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United Nations Development Programme
Country: MONGOLIA

PROJECT DOCUMENT

Project Title: **Capacity Strengthening of Local Self-Governing Bodies**

UNDAF Outcome(s): Strengthened governance for protection of human rights and reduction of disparities

Expected CP Outcome(s): Policy framework for decentralization created; local government capacity for service delivery increased.

Expected Output(s):

1. A National Training Programme for local elected representatives is developed and institutionalized
2. Improved downward accountability of elected representatives through promoting citizen participation in decision making
3. Increased oversight capacity of local hurals
4. Lessons integrated into legal and policy framework for local self-governance

Implementing Agency: Standing Committee on State Structure, Parliament of Mongolia

Brief Description

The proposed outcome of the project is to strengthen capacities of local hurals to fulfil their representational and oversight mandates for improved accountability of local governments and local service delivery. The project aims to offer political support, financial incentives and technical assistance for the development of a National Training Programme for local elected representatives and establish appropriate institutional arrangements for delivering the programme. The project offers a comprehensive package for capacity building through supply-driven induction training for newly elected hural members, complemented by innovative training methodologies such as identification and dissemination of best practices on citizen participation, and the development of tools to support hurals in their oversight functions. Regular monitoring, including institutional and context analysis of power structures at local level, and lessons learned from the project will result in an improved legal framework for local self-governance.

Programme Period:	2012-2016
Key Result Area (Strategic Plan)	Governance
Atlas Award ID:	_____
Start date:	01 Apr 2013
End Date:	31 Dec 2016
PAC Meeting Date	03 Oct 2012
Management Arrangements	NIM

Total resources required	\$3.5 mln
Total allocated resources:	\$0.5 mln
Regular	\$0.5 mln
o Other:	_____
o Donor	SDC 3.0 mln
o Government	_____

Agreed by (Implementing Partner):

Enkhbold Zandaakhuu, the Speaker, the State Great Hural of Mongolia

Agreed by (UNDP):

Sezin Sinanoglu, UNDP Resident Representative

13 March 2013

I. SITUATION ANALYSIS

Mongolia is a unitary state with a central government and three levels of sub-national governments. The country is administratively divided into 21 aimags and a capital city; aimags are divided into 330 soums¹ and 1,575 baghs; the capital city is divided into 9 districts and 135 horoos. The Constitution provides for a combination of self-governance and state administration. Mongolia thus has a dual system in which territorial units have both an appointed executive (governor) and elected local council (Citizens' Representative Hural-CRH).

The transformation of the territorial structure of the government, decentralization, and establishing local self-governing bodies was an integral part of the process of rebuilding the political and administrative systems in Mongolia after 1990. Following the adoption of the new Constitution in 1992, local self-governing bodies along with territorial administrative organs were established, replacing the former People's Deputies' Hurals (PDH) and the Executive Committees of the PDHs and party structures that were present all around the country.

However, these reforms were undertaken during a period of intense political, economic, and social transformation compounded with chronic fiscal deficits in the early transition period. Thus the decentralization reforms were halted half way through the process and more centralist policies were introduced from late 1990s, notably through the adoption of the Public Sector Management and Finance Law (PSMFL) in 2002. While this, and consolidation of spending authority into a single treasury account, had considerable success in restoring fiscal stability, it has inadvertently contributed to excessive centralization of public sector management and budgetary authority and accountability².

The highly centralized public financial management framework and sector norms set rigid local budget templates, and virtually excludes any local flexibility in the way budgets can be prepared or executed, such that there is little to be discussed – something which also greatly hampers the local executive as well as the Hurals. Hurals are mainly seen to rubber stamp the proposed budgets and execution reports submitted by the governors. The constitutional principle of local self-government as a complex socioeconomic organism is undermined by decision making by central ministries regarding the matters of local development, restricted financial resources in the hands of local governments, presence of vertical relationships both in politics and in the economy.

After a decade of re-centralization policies from late 1990s, Mongolia is introducing an important reform in intergovernmental fiscal relations through the adoption of a new Budget Law in December 2011. The Budget Law represents a major opportunity for local governments, especially through Local Development Fund (LDF) – a discretionary block grant fiscal transfer, to be allocated by formula to local governments based on development index; population; population density, area, distance; and

¹ Over 60% of these soums have less than 3000 population.

² ADB Evaluation Study: From Transition to Take off, 2008, ADB Manila.

local tax effort. The government approved detailed procedures for local budgeting and allocation of LDF.³

Starting from the fiscal year of 2013, local hurals will have a substantial volume of resources to control⁴, providing real-time opportunity for on-the-job capacity development in the areas of local planning, budgeting, monitoring of budget execution and service delivery – opportunities which until now have been scarcely present, given the lack of any local resource control in these areas. The Law also provides new opportunities and incentives for citizen participation in local decision making. Thus the introduction of the LDF offers a major opportunity to revitalize Hurals and allow them to play their legally mandated roles.

At the same time, the new Budget law represents an *absorption, management and accountability challenge* for local governments. Increasing the resources allocated for public services without fixing the accountability system and appropriate capacity building will most likely not translate into improved service delivery and greater development benefits for the poor.

Ensuring appropriate use of the discretionary space requires introducing effective accountability systems. Local governments are accountable to higher levels of government (upward accountability) and to citizens (downward accountability). By the virtue of self-governance, local hurals in Mongolia do not have a higher level reporting body. Thus, in the absence of upward accountability, it is essential to create incentives within hurals to strengthen downward accountability mechanisms. A precondition for downward accountability is to simultaneously empower local hurals and citizens, i.e. to bridge the supply and the demand side of accountability. On the supply side, downward accountability can be improved through oversight of local executives, increasing awareness about performance of local governments and involving citizens directly in decision making beyond elections.

Local elected representatives are responsible for making decisions that impact citizens in profound ways. One major institutional constraint which risks undermining the success of decentralization lies in the weakness of local government downward accountability mechanisms – and specifically in the weakness of the elected representatives in ensuring that citizen voice is relayed into local policy, and plan and budget priorities, and in ensuring that there is adequate oversight. Without clear rules that guarantee the inclusion of certain disadvantaged groups, participation could easily be captured by powerful groups and business interests. These rules should take into account issues such as communication costs for isolated rural settlements, channelling of information, the organizational resources (NGOs, community groups, trained government staff) to support and facilitate the process, reaching out to the intended participants, particularly poor rural people and women.

