



Title	Strengthening the Government Capacity of National Development Policy and Planning
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**United Nations Development Programme
Country: MONGOLIA
Project Document**

1 March 2013

Project Title	Strengthening the Government Capacity of National Development Policy and Planning
UNDP Outcome(s)	Economic development is inclusive and equitable, contributing towards poverty eradication
Excluded CP Outcome(s) (Those linked to the project are extracted from the CP)	Environment development is inclusive and equitable, contributing towards poverty eradication
Expected Output(s) (Those that will result from the project)	National development policy and planning system improved
Implementing Agency	Ministry of Economic Development of Mongolia

Brief Description

The project aims at providing support to the Government of Mongolia to improve its economic policy formulation, strategic planning and monitoring both at national and local levels and guide the preparation of various planning documents to ensure better coordination and harmonization of long-medium and short-term planning in the country. The intended outcome of the project is build Government capacities to meet their objectives of putting in place a stable and sound national development policy and planning framework and providing local decentralization that will lead to improving service delivery and effectively manage mining revenues.

The project has two main outputs: (i) Government capacity in development policy and planning strengthened; (ii) Policy analysis and advocacy for evidence-based policy making supported.

Programme Period	2012-2015	Total financial request	2,000,000
Key Result Area (Strategic Plan)	_____	Total allocated resources	0
Activity Area ID	_____	- Regular	1,500,000
Start Date: 20 Sep 2012		- Other UNDP	_____
End Date: 20 Sep 2015		- Donor	_____
PMU Meeting City	20 Feb 2013	- Government	_____
Management Approvals	100	Unfunded budget	1,300,000
		Unfunded Contributions	_____

Agreed by Implementing Agency:

M. Battayev, Minister of Economy and Finance (Mongolia) 

Approved by UNDP:

Sarah Stenroos, MCDP Director (Mongolia) 

1 March 2013

1 March 2013

Project Title Strengthening the Government Capacity of National Development Policy and Planning

UNDAF Outcome(s): Economic development is inclusive and equitable, contributing towards poverty alleviation

Expected CP Outcome(s): Economic development is inclusive and equitable, contributing towards poverty alleviation
(Those linked to the project and extracted from the CP)

Expected Output(s): National development policy and planning system improved
(Those that will result from the project)

Implementing Agency: Ministry of Economic Development of Mongolia

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The project aims at providing support to the Government of Mongolia to improve its economic policy formulation, strategic planning and monitoring both at national and local level and guide the preparation of various planning documents to ensure better coordination and harmonization of long-medium and short-term planning in the country. The intended outcome of the project is build Government capacities to meet their objectives of putting in place a stable and robust national development policy and planning framework and promoting fiscal decentralization that will help improving service delivery and effectively manage mining revenue.

The project has two main outputs (i) Government capacity in development policy and planning strengthened; (ii) Policy analysis and advocacy for evidence-based policy making supported.

Programme Period:	2012-2016
Key Result Area (Strategic Plan)	_____
Atlas Award ID:	_____
Start date: xx Sep 2012	
End Date: xx Sep 2015	
PAC Meeting Date	28 Feb 2013
Management Arrangements	<u>NIM</u>

Total resources required	2,800,000
Total allocated resources:	xx
• Regular	1,500,000
○ Other: TRAC	
○ Donor	_____
○ Government	_____
Unfunded budget:	1,300,000
In-kind Contributions	_____

Agreed by (Implementing Partner):

N.Batbayar, Minister of Economic Development of Mongolia

Agreed by (UNDP):

Sezin Sinanoglu, UNDP Resident Representative

1 March 2013

I. SITUATION ANALYSES

Overall context

Mongolia today is characterized by a number of development challenges:

- The country has an MDG-based Comprehensive National Development Strategy (CNDS) with considerable buy-in by the government, yet a large number of MDG targets are lagging (*discussed in a separate paper*).
- Driven by the mining sector, the economy has grown on average by more than 9% in the last decade. The growth rate crossed 12.3% in 2012 (preliminary estimation) and is projected to be around 14% over the next few years as large mining projects come on-stream. Yet, nearly 30% of the population is below the national poverty line, income inequality has increased gradually, and there is considerable regional disparity and environmental degradation.
- Local self-governing bodies were set up after the adoption of the new Constitution in 1992, yet the process of fiscal decentralization has been uneven so far. With the PSFML in 2002, the public financial management system was recentralized and the local bodies had little fiscal autonomy and a limited role in service delivery.

