITURES OF THE MFALI, 2008-2018 (BY PROGRAM OBJECTIVES)



NBP goals relevant expenditures of MFALI during 2008-2018 accounted for 6.2% of total biodiversity expenditures, of which 13.9% was funded by state budget. The 61% (1% for Goal 5 and 60% for Goal 6) of the National Livestock Genetics Resources

Center's spending was classified as direct expenditures. This results in the Ministry's direct expenditures, which accounts for 5.6% of the total expenditures, while the remaining 94.4% was indirect expenditures.



MINISTRY OF EDUCATION, CULTURE, SCIENCE AND SPORTS

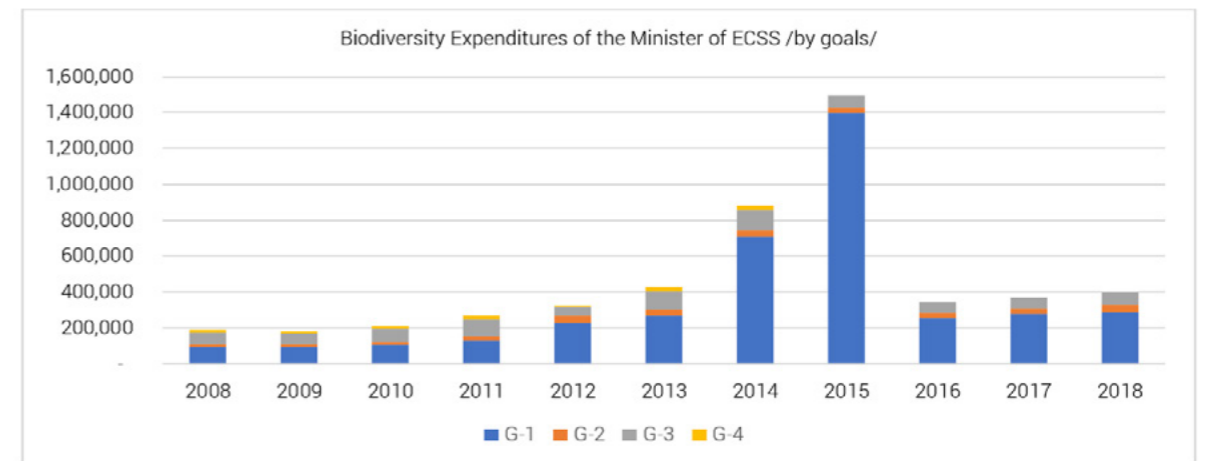
GENERAL OVERVIEW OF THE BUDGET PORTFOLIO OF THE MINISTER OF EDUCATION, CULTURE, SCIENCE AND SPORTS, AND THE ACTUAL PERFORMANCE

The main functions of this Ministry cover all levels of education, nationwide scientific research and agencies in charge of education for sustainable development and related advocacy. It is also responsible for the registration of natural and cultivated plant species, as well as research into the collection and establishment of foundations for genetic resources. Hence, the expenditures by the Ministry was considered relevant to the NBP. The Ministry's budget and performance rate was the lowest at 87.5% in 2014, while it was 91% and higher during the remaining years. The Ministry's budget planning and actual expenditures over the years suggest that patterns of under-spending occurred due to its high dependence on the State budget revenue.

BIODIVERSITY EXPENDITURES IN THE BUDGET PORTFOLIO OF THE MINISTER OF EDUCATION, CULTURE, SCIENCE AND SPORTS

The review of the Ministry's biodiversity expenditures includes those related to the Life Long Education Center, the Institute of Teachers' Professional Development and the Institute of Education, which implement programs supporting the Education for Sustainable Development project. These institutes also provide teacher development programs that organize trainings and advocacy activities, in addition to the Ministry itself. Moreover, the review covers 4 research and science institutions with functions related to genetic resources and the research and registration of species. These include the Institute of Botany, Plant Science and Agricultural Research Institute in Darkhan, the Plant Protection Research Institute and the Research Institute of Animal Husbandry. The Ministry and the above mentioned 7 affiliated agencies spent a total of 5.1 million USD during 2008-2018 towards 4 of the NBP goals. This accounts for 2.4% of the total biodiversity expenditures and 5.5% of total State budget spending on biodiversity.

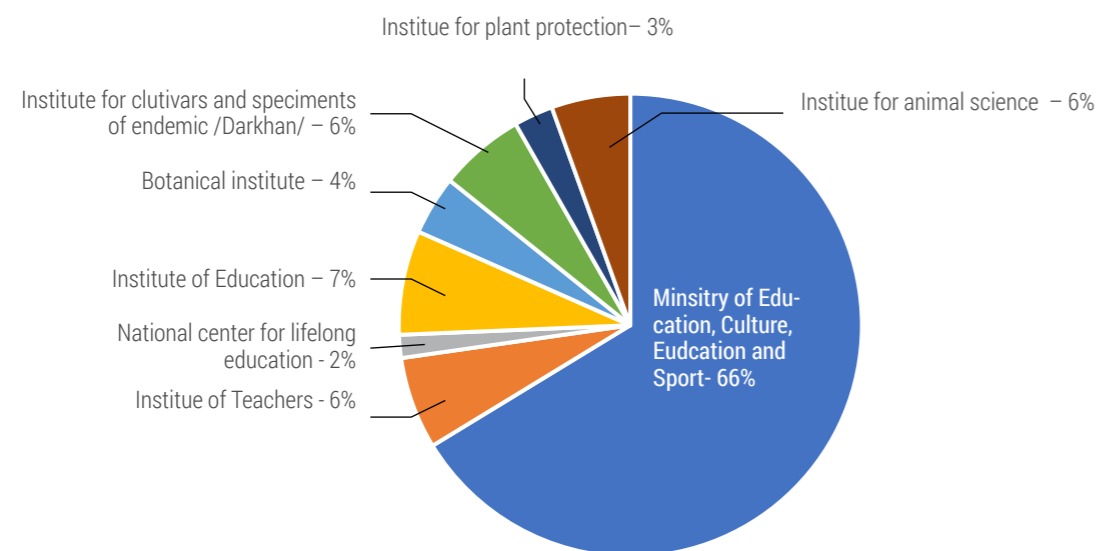
GRAPH 16: BIODIVERSITY EXPENDITURES FROM THE BUDGET PORTFOLIO OF THE MINISTER OF EDUCATION, CULTURE, SCIENCE AND SPORTS, 2008-2018 (BY PROGRAM GOALS)





The Ministry's total relevant expenditures in 2014 and 2015 increased by 2.1-3.7 times as compared to 2013 and was related to the disbursement of the government share (1.6 million USD) for the implementation of the Education for Sustainable Development project (2013-2015). The Ministry's average yearly spending during these years was approximately 280.000 USD.