³ The Cabinet Resolution #30 of 15 September 2012 approving the "Local Budgeting Guideline"; "LDF and methods of calculation of transfer revenues to be allocated from LDF" and "Methods of calculation of base local expenditures".

⁴ In the 2013 budget approved by parliament, the total spending by local governments will be 1,813.6 bln tugrugs and 10.3% of GDP (whereas the ratio was 4.8% in 2011). The total pool of LDF was approved as 247.6 bln tugrug. This equates to an average of 450 mln tug per soum which is 4-5 times the resources they received in the past.

Local hurals can play a vital role in safeguarding against misuse and abuse of local discretion. Yet, many issues of Public Financial Management (PFM) such as the analysis and management of financial risks, financial estimation, auditing and choice of investment are poorly known and practiced in local hurals. Compounding this is the minimal support or training provided to local Hural members to enable them to engage with budget and PFM issues in an informed, analytic manner. Hurals are allotted a modest annual budget to cover personnel and administration costs but otherwise have no own budget for training purpose.

Decentralization changes power relations among the local residents, local governments, service providers, and higher levels of government (including central government). Each has particular relations of accountability with the others. These relations depend on the historical, social, and political constitution of the powers of each actor, which may be based on ideology, wealth, tradition, election, appointment, or other means. Therefore it is important to understand these changing dynamics and whether political representation establishes the checks and balances between the executive and local hurals and whether it creates incentives for hural members to be accountable to citizens.

The election laws and electoral systems have a big impact on the quality of local representation. An electoral system may favour big parties, exclude certain groups, or encourage strict hierarchies within parties. Party polarization may hamper agreement on key policy issues and create confrontation. Politicization at local level may encourage decision-making based on partisanship, patronage, and the 'reciprocation of benefits' at the expense of the public interests. Frequent party turnover results in the corresponding administrative personnel turnover in local government. Given the scarcity of qualified personnel at local level, this may in turn negatively affect the performance of local governments. In Mongolia, the electoral system has been changed from the multi-member plurality to the mixed plurality/proportional representation system in the 2012 elections. In local politics two major parties - Mongolian People's Party (MPP) and the Democratic Party (DP) dominate.⁵ Strengthening the political dimension of local accountability requires some safeguards in local electoral systems such as provisions for reserved seats or quota systems to ensure representation of disadvantaged groups such as women and minorities, recalls of elected public officials, and independent candidate options.

Finally, implementation of comprehensive decentralization reforms requires strong central guidance and support. Decentralization also generates the need for stronger central regulation and monitoring not only to ensure national standards of public services but also to prevent local government actions from interfering with or contradicting national policies and goals. There is currently no Ministry of Local Government or similar body in Mongolia. At the central government level there is the

⁵ In the 2008 elections, members of aimag CRH were constituted 59.8% from Mongolian People's Party (MPP), the Democratic Party (DP) 39.4% from DP and 0.8% independent candidates, members of the capital city CRHs constituted 80% from MPP and 20% from DP respectively. In the 2012 local elections, DP got 44.8%, MPP got 50.9%, Justice Coalition of MPRP/MNDP got 2.7% and independent candidates got 0.7% seats in aimag CRHs. The 45 seats in the capital city CRH are allocated to DP (26), MPP (14), Mongolian People's Revolutionary Party (4), Civil Will Green Party (1).

Department of Local Government Administration and Local Development within the Cabinet Secretariat (CS/DLGALD). The mission of CS/DLGALD with regard to local hural is limited by giving professional guidance only. The Academy of Management - a government enterprise under the CS responsible for providing pre-service and in-service training for civil servants, does not have a specialized formal training programme for locally elected representatives. The Parliament is increasingly concerned about effective implementation of the Budget law, including the prudent use of increased resources to local governments. For this purpose, a new Sub-Committee on Budget Expenditure Control has been established under the Budget Standing Committee and there is a plan to create a unit within the Mongolian National Audit Office (MNAO) with specific tasks to oversee the budget execution, including by local governments.

II. STRATEGY

The above context points to a specific, important opportunity for continued UNDP support to the decentralization and local governance agenda in Mongolia. Through its Local Governance Support Programme (LGSP) implemented in 2007-2011, UNDP has played a key role in testing an important fiscal innovation: a block grant to Aimags, allowing scope for local discretion and participation in determining how to spend this block grant. Approval of the Budget Law has upscaled this approach – by establishing the LDF as a block grant to local governments nation-wide.

The Government of Mongolia has defined “decentralization and increasing the power of local authorities in budgeting, finance and appointment of personnel” as a priority goal in its action plan for 2012-2016. In addition, the President of Mongolia issued a decree approving a Strategic Policy Paper on “Decentralization Based on Direct Democracy and Citizen Participation” in September 2012. The President’s Office has developed a 5-year detailed implementation plan for this policy paper. For many years the policy context has not been conducive for donor support to decentralization and local governance. In support of the decentralization policy of the government, international partners are planning to provide substantial assistance in this area.

The main donor operating today in the area of local governance and decentralisation is the Swiss Agency for Development and Cooperation (SDC) that recently approved a major Governance and Decentralisation Programme (GDP), structured around 4 related components: high-level policy reforms and legal development; sound PFM practices; local democratic processes and people’s participation in decision-making; and customer-friendly service delivery. Parts of the programme will be implemented through partners such as the World Bank and others. The programme will work under the policy oversight of a high-level national body, the exact form of which yet has to be established. At a more operational level, a working or management group on decentralisation reform issues will steer activities under the various components. There has been agreement among donors to complement these activities and to work within the institutional and conceptual framework developed by the GDP.

Other major interventions by international partners include the Sustainable Livelihoods Project (SLP) – Phase III of the World Bank which will support capacity building for the implementation of the Budget Law at local level, USAID supported projects “Active partnerships and public engagement for accountable localities (APPEAL)” and “Strengthen Transparency and Governance (STAGE)” implemented by Mercy Corps and the Asia Foundation respectively.

A key element missing from this support is a concerted effort to promote the institutional role and capacities of local self-governing bodies. Other partners’ initiatives, including that of the President focus on the demand side of accountability such as participatory budgeting and planning, monitoring and evaluation, expenditure tracking, citizen’s access to information, social accountability tools, and citizen feedback for services. It is important to bridge the supply and demand side so that local governments can be downwardly accountable to citizens.