From a level of 211 billion MNT in 2008, planned public investment financed from the state budget and the Development Bank increased 10-fold to more than 2.1 trillion MNT in 2012.¹ Government of Mongolia aims to use its mining revenues for inclusive growth, poverty reduction, and human development by investing in infrastructure, education, and health. Effective public investments are necessary, particularly in natural resource rich countries, for avoiding the Dutch disease and “for translating natural resources underground into productive assets above ground”.²

Sound public investments require national planning. The CNDS outlines a broad strategy for achieving the country’s long-term development vision for the period 2007-2021. Prepared earlier this year, the Medium-term Development Strategy for 2012-16 aims to strengthen strategic planning and create a policy basis for coordination and implementation of investment projects in support of the development process. These and other planning documents need to be linked closely with the state budget.

At the same time, public investments need to reflect local priorities and achieving the desired outcomes often hinges on balanced and equitable sub-national growth and service delivery. This requires, among other things, reforming the fiscal, political, and administrative framework in which sub-national governments operate.³

¹GOM, 2009, Budget Law Implementation Report (2008), Ministry of Finance, (unpublished report).

² World Bank, 2010, “Mongolia: Improving Public Investment Planning and Budgeting”, East Asia and Pacific Region.

³World Bank, 2001, “Decentralization and Sub-national Regional Economics”.

Mongolia is moving towards greater fiscal decentralization to ensure that local elected bodies (*aimag* and *soum hurals*) have greater discretion in the use of public funds. A key provision of the Budget Law, passed in December 2011, is to give local *hurals* discretionary control over the Local Development Fund (LDF) to increase peoples' participation, downward accountability in the use of resources, and improve service delivery.

To effectively use the mining revenue to address national priorities, the integration of central and local government planning processes is a key issue. Fiscal decentralization requires formulation of development programs and the integration of these programs into the national planning process. ***A key challenge now is to bring these inter-related processes – national planning, budgeting and fiscal decentralisation – together to achieve optimum development outcomes.***

1. NATIONAL POLICY, PLANNING AND BUDGETING STRUCTURE

Setting national development policy is core government business. A national plan articulates the government policy by identifying main strategies and investment directions. The state budget is the primary tool for allocating public resources to meet strategic objectives. Failure to link policy with planning and budgeting is often the single most important factor contributing to poor development outcomes.

National development policy is constituted by overarching policy goals, but also supported by sectoral policies that clearly define policy objectives and service delivery benchmarks, as well as how they are to be implemented. To ensure that short-term annual targets are embedded within a longer-term strategic framework, a medium-term fiscal framework guarantees that resources are available to meet long-term goals. This approach also supports core public finance management policies of fiscal sustainability and helps achieve allocative and operational efficiency.

The mechanism for overall policy formulation and strategic planning in Mongolia was severely weakened after the dismantling of the institutions of central planning in the early 1990s. For some years the responsibility lay with the Ministry of Finance. From 2009 until mid-2012 the National Development and Innovation Committee (NDIC) had a broad mandate for, *inter alia*, economic and development policy formulation, preparation of the government action plan, strategic planning, preparation of public investment plans, and tracking progress on MDGs. Not being a full-fledged ministry often constrained NDIC's ability to forcefully push the planning agenda within government.

Recognising the crucial importance of a planning anchor within government, the newly elected government in July 2012 enhanced the status of the planning function by locating it within the new Ministry of Economic Development (MED). The new ministry is expected to streamline some of the inconsistencies and overlaps between planning and budgeting functions specially in investment planning.

The national planning and budgeting structure is depicted in **Figure 1** and discussed below.

1.1 Policy and Planning

The planning function is divided across the Planning Agency (until recently NDIC, now MED) and the line ministries. With the roll out of the Budget Law (2011) since January 2013, sub-national levels is expected to be integrated into national planning. Issues relating to decentralized planning are discussed in section 4.

The MDG-based **Comprehensive National Development Strategy (CNDS)** covering the period 2007-21 is the country's overarching long-term vision document. It has six priority areas, but these are framed in the abstract. Five of the thirty-four outcomes are directly linked to the MDGs, but the implementation is not monitored. A Parliamentary Resolution (in February 2008) recommended that the Government prepare mid-term policy documents, targeted programmes and projects, etc. to implement the Strategic Objectives of the CNDS and reflect them in the Programmes of Action, the annual State budgets, and the annual Guidelines of Socio-Economic Development.

This suggests considerable support for the CNDS at the highest political level. Yet, CNDS is considered to be a weak document. A UNDP-supported mid-term evaluation of the CNDS highlighted a number of limitations (UNDP, 2010) such as:

- The CNDS does not resemble a strategy. It is more a declaration of intent rather than a roadmap.
- The CNDS is not a 'live' document. It was supposed to drive the programmes of the different ministries and agencies. In reality, the programmes that are implemented do not always reflect the priorities of the CNDS.
- The CNDS is organized on a sectoral basis and so is unable to link programmes and projects that may together produce a specific outcome.
- There is little or no coordination among different ministries or agencies especially for implementation of programmes that require collaboration.
- Even though the budget should be aligned to the CNDS priorities, there is little or no such link. Most ministries have their own sector Master Plan which guides their work and determines allocations from the State Budget. These Master Plans often may not directly reflect the CNDS priorities.