BIODIVERSITY EXPENDITURES OF EDUCATIONAL, CULTURAL, SCIENCE AND SPORTS AGENCIES /2008-2018/



The expenditures of Research Institute of Animal Husbandry were classified as direct expenditures. Therefore, the total direct expenditures, including the attributed expenditures of Research Institute of Animal Husbandry, Ministry's disburse-

ment of the government contribution towards the Education for Sustainable Development project, amounted to 1.8 million USD. This figure equals to the 36.3% of the Ministry's total relevant expenditures.

FINANCING OF DONORS AND INTERNATIONAL ORGANIZATIONS

The analysis covered the expenditures of 71 projects implemented by agencies including UNDP, FAO, SDC, GIZ, ADB and KfW and international NGOs such as WWF, TNC and WCS.

The following table shows that these project expenditures account for 44.4% -65.7% of the annual total biodiversity expenditures.

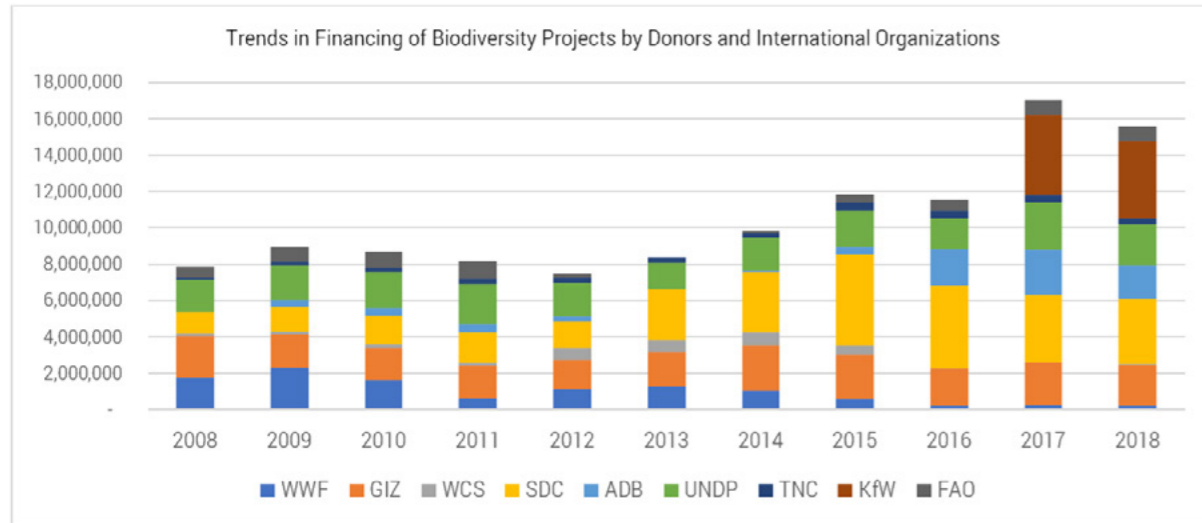
During 2008-2018, the total funding for these projects amounted to 115.4 million USD, accounting for 55.6% of total expen-

ХҮСНЭГТ 3. БОЯБ-ЫН НИЙТ САНХҮҮЖИЛТЭД ТӨСЛҮҮДИЙН САНХҮҮЖИЛТИЙН ЭЗЛЭХ ХУВЬ

Он	Total Biodiversity Expenditures (million USD)	Relevant Expenditures of projects (million USD)	Percentage in total expenditures (%)
2008	13.26	7.9	59.20%
2009	13.63	9	65.70%
2010	16.55	8.7	52.70%
2011	17.07	8.2	47.90%
2012	15.03	7.5	49.90%
2013	19.28	8.4	43.50%
2014	22.1	9.8	44.40%
2015	22.42	11.9	52.90%
2016	17.7	11.6	65.40%
2017	25.49	17	66.80%
2018	25.14	15.6	62.00%

The total biodiversity expenditures of projects funded by donors and international organizations are described below.

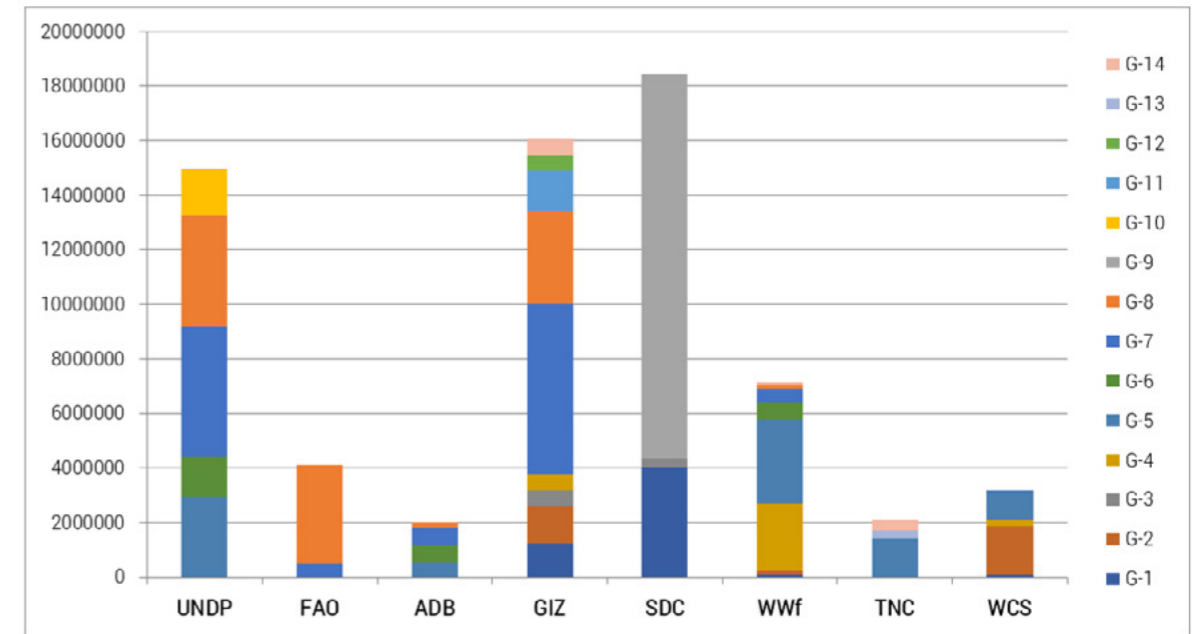
GRAPH 18: BIODIVERSITY EXPENDITURES OF PROJECTS FUNDED BY DONORS AND INTERNATIONAL ORGANIZATIONS, 2008-2015