Local hurals have important legally mandated roles:

- *Representation* – for most ordinary citizens, far from the capital city, they are indeed the only elected representatives with whom they can talk to about local problems.
- As *two-way channel* for the voice of individual citizens, civil society organizations and business groups, hurals are uniquely placed to ensure that bottom-up proposals (from bagh, khoroo and other meetings) are effectively and fairly fed into local policy-making, planning and budgeting, that complaints over service delivery are registered and passed on, and that citizens know what their local government is doing and planning. This is key to ensuring downward accountability of local hurals.
- As *oversight* body of the local executive branch, elected hurals are also uniquely placed to oversee local government operations, PFM and service delivery, thereby ensuring horizontal accountability of local governments.

In order to support hurals in fulfilling their legally mandated roles the project aims to address the following capacity challenges:

- Despite high turnover of the members at each election⁶, a very few training opportunities exist for this group either by the government or parties nominating them;
- The lack of practical support (appropriate operating guidelines, tools, and associated training materials) to help Hural members and staff when engaging with citizens, and dealing with technicalities of budget preparation and oversight;
- The lack of an in-built institutional and financing mechanism to allow regular, accessible training and support to Hural members and staff;
- The limited space and resources for Hural members to meet to share experience, to formulate collective positions, and to engage with central government officials and politicians on policy issues of mutual concern;

⁶ In previous elections the turnover of members was on average 60%. The Cabinet Secretariat is expecting 80% turnover in the 2012 elections.

- Overall support for reform of the policy and legal framework within which local hurals operate.

Given its track record of working with hurals in the 5 pilot Aimags through the LGSP and its partnership with the Cabinet Secretariat, UNDP is well placed to provide support in this area. UNDP will draw on the international experience from its worldwide portfolio of local governance and decentralization programmes, in particular projects implemented in Vietnam, Bangladesh, India, South Africa and Uganda, supporting local elected councils' role in budget oversight and citizen consultation. In order to ensure the consistency in approaches and avoid duplication, UNDP will use and adapt tools and training materials developed by other projects and coordinate its activities through a high-level national policy body, which is yet to be established.

UNDP will adapt the *Toolkit of Local Government Capacity Building Programmes* prepared by the European Council in 2005 for the use by municipal councils in Eastern Europe which offers a comprehensive menu for capacity building. In addition, jointly with the Council of Europe, UNDP developed a toolkit on Approach to Quality Assurance in Local Government Training where sample standards to a training organization and trainers are provided. UNDP has piloted in a number of countries, a self-assessment tool ("Measuring Rule of Law in Public Administration: a Tool and Guide for Self-Assessment") that aims to assist governments in identifying, understanding, and addressing the rule of law in administrative agencies and processes according to six rule of law principles – legality, accessibility, accountability, right to be heard, right to appeal and transparency. The tool can complement the social accountability tools that focus more on the demand side, while the self-assessment methodology provides an added value for conducting institutional capacity assessments and evaluations of administrative performance, initiated by the government agencies themselves. The results of a self-assessment can help to identify capacity gaps (e.g. do staff in the agency sufficiently understand the laws and regulations they need to implement, are there sufficient opportunities for citizens to appeal to a decision, do they have access to information related to that decision, etc.), to clarify functions, and lead to the development of service standards. These toolkits can be readily adapted into the local context.

OUTCOME/Project Goal: Develop capacities of local hurals to fulfil their representational and oversight roles for improved accountability of local governments and local service delivery.

Four Outputs will contribute to achievement of the Outcome/Project Goal:

1. A national training programme for local elected representatives is developed and institutionalized
2. Improved downward accountability of elected representatives through promoting citizen participation in decision making
3. Increased oversight capacity of local hurals
4. Lessons integrated into legal and policy framework for local self-governance

The outputs combine supply and demand driven approaches to capacity building. The training under Output 1 will be complemented by interventions under Outputs 2-3 which aim at creating incentives

for downward accountability within hurals such as identification and dissemination of best practices of hurals in promoting citizen participation, developing and testing out practical tools to support hurals in their oversight functions and improved policy framework for local self-governance proposed under Output 4.

OUTPUT 1: A national training programme for local elected representatives is developed and institutionalized

The objective under this output is to provide all elected members of aimag and soum hurals training on their core competencies. This will be achieved by providing technical assistance for the development of a National Training Programme and establish the appropriate institutional arrangements for delivering the programme. In order to ensure the sustainability of the training programme, the project aims to develop the capacity of local authorities to identify local sources of funding to support their own training needs as far as possible.

Indicative activities:

- Develop standardised training curricula in core topics.
- Support Academy of Management to adopt the training programme as part of its formal curricula, thus institutionalize the training programme.
- Assist training providers in raising their standards and coordinating their approach;
- Increase the range of training methodologies (use of media, best practice etc.);
- Develop training capacity within local authorities (2 trainers per aimag will be trained as local trainers), the training of trainers will be organized regularly;
- Institutionalize sufficient oversight of training programme by central government by establishing quality assurance measures for curricula, training of trainers, training delivery, as well as performance of trainees;
- Develop and provide a rapid induction programme for newly elected hural members. This training will be rolled-out nationwide in 2013 based on a rapid survey of training needs. Modules in this training programme will cover the topics related to core competencies of hurals such as hural internal management, governing legal framework, budgeting and finance, oversight, public communication, public ethics and leadership.
- Based on the training materials, compile a manual for newly elected representatives with brief references to legal framework, government policies, guidelines and procedures, best practices, terms of reference of committees, procedures for conducting meetings, simple templates for minutes taking, annual reporting, etc.
- Develop and implement a leadership training programme targeting women hural members supporting their special needs.

OUTPUT 2: Improved accountability of elected representatives through promoting citizen participation in decision making

The project will address a set of three objectives related to maximizing citizen's participation in local governance: 1) participation through elections; 2) direct citizen participation in local decision making; 3) methods to encourage participation by groups that normally have difficulty in participation.

In order to increase participation of local people in local governance, the people have to see the benefits of investing their time and efforts in such participation. They need to be confident that such participation will actually contribute to something, will lead to actual results. For that, local governments should have the will and the capacity to listen to, respond and take appropriate action. There is also a need for more transparency in local hural's operation. Hence, the project aims at creating incentives for elected representatives to be held to account by local people. The project will adopt "learning from best practice" approach to capacity building to complement the training. This can lead to better training methodologies and more relevant training content. Using best practice as a training vehicle can be more motivating and effective than purely theoretical courses. This is also a cost-effective method as best practices are already available within local governments.