The **Government Action Plan (GAP)**, prepared at the start of a new government's tenure under the guidance of the Prime Minister's Office, runs for four years and is the overarching political statement of the government's broad policy objectives. It is somewhat more concrete than the CNDS though still resembles a wish list as its priorities are not established on the basis of socio-economic appraisal and the cost implications are not specified. Ideally, the GAP should draw upon the CNDS, but it is unlikely this was done in the past.

The GAP for the period 2012-16 is prepared and approved by the Parliament in the fall of 2012. Although this action plan contains several new initiatives, it still be like a wish list and has loose links with the long-term objectives draw upon the CNDS. It is also unclear how this

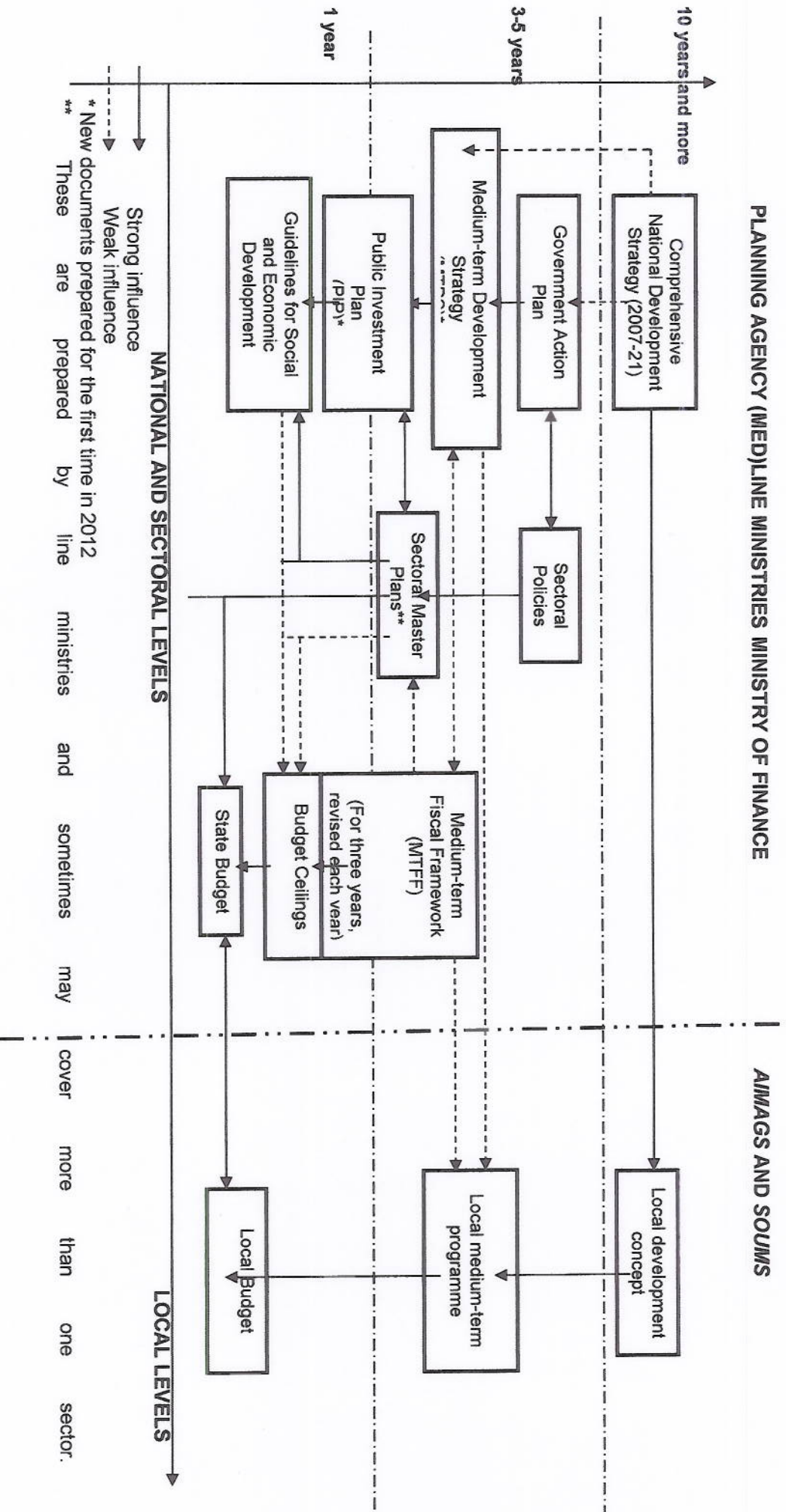
action plan will be harmonized with the medium-term development strategy (MTDS) which is under preparation.