The distribution of project expenditures according to the NBP goals varies widely. The following graph illustrates that the funding from GIZ was either linked to more program goals, or more relevant to the goals in general, excluding Goals 9, 10 and 13. In

contrast, projects conducted by the WWF, UNDP and ADB were relevant to goals 7 and 8. The SDC contribution to the total biodiversity expenditures was the highest but was relevant to 3 goals.

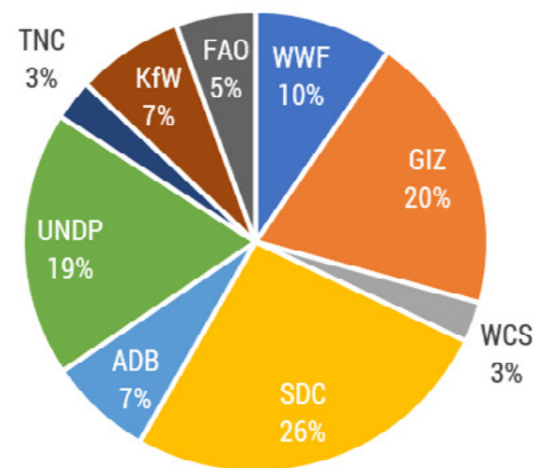
GRAPH 20: BIODIVERSITY FINANCING CONTRIBUTIONS BY DONORS AND INTERNATIONAL ORGANIZATIONS, 2008-2018



The allocation of donor spending on each of the NBP goals indicate that the financing of SPAs, reforestation and pasture accounted for 18.6-20.8% of the total expenditures. It can also be observed that 7 organizations are involved in SPA-related projects.

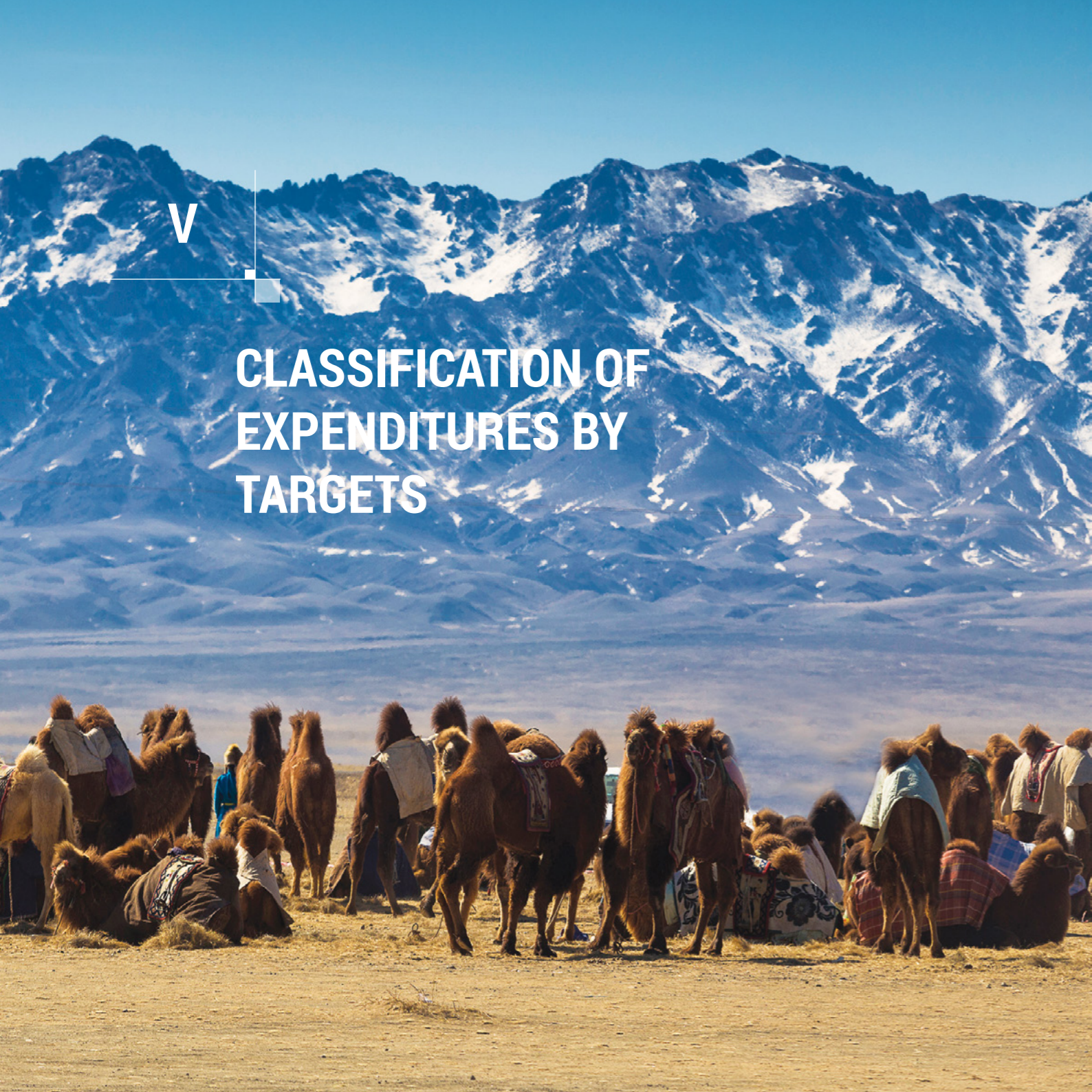
While expenditures on pasture management accounted for 19% of total expenditures, predominant funding was provided by SDC, and the remaining funding was provided by the two projects of ADB.