The project will provide local hural's with tools such as communication policy, ways on encouraging citizen participation, dealing with their immediate problems, the principles of transparency, formats of activity reports, minutes of the citizen forums, consultative processes, meetings with various focus groups, local hural decisions and opportunities to exchange experiences on the use of these tools regionally and nationally, develop the appropriate national standards and best practice.

Indicative activities:

- Prepare, publish and disseminate a Guide to Local Democracy, setting out the rights and obligations of local governments and opportunities for citizen participation.
- Organize regional and national forums to develop a common understanding among local authorities, political parties, NGOs and media about direct democracy and representative democracy and their complementarities.
- Design a simple questionnaire for stocktaking of citizen participation in local governance and local hural's fill in the questionnaire.
- Local hural's develop citizen participation action plans based on the questionnaire results.
- Launch targeted programmes for local hural's to promote best practice on citizen participation.
- Assist 'best practice hural's' to pass on good practice to other through specific exchange programmes and networking.
- Document best practice case-studies and disseminate through newspapers and publications
- Establish national standards or benchmark of best practice in citizen participation.
- Conduct a study on the quality of representation and inclusiveness of local hural's and propose amendments in the electoral system and election law.

- Creating platforms and mechanisms for people who may encounter difficulties in participating such as women, youth, elderly, minority groups.

OUTPUT 3: Increased oversight capacity of local hurals

Local hurals are supposed to oversee local government operations on behalf of local citizens. Under this output the project aims to support hural members and staff in fulfilling their oversight role effectively by offering practical tools, guidelines, procedures and templates to develop and test-out in the local context. For that, the project will focusing on principal areas of oversight - the entire process of public financial management and service delivery:

Budgeting and planning⁷

- Organize and facilitate local public consultations, at Bagh, Soum and Aimag levels, on general local priorities (e.g. the next year's budget), and also on matters of specific concern or interest (e.g. impact of mining, adequacy of school dormitory facilities, etc.);
- Deliberate on local policies, priorities, implications and trade-offs;
- Screen and appraise the feasibility of different investment expenditure proposals which may be submitted by Bagh meetings, by the Governor's office or other local budget organisations, or by other members of the public or NGOs, as part of the budget preparation and review process;
- Assess respective costs and benefits of competing investment proposals for local budget expenditures (simplified benefit/cost and ranking tools);
- Monitor and analyse procurement and implementation progress reports.

Service delivery

- Monitor and analyse reports by the various service delivery budget organisations in the area;
- Undertake informed inspection of service delivery facilities (wells, kindergartens, schools, clinics, playgrounds, etc.) to determine how they are being managed and maintained, to identify problems and areas for improvement;
- Understand and assess reports from national audit and inspection authorities on the activities of central agencies and/or their local departments in the area;
- Prepare clear and substantiated reports summarizing deliberations and findings which will carry weight with the local government administration and which are accessible to the public;
- Holding public hearings on specific service delivery topics of concern;

⁷ It is noted that many of the above mentioned tools and procedures will be developed under SLP3 and some are in the process of drafting by the government. Therefore the project will make a maximum use of these resources in order to avoid duplications and align the content and approaches. These tools will be tailored to focus on hurals' oversight function.

- Report back by individual Hural members to their constituents on all these sorts of issues outlined above.

Based on the demand the menu can be expanded to include functional areas of hural such as Environmental Management and local and regional development planning.

These tools, procedures, manuals and templates will be:

- Initially prepared (as prototype or draft) in consultation with hural members, and consistent with legal and regulatory provisions for local government and PFM;
- Introduced in selected hurals, where their usefulness will be monitored. Variations will be needed – both to address the different realities of aimag and soum hurals, but also those of more urban and more remote areas;
- Amended and improved where necessary;
- Presented for discussion by periodic inter-soum and/or inter-aimag workshops;
- Periodically reviewed by the Parliamentary Sub-committee on Budget Expenditure Control and MNAO;
- Officially adopted locally or nationally (where appropriate);
- Translated into accessible training materials;
- Fed into national GoM and GDP and other training and roll-out programmes.

Process

- An invitation to submit expression of interest sent to all aimag hurals where they can indicate their plan to develop tools and policy relevant instruments and mechanisms from a menu provided by the project. They can propose to introduce these tools in their own settings or help soum hurals to implement such.
- Select proposals based on relevance to objectives, commitment of members and hural chair, sustainability and possibility of scaling-up at the national level. Selected hurals will be asked to develop a detailed action plan to develop and implement the tools and the project will provide grants for the implementation of the action plans. A detailed procedure will be developed through a consultative process and approved by the project board.

The intention is that the introduction and testing of these new tools be an ongoing process and that it also be fed by proposals from the national level. Thus, the Project will serve as reform hub for hurals, within the wider decentralization reform effort. The project will closely work with Parliamentary Sub-committee on Budget Expenditure Control and National Audit Office for appropriate advice and technical guidance.

OUTPUT 4: Lessons integrated into legal and policy framework for local self-governance

Training is a key part of capacity-building programmes. However, if local authorities do not have the legal competences or resources, training will be without purpose. Hence, the project aims at distilling the lessons learned from the project to guide future reforms of the policy, legal and/or regulatory framework governing the local hural.

Deliverables and indicative activities:

- Documentation of lessons based on monitoring and research about:
 - Impact and efficacy of the activities under Output 1-3, through monitoring.
 - Problems which may be inherent in the legal and regulatory framework within which hural operate – perhaps due to unclarity of law and regulations, contradictions.
- Submission of lessons to different fora as appropriate:
 - Annual experience sharing workshops with aimags;
 - Interactive website specifically devoted to local hural.
 - Meetings of the Working Group on Decentralisation & Local Governance.
- Identification of new areas where piloting is useful based on discussions in the fora outlined above. This will help ensure that the Project remains relevant to the larger policy reform agenda.
- Development of a resource centre for collecting and making information from different training organisations available (e.g. registered trainers, training curricula, training materials, relevant projects and training reports, legislative documents on decentralisation and other aspects of local government, case-studies of best practice).
- Contribution to ongoing policy discussions regarding the reform of local electoral systems, the role of political parties at local level, election and appointment of local public officials and decentralization reforms through research and facilitation of policy dialogue. These include:
 - Provide technical inputs into the amendments in the Law on Administrative Units and Their Governance (LATUG);
 - Review of functional assignments undertaken by GDP/SDC - The project will contribute to this exercise by reviewing the role of hural in local governance and propose the required changes;
 - Reform of local electoral systems, particularly for representation and inclusiveness;
 - Undertake a study on the checks and balances between the executive and local hural on selected samples.
 - Critical “micro-policy” issues related to official regulations, procedures and rules for hural operation.