Line ministries prepare their respective **sector master plans** which in many cases are costed. The ministries then submit proposals to the Planning Agency (now MED) which consolidates all proposals and prepares a draft of the yearly guidelines for social and economic development (also called **socio-economic guidelines - SEG**) in which the national strategic objectives are set and activities costed.

The annual SEG highlights short term priorities for the budget year ahead, to be addressed in the annual budget documentation, and also reflects broader medium-term planning and policy views, particularly the implementation strategies for the Government's Action Program.

Line ministries also have another type of sector plans called National Programs (NP). At present there are more than 400 NPs which are approved by Parliament on an *ad hoc* basis. It is hoped that with the introduction of the new Budget Law all policy and budget decisions shall be based on result and effectiveness and program budgeting will replace the current National Program-based planning. This will help restore the primacy of the Sector Master Plans in guiding sector-based planning and budgeting..

Figure 1: NATIONAL DEVELOPMENT PLANNING AND BUDGETING STRUCTURES – HOW DO THEY LINK UP?



To ensure that the sector master plans are closely aligned to the GAP, only recently, the Government is intending to have more consistent approach to be followed and sector ministries are preparing/updating the their respective master plans based on the GAP. This way the sectoral policies will contribute to the GAP.

The GAP dominates policy making in the country. It is the elected government's 4-year national development policy/strategic framework that is implemented on an annual basis through the national budget within a medium-term fiscal framework. Policy makers and line ministries take their cue from the GAP and it guides the preparation of the action plans, yearly SEG, sector master plans, and national programmes. GAP also has an impact on new spending proposals suggested during budget preparation.

CNDS is only weakly linked to the sector master plans and the SEG as until recently there was no space for a medium-term development strategy, similar to the five-year plan in many countries. A **medium-term development strategy (MTDS)** for 2012-17 was prepared by NDIC and approved by the previous Government in May 2012. However, the new Government is aiming to revise the documents. The MTDS could potentially provide an important basis for the formulation of the public investment plans. For this, it needs to be located within the MTF, be mapped to the budget process and costed to have the desired impact on policy and implementation.

The previously prepared MTDS (2012-17) was prioritised and costed. It has five priorities and the required funding for their implementation was estimated at MNT 48.3 trillion. Total funding available estimated to be available during this period is MNT 42.7 trillion, leaving a financing gap of MNT 5.6 trillion. This cost estimation will also be revised along with the updated document.

1.1.1 Public Investment Planning

Until recently, Mongolia had no specialized agency for public investment planning. The capital budget was prepared by the Ministry of Finance (MOF)'s Investment Division through a process of negotiations with line ministries and resources were allocated on an annual basis. There was no formal process of economic appraisal of projects and the regulations on preparation and prioritization of public investment projects were highly skeletal. It was difficult to determine inter- and intra-sectoral priorities and the feasibility of the proposed projects.

With an increase in volume of mining revenue and variety of financing options available to policymakers (such as from the Development Bank and through public-private partnerships), a multi-year Public Investment Program (PIP) has become essential for managing public investment projects and prioritizing revenue among competing uses. Since 2009 NDIC had the broad mandate for investment planning and appraisal of capital projects that support long term economic growth.

With the move towards fiscal decentralization and access of sub-national governments to the Local Development Fund, local governments will have greater discretion in deciding on the capital projects in their respective areas. The Budget Law (2011) introduces comprehensive regulation on PIP and investment budgeting. The Ministry of Economic Development now has the responsibility to assess the feasibility only of projects with a total

value of more than MNT 30 billion. For projects smaller than this amount feasibility assessments will be undertaken by the respective Ministries and submitted to the MoF. This division in responsibilities has become a sticking point between the two ministries and the issue is as yet unresolved.

Prioritisation – Prioritization, sequencing and allocative and operational efficiency are vital issues for planning. Prioritization requires activities to be sequenced between competing priorities and over time. Within a MTFF this allows a longer-term strategy to be adopted. Allocative efficiency seeks to guarantee that fiscal resources provided to sectors or sub-sectors are actually used as planned, within the annual budget framework. Operational efficiency seeks to guarantee that activities are executed in a cost-effective way, and that procurement procedures allow the best quality of goods and services to be provided in a cost-efficient manner.