GRAPH 19: BIODIVERSITY FINANCING CONTRIBUTIONS BY DONORS AND INTERNATIONAL ORGANIZATIONS, 2008-2018



The increase in total biodiversity expenditures during 2017-2018 can be explained by the project on "Biodiversity Conservation and Climate Change Adaptation" of KfW.

The 26% of the total biodiversity expenditures was provided by SDC, whereas GIZ projects accounted for the 20% and UNDP projects accounted for 19%. The combined biodiversity expenditures of these three organizations made up 65% of the total donor supported projects and 35.8% of the total biodiversity expenditures. Graph 19 displays the total biodiversity expenditures by the donors and international organizations.



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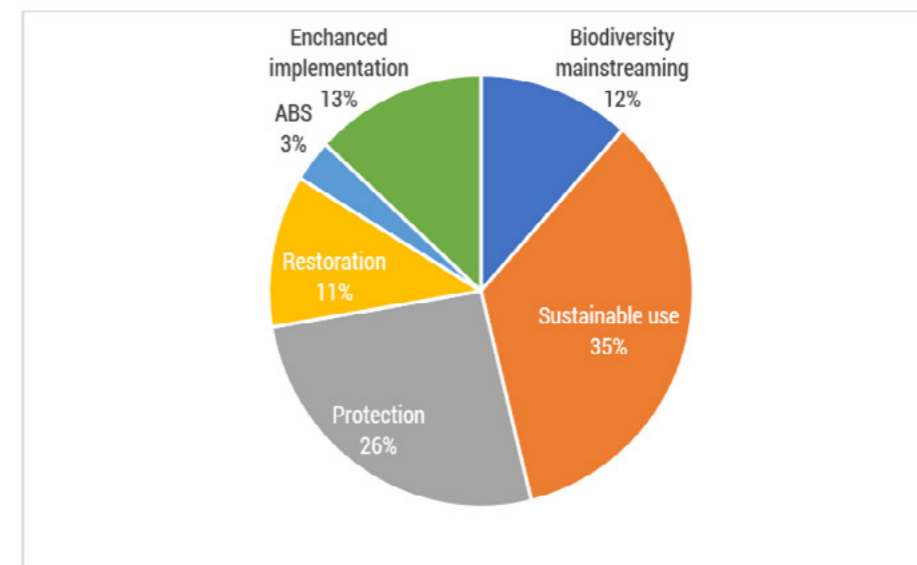
CLASSIFICATION OF EXPENDITURES BY TARGETS

CLASSIFICATION BY AICHI TARGETS

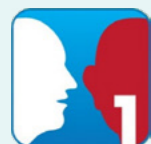
The classification of biodiversity expenditures by Aichi targets demonstrates that conservation and sustainable use accounted for 61% of total spending, whereas expenditures related to other areas of biodiversity each accounted for 13% or less. It is essential to examine the appropriacy of this trend in spending and

determine which goals and objectives ought to be prioritized in order to increase cost effectiveness and further the development of sustainable financing mechanisms

GRAPH 22: TOTAL BIODIVERSITY EXPENDITURES BY AICHI TARGETS



The trends in biodiversity expenditures by Aichi targets are as follows:



Goal 1. Expenditures on Biodiversity Mainstreaming

The 11.6% of total expenditures was provided for biodiversity mainstreaming activities, with the highest figure of 2.2-3.3 million USD during 2011-2015 due to increased expenditures by donor-funded projects. There was no public spending of the State budget observed for this purpose, except moderate spending incurred by the River Basin Administration and activities related to green business support in local areas.

TABLE 3. EXPENDITURES ON BIODIVERSITY MAINSTREAMING (USD)

Year	Goals				TOTAL
	Goal 6	Goal 10	Goal 2	Goal 12	
2008	859,619	61,382	345,540	145,015	1,411,556
2009	943,515	60,343	369,590	126,920	1,500,368
2010	1,135,951	81,596	423,528	146,935	1,788,010
2011	1,402,569	147,060	480,104	214,059	2,243,792
2012	1,401,522	334,963	1,136,102	156,554	3,029,140
2013	1,517,188	400,434	1,211,769	161,894	3,291,286
2014	1,915,293	680,911	1,183,341	174,540	3,954,086
2015	1,581,421	511,823	795,350	98,764	2,987,358
2016	791,108	19,814	399,567	21,941	1,232,431
2017	854,052	23,255	424,701	12,828	1,314,835
2018	871,437	18,802	433,130	79,073	1,402,443
TOTAL	13,273,677	2,340,384	7,202,722	1,338,523	24,155,305



Goal 2. Expenditures on the Sustainable Use of Biodiversity

Expenditures for the sustainable use of biodiversity accounted for 34.5% of total biodiversity spending, of which forest-related expenditures made up a significant 79.7%. It is worth noting that the establishment of community-based sustainable use of biodiversity (G8) and the creation of an estimation system for the value of ecosystem services (G13) would have important implications for sustainable conservation and use of bio-

diversity. One key feature of the spending on sustainable use is that the direct expenditures funded by the consolidated State budget and forest-related expenditures are the highest among other types of biodiversity spending. These types of expenditures appeared to have a large impact on overall biodiversity spending, given that expenditures in 2012 decreased by 3 times as compared to 2011, and spending in 2016 also reduced in comparison with the previous year due to reduced expenditures of donor funded projects.