Sustainability

With its strong focus on capacity development of local governments, the project will ensure its sustainability by factoring the following elements in the project design:

- Building institutions and respective capacity building in local governance requires long-term, persistent efforts and commitment. In order to ensure the sustained support the project will be implemented in two phases – 2012-2016 and 2016-2019 to cover two full terms of CRHs, i.e. until the time when local hural have sufficient capacity and resources to sustain the project results by themselves. The second phase of assistance programme will be developed in the last year of the current project reflecting on the lessons learned.
- The induction training will be implemented by the Academy of Management – a government training agency responsible for training and re-training of civil servants. The plan is for the Academy of Management to adopt the training programme as part of its formal training curricula and perform on demand basis. The project will provide initial support to the Academy of Management in developing training materials and training of master trainers in aimags.
- A long-term solution for sustainability will be sought when adopting the national training programme indicating responsible institutions for the training and source of resources required from state and local budgets, establishing standards for training and trainers, performance indicators and monitoring systems. The National Training Programme will be formally approved by the Cabinet decision.
- Advocate for the increase of national and local resources devoted to training;
- Promote local ownership by fully relying on local government procedures and processes in participatory planning and budgeting, procurement of goods and services, management and monitoring of service delivery and reporting rather than creating a parallel project structure.
- Regular training of trainers that builds a cadre of trainers at local level.
- Broad-based consultations with the project beneficiaries during all stages of the project implementation and mobilize local hural for promoting the culture of participation.
- Establishment of a knowledge management system using web-based tools and other means for experience and knowledge sharing.
- The implementing partner with the support of the project team will also prepare a concrete plan for how to achieve sustainability. The initial version of this plan is to be presented by the National Project Director to the project board for approval in the first year of implementation and then to be discussed once per year in project board meetings.

III. RESULTS AND RESOURCE FRAMEWORK

<p>Intended Outcome as stated in the Country Programme Action Plan Results and Resource Framework: Policy framework for decentralization created; local government capacity for service delivery increased.</p> <p>Outcome indicators as stated in the Country/ Regional/ Global Programme Results and Resources Framework, including baseline and targets:</p> <ul style="list-style-type: none"> - National strategy for decentralization developed within the framework of a comprehensive public sector reform - Review of functional assignments and service standards for MDGs sensitive services - Capacity development strategy for local huralts developed and implemented - Innovations in local governance promoted <p>Applicable Strategic Plan area: Decentralisation, local governance and urban/rural development</p> <p>Partnership Strategy: Partnerships to be forged with the Cabinet Secretariat, Parliament Budget Standing Committee, National Audit Office, Citizens' Representative Huralts of aimags and soums, the Mongolian Association of Local Authorities (MALA), National Association of Mongolian baghs and soums (NAMBS), the Academy of Management, Swiss Agency for Development and Cooperation (SDC).</p> <p>Project Goal: Develop capacities of local huralts to fulfil their representational and oversight roles for improved accountability of local governments and local service delivery.</p> <p>Indicators: Share of hural members that have received formal training (source: project M&E system); Increased hural capacity to fulfil their duties; Increased citizen participation; Improved linkages between hural and administration (source: mid-term and end-project survey to be conducted amongst hural members, governors offices and citizens); legal and policy lessons adopted (source: laws passed)</p> <p>Project title and ID (ATLAS Award ID): Capacity Strengthening of Local Self-Governing Bodies</p>							
Intended Outputs	Output Targets	Indicative Activities	Responsible parties		Inputs (USD)		
			UNDP	SDC	UNDP	SDC	
<p>Output 1: A national training programme for local elected representatives is developed and institutionalized</p> <p><u>Indicator:</u> National training programme incorporated into a formal training curricula of the Academy of Management (source: Academy of Management curricula)</p> <p><u>Baseline:</u> No programme conducted for local councilors</p> <p><u>Target:</u> A Government decision formally assigning Academy of Management for training of local councilors</p> <p><u>Indicator:</u> Increased state and local budgets for training purpose (source: budget allocations)</p>	<p>2013</p> <p>Induction training programme developed</p> <p>Core curriculum with training modules developed</p> <p>2013 and 2016</p> <p>Trainers trained</p> <p>Induction training held for all newly elected hural members</p> <p>2015</p> <p>Publish manual for hural members</p> <p>2013-2016</p> <p>Institutionalization of training programme</p>	<p>Rapid capacity needs assessment</p> <p>Selection of trainers (appropriate mix of practitioners and professional trainers);</p> <p>Development of training modules in core competency areas of local huralts – Apr-May 2013</p> <p>Validation of the content of training modules (hural secretaries) – June</p> <p>Training of master trainers in aimags and districts – initially in 2013 and repeated regularly</p>	UNDP	UNDP	Subcontract	Academy of Mgmt	
			Academy of Mgmt	Subcontract	Workshop	Training	Training