A key factor in strengthening sectoral service delivery involves prioritization, and the criteria used in making such decisions. The key approach is to focus on removing the binding constraints to economic growth and poverty reduction. Prioritisation is essential in producing a credible and implementable national and sectoral development strategies and it therefore concerns both the allocation of resources and the sequencing of interventions between and within sectors, over time. It is both a technical and political process requiring the assessment of trade offs among alternatives.

Since 2010 planning, implementation and monitoring processes of state budget investment have been regulated with the procedure approved by Finance Minister's order #135 of 2010. However, this procedure does not describe how to regulate investment management stages. A methodology for evaluating and prioritising investment projects and preparation of investment projects for inclusion in the PIP was approved by NDIC through its Order #137 of 2010. In practice the methodology is complicated and requires substantial amount of time. A review and analysis of current practice of investment budget planning is necessary and is being undertaken by a team of national consultants commissioned by the World Bank.

1.2 Budgeting

Planning and budgeting are separate activities which require close coordination at the formulation, execution, and reporting stages. Until recently, budget preparation and execution was the sole responsibility of the Ministry of Finance and the budgeting process consists of a number of crucial intermediate stages. The **Medium-Term Fiscal Framework (MTFF)** is an important addition to Mongolia's financial planning infrastructure under which policy, planning and budgeting are linked in a coherent framework. Prior to 2002 budgeting occurred on a single year basis and without any serious attempt to link budgeting with planning and policy formulation. The MTFF provides aggregate figures of the revenue and expenditure ('fiscal envelope') for a three year period. It is adopted every year on a rolling basis by approving the framework for the succeeding year and projecting it for the next two.

A critical part of the MTFF process is the need for all budget entities to develop three year budgets and strategic plans. Once the MTFF has been approved, annual **budget ceilings** are set, which must be observed to prepare the annual **state budget**. The annual budget has to

follow the aggregate limits set by the MTFF, except for exceptional circumstances such as national emergencies or a severe recession. The budget is usually based on sectoral master plans. Sometimes the line ministries submit budget requests directly and so the budget ceilings are not always adhered to. Also, sometimes the budget is prepared and only afterwards the SEG is consulted to look for justification, thereby eroding the interconnectivity between the two documents.

The MTFF for 2013-15 has already been approved. The new GAP will affect the MTFF to be prepared this year (2013) for the period 2014-16. Program policy decisions that affect allocation of budget funds are not made in the MTFF but in the policy review process that occurs at cabinet level at the end of the executive budget process, which is the last two or three weeks of September.

The linking between planning and annual budgeting starts with the Socio-Economic Guidelines as indicated in the budget calendar (Table 1). There is a long chain going up through the sectoral plans and the economic and social development guidelines. So it is important for the SEG to reflect national priorities and get adequate resources allocated for these priorities.

But there is a deeper issue of whether, and to what extent, can the sub-national tiers influence the budget process. As can be seen from Table 1, the aimag and soum budgets are decided only after the state budget has been approved by the State Great Hural (SGH). Aimags and soums affect the state budget through lobbying for certain projects and activities that central government ministries might carry out in their areas. Their own budgets, the local budget, is first reviewed, but not finally decided in the "base expenditures" review by MOF, but this does not affect the state budget.

Table 1: The Budget Calendar

No.	KEY STAGES IN BUDGET PREPARATION		DUE DATE
1	SEG	Proposal on SEG sent to Government by MED	1 April
2	MTFF	Draft MTFF sent to Government by MOF	15 April
3		Government sends MTFF and proposal on SEG to SGH after discussion	1 May
4		SGH discusses and approves MTFF	1 June
5	BUDGET CEILINGS	Proposals for Budget Ceilings collected from various units by MOF	10 June
6		Draft Budget Ceilings prepared by MOF and submitted to Government	20 June
7		Government approves Budget Ceilings	1 July
8		Budget ceilings shared with respective units	5 July
9	BUDGET PROPOSAL	Budget proposals from various units submitted to MOF	25 July–15 Aug
10		Consolidated Budget Proposals submitted to Government by MOF	15 Sept
11		Budget proposals submitted to SGH by MOF	1 October
12		Discussion and approval of Budget by SGH	15 November
13	AIMAG AND SOUM BUDGETS	Aimag and Capital City governors submit budget proposals to CRK	25 November
14		Aimag and Capital City CRKs discuss and approve Budget Proposals	5 December
15		Soum and district governors submit budget proposals to CRK	10 December
16		Soum and district CRKs discuss and approve Budget Proposals	20 December
17		Aimag and Capital City Governors submit approved annual budgets to MOF	31 December

Note:The only significant change in the budget calendar is that Parliament now must approve the budget by November 15 rather than December 1. There may also be date changes for approving the SEG and MTFF.