TABLE 4. EXPENDITURES ON SUSTAINABLE USE /USD/

Year	Goals			Total
	Goal 7	Goal 8	Goal 13	
2008	3,724,509	2,372,060	3,945	6,100,514
2009	3,388,834	2,550,583	3,054	5,942,471
2010	5,710,564	2,490,014	4,702	8,205,280
2011	5,368,940	2,372,419	6,171	7,747,530
2012	3,009,426	725,598	6,149	3,741,174
2013	5,182,578	619,627	94,916	5,897,121
2014	5,654,587	879,884	93,633	6,628,104
2015	4,292,728	1,032,142	132,454	5,457,324
2016	4,420,902	335,105	21,011	4,777,017
2017	7,958,129	291,688	108,155	8,357,972
2018	8,468,750	315,244	110,352	8,894,346
Total	57,179,948	13,984,364	584,542	71,748,854



Goal 3. Expenditures on Sustainable Conservation

Expenditures for purposes of sustainable conservation accounted for 26% of the total biodiversity expenditures, of which the 10% was spent on protection of rare and endangered animal and plant species and remaining 90% for SPAs. The local budget spending on the protection of rare and endangered animal and plant species is limited to biotechnical measures (6% of the expenditures relate to Goal 4) and few activities focused on plant protection in SPAs. It is particularly interesting to observe that the financing of the protection of rare and endangered animal and plant species (Goal 4 of the NBP) from the State budget constituted only 12.5% of the total biodiversity expenditures, while financing of the same type of activities through projects funded by donors accounted for 87.5%.

TABLE 5: EXPENDITURES ON CONSERVATION /USD/

Year	Goals		TOTAL
	Goals 4	Goals 5	
2008	519,450	2,659,834	3,179,284
2009	560,434	3,046,044	3,606,478
2010	392,811	3,072,670	3,465,481
2011	125,356	3,283,353	3,408,709
2012	461,952	4,311,454	4,773,407
2013	618,159	4,279,650	4,897,809
2014	558,373	4,529,929	5,088,302
2015	477,605	4,816,827	5,294,433
2016	499,932	3,631,262	4,131,194
2017	536,219	7,825,600	8,361,819
2018	630,884	7,419,891	8,050,776
Нийт	5,381,175	48,876,516	54,257,691



Goal 4: Expenditures on the Restoration of Biodiversity

The pasture and soil restoration related objectives are essential for a country like Mongolia with an agro-based economy. However, there has been no direct spending from the State budget for this purpose, and indirect funding from the state budget accounted for 7.7% of the total financing for pasture and soil restoration, whereas donor funding provided the remaining 92.2%.

TABLE 6: EXPENDITURES ON RESTORATION (USD)

Year	Goals 9	Year	Goal 9
2008	1,313,242	2014	2,194,052
2009	1,483,037	2015	2,329,212
2010	1,760,923	2016	3,077,419
2011	2,008,885	2017	1,906,698
2012	1,603,488	2018	3,156,874
2013	2,924,596	Нийт	23,758,427



Goal 5. Expenditures on Creation of the Mechanism for Access-and-benefit sharing of genetic resources utilization

Financing for the creation of mechanisms for access-and-benefits sharing of genetic resources utilization accounted for 3.1% of the total biodiversity expenditures, with the State budget spending accounting for 85% of the spending, and donor funding 15%. The expenditure decrease in 2016 can be explained by the closure of 2 donor funded projects, and the relevant changes to the government structure.

TABLE 7: EXPENDITURES ON ACCESS AND BENEFIT SHARING (ABS) (USD)

Year	Goal 3	Year	Goal 3
2008	525,500	2014	785,127
2009	495,201	2015	601,467
2010	638,039	2016	294,484
2011	875,759	2017	341,889
2012	791,336	2018	365,835
2013	808,396	Total	6,523,033



Goal 6. Expenditures on Improving the Implementation of Biodiversity Policies and Programs

Expenditures for improving the implementation of biodiversity policies and programs constituted 13.1% of the total biodiversity spending. Similar to the trends presented previous sections, the expenditures by the donors were high. For instance, Education for Sustainable Development project, commenced in 2012 and funded by SDC contributes high amount to the spending for Goal 1, while the ADB projects contribute to the spending of Goal 14 in 2016.

TABLE 8: EXPENDITURES ON ENHANCED IMPLEMENTATION (USD)

Year	Goals			TOTAL	2013	1,090,737	239,337	130,487	1,460,561
	1	11	14						
2008	361,149	251,246	121,305	733,700	2014	2,938,265	290,503	219,084	3,447,853
2009	276,740	203,549	119,816	600,105	2015	5,202,501	269,262	277,198	5,748,961
2010	363,785	201,070	126,267	691,121	2016	2,997,805	264,053	926,592	4,188,449
2011	441,196	208,542	140,368	790,106	2017	2,984,465	275,255	1,950,708	5,210,428
2012	758,296	192,297	136,191	1,086,783	2018	1,591,385	276,536	1,406,527	3,274,447
					TOTAL	19,006,323	2,671,648	5,554,542	27,232,513



VI. THE CLASSIFICATION OF EXPENDITURES BY PRIORITY AREAS, GOALS AND OBJECTIVES

The classification of biodiversity expenditures by the 4 priority areas of the NBP was estimated. The spending on developing and implementing science-based policy focused on conservation and sustainable use of biodiversity resources accounted for 63.2% of the total expenditures. Expenditures for increasing awareness and knowledge of biodiversity, both

among decision-makers and the general public, as well as ensuring the sustainable use of biodiversity accounted for 12.6-19.3%. Conversely, spending on the improvement of policies and the legal environment for conservation, use of biodiversity and ecological services accounted for 4.9% of the total expenditures.

TABLE 9: EXPENDITURES ON PRIORITY AREAS OF THE NATIONAL BIODIVERSITY PROGRAM

PRIORITY AREA 1: Increase awareness and knowledge on biodiversity and sustainable use among both decision-makers and the general public	26,209,045	12.6%
PRIORITY AREA 2: Develop and implement science-based policy on conservation and sustainable use of biodiversity resources	131,234,349	63.2%
PRIORITY AREA 3: Ensure the Sustainable Use of Biodiversity	40,083,175	19.3%
PRIORITY AREA 4: Improve policies and legal documents for conservation and use of biodiversity and ecological services	10,149,254	4.9%

Table 9 above illustrates that the majority of expenditures was on development and implementation of policies concerning conservation and sustainable use. The creation of sustainable financing mechanisms and the related legal environment

was allocated only 24.2% of the total expenditures, indicating that this area was likely to have been affected by a persistent shortage of financing.