<p><u>Baseline:</u> No budget allocated for training purpose <u>Target:</u> Increased budget allocated for training purpose <u>Indicator:</u> Share of elected hural members received formal training by gender (<i>source: project M&E system</i>) <u>Baseline:</u> 0 <u>Target:</u> 100% of local hural members of Mongolia trained on their core functions <u>Indicator:</u> Perceived increased hural capacity (<i>source: survey</i>) <u>Baseline:</u> Based on baseline survey to be completed <u>Target:</u> To be determined based on baseline survey</p>	<p>2013-2016 Leadership training held for female local elected representatives</p>	<p>Training of aimag and soum hural representatives – first in Sep and then repeated annually Conduct training impact assessment regularly and adjust programme accordingly Develop and publish manual for hural members Organize study tours to countries where UNDP supported capacity development of local councils Annual updates of training modules Training of trainers 5 regional training National forum on women’s representation at decision making level Training and institutional support to SCSS to oversee training programmes</p>	<p>UNDP Academy of Mgmt UNDP SCSS</p>	<p>Training Subcontract Subcontract/printing Travel Subcontract Subcontract Training Printing Training</p>	<p>Training Subcontract Subcontract/printing Travel Subcontract Subcontract Training Printing Training</p>
<p>Subtotal by funding source</p>				<p>190,000</p>	<p>1,330,000</p>
<p>TOTAL</p>				<p>1,520,000</p>	<p>1,330,000 (43.4%)</p>
<p>Output 2: Improved downward accountability of elected representatives through promoting citizen participation in decision making <u>Indicator:</u> Increased perceived citizen participation (<i>source: survey</i>) <u>Baseline:</u> Based on baseline survey to be completed <u>Target:</u> To be determined based on baseline survey <u>Indicator:</u> Improved procedures of hurals for citizen participation (<i>source: project</i></p>	<p>2013 Public understand the role of hural 2013-2016 National standards for citizen participation Hural action plans for citizens participation developed and implemented</p>	<p>Prepare a guide on local democracy setting out the rights and obligations of local governments and opportunities for citizen participation Organize local and regional forums to develop a common understanding about direct and representative democracy among local authorities, political parties, NGOs and media.</p>	<p>CRHs of aimags and soums</p>	<p>Subcontract Subcontract Subcontract</p>	<p>Subcontract Subcontract Forums</p>

<p><i>M&E system, survey</i> <u>Baseline:</u> Baseline on the available tools will be established through a rapid survey on citizen participation <u>Target:</u> Hurals adopt procedures and processes for citizen participation in decision making <u>Indicator:</u> National benchmark of best practice in citizen participation (<i>source: project M&E system</i>) <u>Baseline:</u> Different practices are available with little opportunity for experience sharing <u>Target:</u> Clearly defined role of hurals in promoting citizen participation</p>		<p>Hurals develop action plan for citizen participation Establish national standards or benchmark of best practice in citizen participation. Assist 'best practice hurals' to pass on good practice to other through specific exchange programmes and networking. Document best practice case-studies and disseminate through newspapers and publications.</p>		<p>Hurals Subcontract Travel Subcontract</p>
<p>Subtotal by funding source</p>				<p>25,000</p>
<p>TOTAL</p>				
<p>Output 3: Improved oversight capacity of local hurals <u>Indicator:</u> Tailored tools available to support hurals' oversight functions in budgeting and service delivery (<i>source: project M&E system, survey</i>) <u>Baseline:</u> Hurals pass decisions, but insufficient oversight of implementation <u>Target:</u> Template procedures piloted and adopted at policy level <u>Indicator:</u> Number of hurals adopted and implemented new procedures (<i>source: project M&E system</i>) <u>Baseline:</u> None <u>Target:</u> Procedures available in all key areas.</p>	<p>2013-2016 Tailored tools and methodologies available in planning and budgeting and oversight of service delivery</p>	<p>Rapid assessment of areas for tools development to generate "menu" Call for proposals announced among hurals Selection of hurals based on EOI to develop tools and allocation of funding for planned activities Assist hurals in preparing a detailed proposal and work plan to develop tools in selected area Codification of lessons learned and transform into training materials and programmes Provide technical support in testing out new procedures Monitoring of implementation for useful lessons for formal procedures</p>	<p>Project, Budget Standing Committee, MNAO Project</p>	<p>Subcontract Funding to hurals</p>
<p>Subtotal by funding source</p>				<p>25,000</p>
<p>TOTAL</p>				
<p>Output 4: Lessons integrated into legal</p>		<p>2013</p>	<p>Documentation of lessons learnt</p>	<p>Project</p>
<p>Subtotal by funding source</p>				<p>500,000</p>
<p>TOTAL</p>				
<p>Output 4: Lessons integrated into legal</p>			<p>Documentation of lessons learnt</p>	<p>Project</p>
<p>Subtotal by funding source</p>				<p>525,000 (15%)</p>
<p>TOTAL</p>				

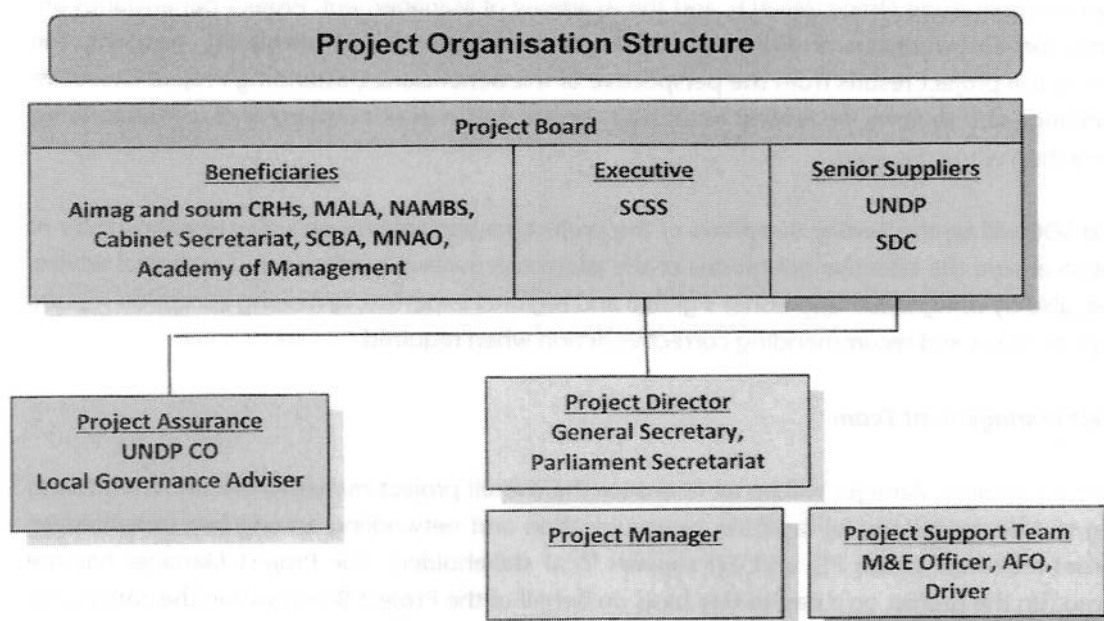
<p>and policy framework for local self-governance <u>Indicator:</u> Revised laws related to local governance: LATUG, the constitution, local elections. (source: <i>laws passed</i>) <u>Baseline:</u> Legislative reforms are planned <u>Target:</u> Provide policy analysis support to the legislative drafting <u>Indicator:</u> Knowledge shared on interactive website (source: <i>project M&E system</i>) <u>Baseline:</u> N/a <u>Target:</u> Active participation of hural members in sharing knowledge</p>	<p>Online resource centre established 2013-2016 Annual lessons learned dialogue</p>	<p>Organize aimag and regional forums to discuss the lessons learned and best practices. Interactive website specifically devoted to local hurals (including web administration and maintenance) Meetings of the Working Group on Decentralisation & Local Governance Functional review of hurals Study on checks and balances between the executive and local hurals Support debates on substantive policy proposals on local elections and legal and institutional framework for local self-governance. Policy analyst to support bringing lessons Advocacy support Project evaluation feeding into national policy making Baseline, mid-term and end project perception survey aimed at hural members (on their capacity to perform functions), governors offices (on their relationship with hurals) and citizens (on their perception of participation)</p>	<p>SCSS SCSS SCSS UNDP UNDP UNDP UNDP</p>	<p>Working group costs Subcontract Subcontract Dialogues/ forums UNV Subcontract Subcontract</p>	<p>Forums Subcontract</p>
<p>Subtotal by funding source</p>				<p>130,000</p>	<p>340,000</p>
<p>Technical backstopping <u>Indicator:</u> Semi-annual technical review</p>				<p>UNDP</p>	
<p>TOTAL</p>				<p>470,000 (13.4%)</p>	