Source: GoM, 2011, Budget Law (Art.8)

The current budget negotiation process between different levels tends to discourage transparency and accountability, and promote more obscure and backroom centre-local patronage ties. This results in the relevant authorities looking ‘upwards’, thereby undercutting efforts to promote downward accountability.⁴

2. LEGAL FRAMEWORK FOR PLANNING AND BUDGETING

The legal framework to regulate and streamline the planning and budgeting functions in Mongolia is based on a set of three important pieces of legislation all of which came into force this year (2012). Two of these have already been passed by Parliament – the Fiscal Stability Law in 2011 and the Budget Law in 2011. The Law on Development Policy and Planning which covers the entire process through Parliament in the first half of 2012 and the corresponding administrative provisions are being passed probably in 2012.

Developing a more transparent framework as a responsibility of quality is challenging. The Fiscal Stability Law (FSL) was passed in June 2011 to maintain fiscal discipline through more strict controls on public sector spending. It is expected to contribute to a structural reform agenda to increase government efficiency and reduce the budget deficit. The Law on Development Policy and Planning (LDP) was passed in July 2011 to streamline the budgeting process and improve the quality of public sector spending. It is expected to contribute to a structural reform agenda to increase government efficiency and reduce the budget deficit.

⁴ This point has been taken from Roger Shotton’s report.

Section Summary

- The policy, planning and the budgeting process in Mongolia has evolved gradually over the years since the 1990s.
- There is a CNDS as a long-term vision document, a MTDS for the medium-term that is prioritised and costed, and the SEGs which are akin to the Annual Work Plan. The PIP is being introduced to channel mining revenue flows for public investments.
- The line ministries prepare medium-term sectoral plans and the MTFF forms the cornerstone of the budgeting framework.
- So all the necessary building blocks are there but the integration across these components is often weak.
- There are also some anomalies which reduce the overall effectiveness: (i) The GAP is essentially a political wish list beginning and ending with the government's term in office. But during that time, GAP encroaches upon the space of the CNDS as a vision document, and upon the space of the MTDS as a strategy document. As a result, GAP tends to guide policy formulation in the country. The medium-term policy space is crowded and there is little need for both the GAP and the MTDS. The former should cede space to the latter. (ii) The National Plans erode the primacy of sectoral plans and should be phased out.
- Two important documents – the MTDS and the PIP have been introduced only recently and so their effectiveness in guiding policy and investments has not been tested. Both need to be actively supported.

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Developing a stable macro-economic framework in a resource-dependent country is challenging. The **Fiscal Stability Law (FSL)** was passed in June 2010 to maintain fiscal discipline⁵through three rules: (i) a structural balance rule to smooth expenditures by setting a floor on the structural deficit of 2% of GDP in 2013; (ii) an expenditure growth limit

⁵By constraining fiscal spending to prudent and sustainable levels.

rule which provides limits on the annual increases in public expenditures, and (iii) a debt limit rule which puts a ceiling to public debt at 40% of GDP.

Essentially, the Fiscal Stability Law will help smooth volatility in fiscal spending that until now has been pro-cyclical reflecting the trend in copper prices. This had made it difficult to develop a stable MTF for making long-term sectoral allocations.

The **Budget Law**, passed in December 2011, will help increase allocative efficiency and operational efficiency of public investments; promote fiscal decentralization; and improve service delivery. The following list is not exhaustive, but specifically, the Budget Law (2011):

- (i) removes the limitations of, and inconsistencies between, the Budget Law (2002) and the Public Sector Finance Management Law (2002);
- (ii) addresses the weaknesses in the current public investment planning (PIP) process, and proposes an effective, well-coordinated system for investment budgeting;
- (iii) promotes fiscal decentralization by increasing the set of functions that can be performed at the sub-national levels and providing resources for performing these functions;
- (iv) introduces a transparent, formula-based system for inter-governmental resource transfer from the General Local Development Fund and into the Local Development Funds; and
- (v) provides space for citizens' participation in the local budgeting process to help increase accountability and improve service delivery.

The **Development Policy and Planning Law**, currently in draft form, is aimed to, among other things, (i) strengthen and streamline the functions of economic policy formulation, strategic planning and public investment planning, (ii) guide the preparation of various planning documents, (iii) undertake project appraisals of capital investment projects, and (iv) coordinate the planning function both across line ministries and between the national and sub-national tiers of government so as to provide both strategic depth and direction to planning in the country.

Together, these three Laws are mutually supportive and when implemented have the potential to substantially transform the policy, planning and budgeting landscape of Mongolia. However, there are some inconsistencies between the Budget Law (2011) and the draft Development Policy and Planning Law which need to be resolved. These relate to three key issues: (i) respective roles and functions of the agencies responsible for finance and budget (MOF) and development policy and planning (MED); (ii) the size of investment projects for which feasibility studies will be undertaken; and (iii) timelines for the preparation of different planning documents.