EXPENDITURES BY GOALS OF THE NATIONAL PROGRAM

The classification of biodiversity expenditures demonstrates that most of the funding was spent on 5 of the 14 goals, i.e. the spending for Goals 5-9 accounted for 75.6% of total expenditures. This has probably been circumstantiated by the program goals and outputs. However, it is important to prioritize the goals and activities that have an impact on

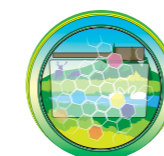
the implementation of other objectives. The quantitative information on the trends in expenditures organized by NBP objectives is shown in Appendix 2. It is organized by program goals and objectives in Appendix 1A. The spending on each of the goals was as follows:

Goal 1: The total spending relevant to this goal amounted to 19 million USD, or 9.2% of the total expenditures.



Financing from the State budget accounted for 39.8% of this spending and the donor funding provided the remaining 60.2%. An increase in spending in 2012 can be linked to the increase of tripled expenditures of the Environmental Conservation Fund compared

to previous year, and by 10 times as compared to the spending in 2008. During 2014-2015 the spending further increased by 3-5 times as a result of the commencement of the Education for Sustainable Development project in 2014. Direct expenditures accounted for 60.5%, indirect expenditures accounted for 39.5%, and regular fixed costs/expenditures accounted for 41.5% of the total spending for Goal 1. The direct spending came from the MECSS for the implementation of Goal 1. It was also provided by the MET for the implementation of Goal 2 through the Education for Sustainable Development Project in 2014 and 2015.



Goal 2: The total spending relevant to Goal 2 reached 7.2 million USD; 3.5% of the total expenditures.

The average yearly spending of 305.5-369.5 thousand USD from 2008-2011 increased by 3 times from 2012-2015 due to the commencement of the WCS Core Biodiversity Monitoring project, and the increased

allocation of the Environmental Protection Fund (EPF). Direct expenditures constituted 89.5% of the total expenditures, with indirect expenditures making up 10.5%. Fixed, recurrent expenditures accounted for 28.6% of the total expenditures, which also included the direct spending of the EPF. The State budget funding and that of donor and international organizations accounted for 36.6% and 63.4% of the total expenditures respectively.



Goal 3: The total spending relevant to Goal 3 came to 6.5 million USD, or 3.1% of the total expenditures.

Combined, the relevant indirect MFA spending and expenditures of the National Animal Gene-Pool Center accounted for 71.5% of total expenditures relevant to this goal. The RIAH's spending, taking into account the relevance to this goal through the Animal Health project implemented by SDC (4.8% of the total spending), and the expenditures of GIZ's "Biodiversity and Climate Change project" were included in the direct expenditures. Together, the expenditures of these two projects amount to 28.5% of the total expenditures for this goal. Indirect expenditures made up the remaining 71.3%, including the relevant spending of several agencies such as MFA, MET, Plant Science and Agricultural Research Institute in Darkhan, Plant Protection Institute, the Institute of Botany and the National Animal Gene-Pool Center. These agencies fixed, and recurrent expenditures accounted for 86.2% of total expenditures. Concerning funding, the State

budget funding supplied 85% of the total expenditures relevant to Goal 3, while donors and international organizations funding provided 15%. This indicates that the dependence on donors was relatively low. supplied 85% of the total expenditures relevant to Goal 3, while donors and international organizations funding provided 15%. This indicates that the dependence on donors was relatively low.



GOAL 4: The total spending relevant to Goal 4 amounted to 5.4 million USD; 2.6% of the total expenditures. The spending in connection to this goal reduced by 3 times in 2011 compared with the previous year due to a sharp reduction of GEF funding for the Rare and Endangered

Species project (47.7% of total spending for this purpose). The average annual spending towards this purpose was to 525 thousand USD in the other years included in the review period. The direct expenditures of projects funded by the WCS, WWF, GIZ and financing from local budgets accounted for 93.5% of the total spending relevant to this goal. The indirect expenditures of the MET and the Institute of Botany, taking into account the relevance to this goal, made up 6.5% of the total expenditures. The State budget constituted 12.5% of the total expenditures, whereas funding from donors and international organizations provided 87.5%, indicating that dependence on donors and international organizations was significantly high.



GOAL 5: The spending for Goal 5 totaled 48.9 million USD, or 23.5% of the total expenditures.

The average annual expenditures were 4.5 million USD, of which direct expenditures accounted for 78.8%. The SPA administration's spending accounted for 54.7% of total expenditures, and projects implemented by UNDP, ADB, WWF, TNC, WCS, GIZ and KfW accounted for 45.3% combined. Regular, recurrent expenditures related to SPA management and regulation of the MET and SPA administration made up 55.9% of the total expenditures.

The State budget and funding from donors and international organizations constituted 56.2% and 43.8% of total expenditures respectively.



GOAL 6: The total spending for Goal 6 amounted to 13.5 million USD, constituting 6.5% of the total expenditures during this review period.

The average annual spending during 2008-2009 and 2016-2018 totaled 860 thousand USD, whereas during 2010-2015, the average was 1.4-1.9 million USD, taking into account the projects funded by UNDP and the expenditures of MFALI with respect to the relevance to Goal 6. The reason for the increased allocation of State budget towards this goal was the establishment of the River Basin Councils in 2012. Direct expenditures accounted for 50.5% of total expenditures, with indirect expenditures (fixed expenditures) of agencies including MET, MFA and GASI constituting 49.5%, after consideration of their relevance to the goal. State budget funding amounted to 68.9% of total expenditures, with donor and international organizations' funding accounting for 31.1%. This indicates that the dependence on donors was relatively small.



GOAL 7: The spending for Goal 7 came to 57.2 million USD, or 27.2% of the total expenditures. Of this amount, 98.1% is comprised of direct expenditures of projects implemented by UNDP, FAO, WWF, GIZ and TNC, as well as reforestation expenses

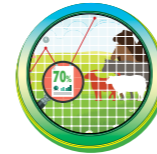
funded by the MET and local budgets.

The annual State budget allocation of 2.5 million USD was the largest contributor to this goal. The current expenditures accounted for 1.9% of the total expenditures, consisting of the MET's relevant expenditures on forest policy and regulation, estimated based on the relevance calculation and relevant expenditures of the Forest R&D Center. The State budget contributed 58.1% of the total expenditures, with funding from donors and international organizations funding providing 41.9%.