of project (source: project M&E system) Baseline: N/a Target: Adjustment of project based on technical reviews	technical backstopping including periodic reviews of project National local governance adviser	UNDP		
Subtotal by funding source			50,000	350,000
TOTAL			400,000 (11.4%)	
Project Management Costs	Project staff (Project Manager, AFO, M&E specialist, Driver)	Project		
Subtotal by funding source	Operational costs	Project	80,000	265,000
TOTAL			345,000 (9.8%)	
Subtotal by funding source			500,000	3,000,000
GRAND TOTAL			3,500,000	

IV. MANAGEMENT ARRANGEMENTS

The Implementing Agency of this project is the Standing Committee on State Structure (SCSS), the Parliament of Mongolia. *The National Implementation by the Government of UNDP Supported Projects: Guidelines and Procedures* (issued in July 2011) and *Framework for Cash Transfers to Implementing Partners* (issued in 2005) will be used as overall guiding documents of project implementation. The **Implementing Agency** will be accountable to UNDP for the disbursement of funds and the achievement of the project objective and outcomes, according to the approved work plan. In particular, the Implementing Agency will be responsible for the following functions: (i) coordinating activities to ensure the delivery of agreed outcomes; (ii) certifying expenditures in line with approved budgets and work-plans; (iii) facilitating, monitoring and reporting on the procurement of inputs and delivery of outputs; (iv) approval of Terms of Reference for consultants and tender documents for sub-contracted inputs; and (vi) reporting to UNDP on project delivery and impact.

The overall programme management structure of the project is shown below:



The Project Board. The Project Board (PB) has the responsibility to supervise and monitor the project delivery according to the annual work plan and project document. The PB is chaired by the project executive and is also composed of the project suppliers and beneficiaries. The PB will meet at least every 6 months. The PB is responsible for making executive management decisions, including approval of work plans, budget plans and project revisions. Specifically the PB will be responsible for: (i) achieving co-ordination among the various government agencies; (ii) guiding the program implementation process to ensure alignment with national and local development priorities and

sustainable resource use; (iii) overseeing the work being carried out by the implementation units, monitoring progress and approving reports; (iv) overseeing the financial management and production of financial reports; and (v) monitor the effectiveness of project implementation.

The Board will be chaired by the **project executives**: the Chair of the SCSS and the UNDP Resident Representative who will both co-chair the Board meetings. The project executives will be responsible for overall guidance and direction of the project, overseeing delivery of the project and deciding on corrective action for Board consideration as needed. The Executive will assign responsibility for day-to-day management of the project to **Project Director** who will be the General Secretary of the Parliament Secretariat - the Budget Manager of the SGH. The Project Director will sign all financial and legal documents on behalf of the SGH.

Beneficiaries will include Citizen's Representative Hural of aimags and soums, Mongolian Association of Local Authorities (MALA), National Association of Mongolian Baghs and Soums (NAMBS), the Cabinet Secretariat, Parliament Standing Committee on Budget Affairs (SCBA) and Mongolian National Audit Office (MNAO), and the Academy of Management. Project beneficiaries are responsible for Co-ownership of the project from a user (stakeholder) viewpoint, ensuring the realization of the project results from the perspective of the beneficiaries, attending Project Executive Board meetings and reviews, reviewing exception reports and exception plans and recommending corrective action when required.

UNDP and SDC will be the **Senior Suppliers** of the project, responsible for ensuring regular supply of resources to ensure the effective operations of the project, providing guidance and technical advice, as needed, also by using UNDP and donor's global and regional expertise, reviewing exception reports and exception plans and recommending corrective action when required.

The Project Management Team

The role of the Project Manager will be to: (i) ensure the overall project management and monitoring according to NIM guidelines; (ii) facilitate communication and networking among key stakeholders; (iii) organize meetings of the PB; and (iv) support local stakeholders. The Project Manager has the authority to run the project on a day-to-day basis on behalf of the Project Board within the constraints laid down by the Project Board and is responsible for day-to-day management and decision making for the project. The Project Manager's prime responsibility is to ensure that the project produces the results specified in the project document, to the required standard of quality and within the specified constraints of time and cost. Responsibilities include preparation of progress reports submitted to members of the Project Board. The Project Manager will also coordinate directly with UNDP. A monthly meeting between UNDP and the project management team will be held to regularly monitor the planned activities and their corresponding budgets in the project's Annual Work Plan (AWP). Other partners will be invited to the meetings depending on agenda. Where necessary, a Project Coordinator/Professional Support Officer may be recruited by the Implementing Agency to assist the

Project Manager in running day-to-day activities. Donors and key partners will be invited to regular project management briefings. The M&E Officer's responsibility is to set-up a M&E system at the beginning of the project and populate it with baselines and indicators. These will then be used during the project to monitor its implementation. The Administrative and Finance Officer (AFO) is responsible for ensuring proper accounting and procedures of the project implementation. All project team members are UNDP contract holders.