3. PLANNING AND BUDGETING AT THE SUB-NATIONAL LEVEL

Rapid economic growth and increased revenue flows have made it incumbent on the government to make the process inclusive and participatory, and improve service delivery at the local level. This requires greater control over resources and spending decisions. In the current highly centralized public financial management framework the rigid local budget

templates exclude local flexibility in budget preparation or execution. The sub-national governments (and the local assemblies, or hurals) have little influence over development expenditures within their areas.

The local government's limited role is also evident from Figure 1 where the planning and budgetary activity on the right side of the table is quite scanty. The aimags have a long-term local development concept and a medium-term local development programme. But different aimags follow different timelines. The state budget is vertically administered and local governments had no authority to make their own development and investment plans. Only earmarked funds reach the local tiers and local bodies have little say in their utilization. Hence, budgeting is often not consistent with local policy priorities and local needs are rarely considered in the budget.

All this is going to change from 2013. The new Budget Law makes a significant contribution towards the decentralization process by increasing the set of functions that can be performed at the sub-national levels, introducing a formula based inter-governmental resource transfer mechanism, and creating opportunities for citizens' participation in the local budgeting process to help increase accountability and improve service delivery.

Only 7 functions are kept as delegated functions to be implemented by the Aimag and Capital City Governors and financed by earmarked special purpose transfers from the state budget and the amount of transfers are defined on the basis of the contracts. The delegated functions are:

- Pre-school education services,
- General education services,
- Cultural services,
- Primary health care services,
- Land relations and cadastre services,
- Child development and protection services, and
- Community sports

The Budget Law (2011) outlines the functions to be performed by Capital city/aimags and districts/soums. This is depicted in Table 3.

Table 3: Key Functions of the sub-national levels

Capital City	Aimags	Districts	Soums
Capital city management	Aimag management	District management	Soum management
Flood protection	Replace livestock	Promotion of intensified raising of livestock	Replace livestock
Disaster prevention	Establish fodder reserve		Pasture management
Urban planning		Social care and welfare services	
Utility services for public areas, landscaping, hygiene, street lighting, waste removal, etc.		Utility services for public areas, hygiene, street lighting, waste removal, etc.	
Social care and welfare services		Maintenance of lighting of public areas	
Employment and poverty alleviation programmes		Landscaping and development and maintenance of recreational areas, etc.	
SME development			
Pasture management			
Water supply, sewerage and drainage systems			
Fighting infectious and livestock diseases			
Environmental protection and rehabilitation			
Roads, bridges, traffic lights, and their construction			
Capital maintenance of construction			
Maintenance of high voltage electricity lines			

Source: Adapted from Budget Law (2011), Art. 58.

Under the previous legislation, capital expenditure was an exclusive central government function. While capital maintenance was partly assigned to the capital city and aimags, no capital expenditures were assigned to the districts and soums. The new Budget Law assigns capital expenditure to the capital city and aimags, and capital maintenance is partly assigned to the districts and soums.

These functions and the delegated functions are to be funded as shown in Table 4.

Table 4: Expenditure allocation for the sub-national tiers

Source →	Base Expenditure		Special Purpose Transfers	Local Development Fund
Purpose →	Only for Social welfare and Environment protection services	For Capital City, Aimag, District, and Soum Management	For the seven delegated functions [Art. 61.1]	For everything else in Table 3*
Aimags/Capitals	Recurrent	Recurrent + Capital	Recurrent + Capital	Recurrent + Capital
Soums/Districts				

Note: * Except those specified in the Budget Law [Art. 60.2]

4. KEY CONSTRAINTS

The discussion in the previous sections gives a brief idea of challenges that Mongolia's national (and sub-national) planning and budgeting structure faced long time and will face more from 2013.

4.1 Capacity

With the rapid growth of the Mongolian economy, and the concomitant increase in mining revenue, proper planning, sound public investment management system and monitoring are necessary to ensure that available resources are effectively harnessed for meeting the country's many development challenges. However, there are serious capacity gaps at all stages of the national planning framework: at the central government level (MED, MOF), line ministries and agencies, and at the sub-national levels (aimags and soums).

Local Governments are frontline service delivery units for decentralized services. Decentralization is expected to result in an improvement in service delivery in the areas of education, primary health care, water and sanitation, roads and agriculture extension. It can also improve participation of the communities in political governance and administration of their areas as well as in the planning process of service delivery, and increase downward accountability.