GOAL 8: The spending for Goal 8 amounted to 13.9 million USD, or 6.7% of the total expenditures.

Project expenditures and direct expenditures related to hunting management, financed by the hunting fees, accounted for 87.7% of the total expenditures. The average annual spending during 2008-2011 was 2.4-2.5 million USD, decreasing to 1 million USD from 2012-2015, and to 315 thousand USD due to changes in project financing. The MET's and MFA's current spending constituted 12.2% of the total, taking into account their relevance to the goal. The State budget expenditures made up 12.2% of the total expenditures, and donor and international organizations' funding accounted for the remaining 87.8%. This suggests that dependence on donors and international organizations was significantly high.



GOAL 9: The spending for Goal 9 amounted to 23.7 million USD, or 11.4% of the total expenditures.

Projects funded by the SDC accounted for 89.1% of the total expenditures, with indirect expenditures or fixed expenses of the MFA and MET, taking into account their relevance to this goal, accounted for 7.7%. As a result of the sustainable implementation of the aforementioned project, the average annual spending was 1.3-3.1 million USD during this review period. No expenditures from the MFA for the purpose of pasture management occurred, except those for plant protection, pest control and the maintenance and boring of wells. The State budget supplied only 7.7% of total expenditures, with the remaining 92.3% provided by donors and international organizations, indicating that dependence on donors and international organizations was significantly high.



GOAL 10: The spending for Goal 10 totaled 2.3 million USD; 1.1% of the total expenditures.

The relevant expenditures of UNDP-supported projects accounted for 70.5% (applies to expenditures for 2012-2015) of these expenditures, and indirect expenditures of the MET and MFA, taking into account their relevance to the goal, accounted for the rest. The current expenditures, equal to the State budget expenditures amounted to 29.5% of total expenditures, and donor and international organizations' funding accounted for the remaining 70.5%. This demonstrates that the dependence on donors and international organizations was high.



GOAL 11: The consulting team has confirmed the data on the state of biodiversity included in the current Statistical Yearbook. Therefore, the expenses of NSO and the MET, calculated according to the relation of these expenditures to biodiversity, are considered as relevant

expenditures. The spending for Goal 11, including the estimated expenditures above, amounted to 2.7 million USD, or 1.3% of the total expenditures. NSO expenditures accounted for 10.3% of this total. The ADB-funded project that aimed to incorporate 3 green development indicators was implemented from 2016-2018. The current expenditures, equal to the State budget expenditures, accounted for 24.9% of the total. The remaining 75.1% was provided by donors and international organizations, suggesting a high dependence on donors and international organizations.



Goal 12: The spending for Goal 12 amounted to 1.3 million USD; 0.6% of the total expenditures. The relevant expenditures of the MET and MFA were included in the indirect expenditures and accounted for

57.3% of the total expenditures. The only project contributing

to the achievement of this goal was the project funded by GIZ, which made up 53.5% of the total expenditures. The local budget expenditures accounted for 4.8% of the total. The State budget provided 46.5% of the total expenditures, and funding from donors and international organizations constituted the remaining 53.5%.

Goal 13: The spending for Goal 13 totaled 584.5 thousand USD, or 0.3% of the total expenditures. The average annual spending of 3.0-6.2 thousand USD during 2008-2012 increased to 93.6-132.4 thousand USD during 2013-2015. This was a result of the implementation of the TNC project, and amounted to 110 thousand USD, in relation to the implementation of UNDP-supported projects during 2017-2018. Direct expenditures accounted for 83.2% of total spending, with the indirect expenditures of the MET which were relevant to this goal constituting 16.8% of the total expenditures. The current expenditures, equal to the State budget expenditures, made up 16.8% of total expenditures, while donor and international organizations' funding accounted for 83.2%. This indicates that the dependence on donors and international organizations was significantly high.



Goal 14: The spending for Goal 14 amounted to 5.5 million USD, or 2.7% of the total expenditures. The annual average spending was 118 thousand USD during 2008-2013, reaching 198.4-219.0 thousand USD during 2014-2015 due to project spending. It increased further to 0.9-1.4 million USD from 2016. Project spending funded by UNDP, TNC, GIZ, WWF and ADB accounted for 95% of the total expenditures for this goal. The relevant spending of the MET, taking into consideration the relevance of the Ministry's function, accounted for just 5% of the total expenditures, indicating that the dependence on donors and international organizations was significantly high.

VII

CONCLUSION AND ISSUES FOR FUTURE CONSIDERATION



VII. CONCLUSION AND ISSUES FOR FUTURE CONSIDERATION

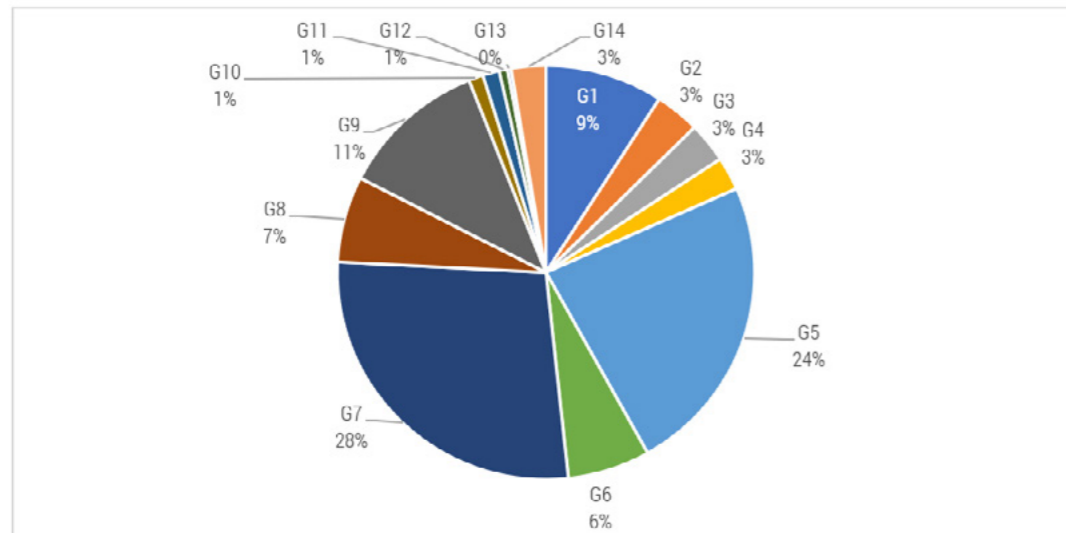
1. The relevant conclusions have been described in the respective sections of this report where the expenditures have been analyzed according to Aichi targets, priority areas, and the goals and objectives of the National Biodiversity Program.
2. According to the overall estimation in relation to the goals and objectives of the National Program, biodiversity expenditures reached a total of 207.7 million USD from 2008-2018. The distribution of expenditures by goals can be seen in Graph 21.