The Project Assurance role

The Project Assurance function will be performed by UNDP through its Governance team. The function supports the Project Board by carrying out objective and independent project oversight and monitoring functions. The role ensures appropriate project management milestones are managed and completed. Project Assurance has to be independent of the Project Manager; therefore the Project Board cannot delegate any of its assurance responsibilities to the Project Manager. SDC will provide a Swiss funded UNV to support UNDP's Governance Team in its project assurance role.

In line with the United Nations reform principles, especially simplification and harmonization, the Annual Work Plan (AWP) will be operated with the harmonized common country programming instruments and tools, i.e. the UNDAF results matrix and monitoring and evaluation tools. ATLAS will be used for keeping track of timely and efficient delivery of the activities and for effective financial monitoring under the AWP.

Within the framework of the *National Implementation by the Government of UNDP Supported Projects: Guidelines and Procedures*, specific project implementation procedures may be agreed by UNDP and the Implementing Agency and annexed to the Project Document.

Technical backstopping

UNDP's pool of country, regional and global policy advisory services will be utilised for technical backstopping to the project. Regional experts will be brought to Mongolia semi-annually to do a technical review of the project implementation. Global experts will be brought in midterm in the project as well as on a needs basis. This arrangement will be formalized with regional and global experts before the start of the project.

In addition, the project will benefit from two full term staff members. A national local governance adviser hired under UNDP contract modality will function as a bridge between the UNDP Country Office and the project in terms of providing strategic guidance and day-to-day direction. The project will also benefit from an international UNV.

V. MONITORING AND EVALUATION FRAMEWORK

Regular monitoring, including institutional and context analysis of power structures at local level, and lessons learned from the project will result in an improved legal framework for local self-governance. Refer to Annex D for the initial project risk log. Regular ongoing monitoring and evaluation will be organized in line with below. All stakeholders will participate in monitoring and evaluation activities.

An M&E system for the project will be designed and set-up during the project's first quarter of implementation. The M&E system will contain detailed indicators, collection methods, sources, gender disaggregation, etc. This M&E system will be presented to the project board and funding partners for their endorsement.

The M&E system for the project will be supported by baseline, mid-term and end project perception surveys aimed at hural members (on their capacity to perform functions), governors' offices (on their relationship with hurals) and citizens (on their perception of participation). The results of these surveys will be used to track progress.

Within the annual cycle

- On a **quarterly** basis, progress towards the completion of key results, based on criteria and methods will be captured. This will be presented to the project board and funding partners.
- An **Issue Log** shall be activated in Atlas and updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for change.
- Based on the initial risk analysis as per Annex D, a **risk log** shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.
- Based on the above information recorded in Atlas, a **Project Progress Reports** (PPR) shall be submitted by the Project Manager to the Project Board through Project Assurance, using the standard report format.
- A project **Lesson-learned log** shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project
- A **Monitoring Plan** shall be activated in Atlas and updated to track key management actions/events

Annually

- **Annual Review Report.** An Annual Review Report shall be prepared by the Project Manager and discussed in the Project Board and with funding partners. As minimum requirement, the Annual Review Report shall consist of the Atlas standard format for the Quarterly Progress Report covering the whole year with updated information for each above element of the Quarterly Progress Report as well as a summary of results achieved against pre-defined annual targets at the output level.

- **Annual Project Review.** Based on the above report, an annual project review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders, including donors, as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.
- **Technical Review.** The technical backstopping team, supported by UNDP regional and global experts, will perform twice annual technical reviews of workplans and of progress. These reviews can be done on site (through missions) or from remote. The technical reviews will also engage project board members and funding partners and other stakeholders to seek their inputs.

End of project

- **Terminal report.** In the last quarter of the project implementation, Project Terminal Report will be prepared by the Project Manager and submitted to the Project Board. The Project Terminal Report will cover the elements required by funding partners End of Phase Report.
- **Project evaluation.** In the last quarter of the project implementation, an independent project evaluation will be conducted.
- **Audit.** The project will be audited twice during its lifetime.

VI. LEGAL CONTEXT

This document together with the CPAP signed by the Government and UNDP in January 2012 and incorporated by reference, constitute a Project Document as referred to in the Standard Basic Assistance Agreement (SBAA) concluded by the Government of Mongolia and UNDP on 28 September, 1976. All CPAP provisions apply to this document.

This project will be implemented by the Parliament Secretariat, the State Great Hural of Mongolia (Implementing Agency). Consistent with the Article III of the SBAA, the responsibility for the safety and security of the Implementing Partner and its personnel and property, and of UNDP's property in the Implementing Partner's custody, rests with the Implementing Partner. To this end, the Implementing Partner shall:

- a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
- b) assume all risks and liabilities related to the implementing partner's security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the Implementing Partner's obligations under this Project Document.

The Implementing Partner agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999).

The list can be accessed via http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml. This provision must be included in all sub-contracts or sub-agreements entered into under/further to this Project Document".

Annex D: Initial risk log

#	Description	Date Identified	Category/ Output	Impact & Probability	Countermeasures / Mngt response	Owner	Last Update	Status
1	Lack of overarching decentralisation strategy	30 Nov 12	Context/ Output 4, overall	Medium probability. Medium impact.	Advocate for decentralisation strategy jointly with international partners.	SCSS		
2	No funding provision for capacity development for local hural	30 Nov 12	National/ Output 1, overall	High probability. Medium impact.	Project will address. Need for advocacy for long term policy change.	SCSS		
3	High turnover of members of CRHs (on average 60 percent)	30 Nov 12	National/ Output 1	High probability. High impact.	Quick training programme rollout for newly elected hural members. Long term institutionalization of induction programme.	Academy of Management		
4	Poor donor/partner coordination	30 Nov 12	Project/ Overall	Medium probability. Medium impact.	Project mgmt structure aligned to overall donor coordination structures.	UNDP		
5	Political economy dynamics adversely affecting the effectiveness of the project	30 Nov 12	Project/ Overall	High probability. High impact.	Regularly analyse the political economy factors and discuss the issues at Project Board.	Project Board		
6	Conflicting approaches to citizen participation	30 Nov 12	Project/ Output 2	Medium probability. Medium impact.	Seek expert advice for identification of the right mechanisms. Approaches need field testing.	Project Team		