As highlighted above, dependence on donors and international organizations is significantly high for 5 of the goals and relatively high for 2 goals with more than 70%

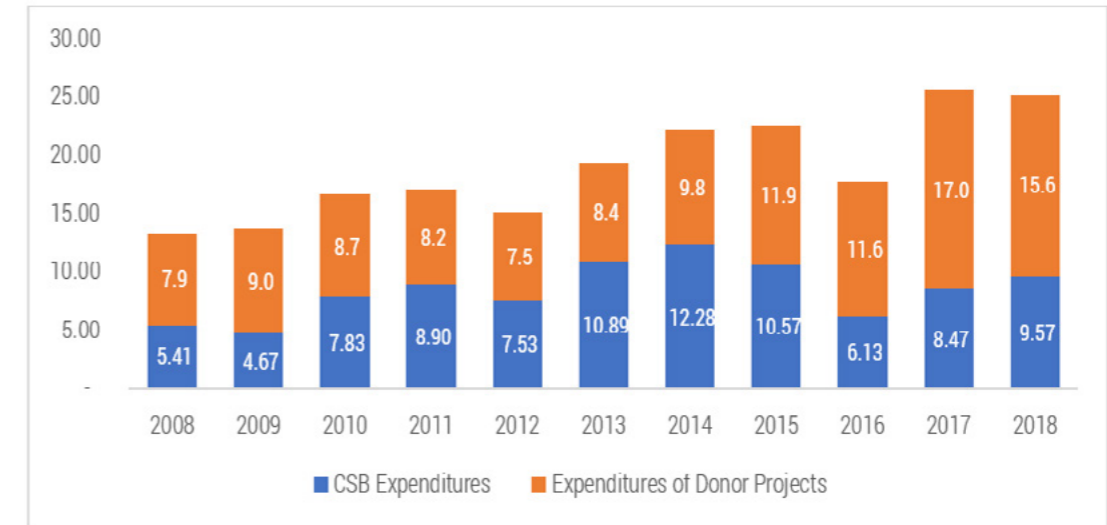
dependence on donor funding. Graph 22 illustrates the share of expenditures from the consolidated State budget and donors in the total biodiversity expenditures during the review period.

Direct expenditures funded by the State budget were minimal, excluding the large share of funding for SPA administration by the State budget under goal 5, and reforestation expenditures financed by the MET and local administration under Goal 7. In order to ensure sustainable conservation of biodiversity through the reduction of donor dependence, it is essential to pay attention to biodiversity-friendly legal and regulatory frameworks, ensure coordination among Ministries, and create economic incentives. This will in turn establish

GRAPH 21: TOTAL BIODIVERSITY EXPENDITURES BY PROGRAM GOALS



GRAPH 22: SHARE OF CONSOLIDATED STATE BUDGET AND DONOR FUNDING IN TOTAL BIODIVERSITY EXPENDITURES /MILLION USD/



sustainable financing mechanisms by resolving the challenges facing the financing of biodiversity. As trends in biodiversity expenditures and actual spending seemed minimal compared to the economic cycle, it seems there is small probability that financing from the State budget for biodiversity will increase in the future. It is therefore required that the policy Ministry makes a substantial move in this regard.

3. In the case that the institutional review does not conclude that stakeholders have a high level of workload and confirms that there is no need to increase personnel and investments, then it can be assumed that a necessity for the funding of indirect current expenditures will not occur.

4. Analysis of expenditures in relation to priority areas revealed that the majority biodiversity expenditures were put towards sustainable conservation and use of resources. The spending for the creation of sustainable financing mechanisms and relevant legal and regulatory frameworks, however, accounted for just 24.5% of the total expenditures, indicating that this is the area affected by shortages in financing. Moreover, it is evident from the analysis of biodiversity expenditures in relation to program goals and objectives that no systematic actions have been taken to increase awareness among the general public and decision-makers on biodiversity. The first effort made to achieve this goal was the "Education for Sustainable Development" project, funded by SDC and implemented in 2015. Other projects funded by donors and international organizations only covered some areas and certain regions. Thus, it is

essential that priority be given to the sustainable use of biodiversity, creation of sustainable financing mechanisms and relevant legal and regulatory frameworks, as well as the provision of information to the general public and decision-makers.

5. It became clear through this report that minimal action had been taken in the creation of appropriate economic incentives to ensure coherence between biodiversity policy and policies concerning sectors such as livestock, crops, minerals, infrastructure, energy, light and food industries. No incentives (in the form of subsidy or discount) were provided for any activities that were likely to affect biodiversity, such as the estimation of the values of pasture, water resources, or forest ecosystem services. Nor were any economic benefits sustained for the use of ecosystem services and the protection and sustainable use of natural resources. Indirect expenditures accounted for 100% of spending for the aforementioned purposes,

with the total expenditures in this area, taking into account the relevance of functions, constituting only 4.7% of total biodiversity expenditures. Therefore, it is essential to identify appropriate economic incentives across relevant sectors, in parallel with the creation of relevant legal and regulatory frameworks in order to find sustainable solutions concerning biodiversity conservation and its sustainable use.

6. According to MET sources, the revenue generated locally from natural resource use fees came to 104-109 billion MNT during 2013-2015, with revenue generated from other resource fees not regulated by the Law on Natural Resource Fees amounting to 475-771 billion MNT. The rate of law enforcement regarding fee collection and the use of fees was approximately 50%. Therefore, it is surely possible to generate significant financial resources for the implementation of the National Biodiversity Program by improving the system of using the natural resource use fees for restoration and conservation purposes.