For this to happen, the executive branch in aimags and soums are expected to assume more planning and budgeting responsibilities as outlined in the new Budget Law and the draft Planning Law. Aimags are required to prepare comprehensive and integrated local medium-term development plans that incorporate soums plans. In addition, they will have to undertake assessment and prioritisation of new public investment projects requiring pre-feasibility and feasibility studies, project preparation and appraisal; budget preparation and execution; and financial management.

Further, with an increased role of local assemblies (the Citizens' Representative Khural - CRKs) in planning and budgetary oversight,⁶ the Governor's Office will be expected to

⁶ Discussed in detail by Roger Shotton (international consultant on the LGSP) and in the prodoc currently being prepared by UNDP's Governance team .

regularly respond to the local elected representatives on the one hand, and the central Ministries, particularly the MED and the MOF, on the other.

Historically, local governments had little or no role in public investment planning, and only a peripheral role in local planning, and have few trained personnel who can undertake the new and multiple responsibilities.

The serious capacity constraint at the lower levels is the single most important factor likely to adversely affect the successful roll out of the government's fiscal decentralization agenda.

Capacity constraints are not restricted to the sub-national levels. At the centre, there is a huge need for capacity building among the staff in MED and line ministries on issues relating to:

- Economic analysis and policy research
- Development and strategic planning
- Sectoral plans by line ministries
- Investment planning including pre-feasibility and feasibility studies by line ministries
- Project planning, appraisal and implementation, and
- Monitoring and Evaluation (M&E)

4.2 Data

Local governments will require access to regular and accurate data at their levels to generate effective citizens' participation. Data will also be needed to send to the central level especially to support the preparation of the Public Investment Plans by the relevant ministry. For instance, as mentioned in the Budget Law [Art. 28.3], 'local development needs' are required to establish investment priorities which requires access to reliable data at the local level.

Also, the provision of increased citizen's participation in budgeting requires local plans and budgets to reflect citizen's concerns and priorities. As mentioned in the Budget Law [Art. 63], governors of the community (Bagh and Khoroo) should

- conduct open surveys on the investments, programs, projects and activities to be implemented by the LDF,
- prioritize and select the projects and activities and present it in the local CRK, and
- reflect the results in the budget proposal of the respective jurisdiction and submitted to the upper level CRK (soum and district).

Carrying out these tasks will require local-level capacity to design such surveys and analyse the results when available. But there is an absence of a robust and systematically functioning local level data collection system, analysis, and dissemination.

4.3 Monitoring

The system for monitoring the implementation of development plans in Mongolia has improved, but still there are large gaps in understanding how best to undertake monitoring and assessment of development policies and how to undertake mid-course corrections if required. Also, there is little or no link between data and policy, planning and budgeting and monitoring.

Use of result-based monitoring and assessment is very limited and there is no systematic ex-post evaluation. There is an urgent need to strengthen monitoring of the implementation of the CNDS, the MTDS, SEG, and other planning documents which should move from activity or input and output-based to monitoring outcomes and results.

Building a robust monitoring system will require working closely with, and strengthening monitoring capacity in, the MED, the monitoring and evaluation sections of the National Statistics Office and line ministries, local development policy offices in aimags, and others responsible for data collecting, analysis and dissemination.

4.4 Lack of harmonization

Sub-national planning system presents a particular challenge. National plans need to reflect local priorities. At the same time, providing block grants to the sub-national levels can make it difficult to implement national priorities as the execution rests with lower levels of government with discretion in the use of financial resources.

The challenge now is to ensure that local-level planning initiatives reflect national priorities. The integration of central and local government planning processes is a key issue in a decentralizing country context. Fiscal decentralization requires formulation of development programs and the integration of these programs into the national planning process. This further emphasises the importance of the need for harmonisation across different units with shared responsibilities, to ensure that local needs and priorities feed into the national budget.

Harmonisation among various units can be achieved through a combination of administrative re-structuring, clarification of roles and responsibilities of different agencies, and correct sequencing of activities so that the planning and budgeting cycles are in sync.

In the past there was lack of clarity of roles and incomplete understanding of each agency's role which led to weak coordination among the different units responsible planning and budgeting. This is evident from a careful reading of the Budget Law (2011) and the draft Law on Development Policy and Planning. While the former has only two functions for the planning agency (first NDIC, now MED), the latter draft legislation lists eight separate functions for itself.

The administrative structure of the new Ministry of Economic Development (MED) has been revamped and some responsibilities which were elsewhere have been brought under the MED. Both the responsibilities of national planning (preparation of long-term development vision, the CNDS, the Medium-Term Development Strategy, the Government Action Plans, etc.) and investment policy is now located within the same Ministry and is likely to result in improved harmonisation.

Many changes in the local administrative structure are also necessary. Apart from the capacity gaps discussed earlier, there are also personnel shortages at the local levels. For instance, there is no one to manage the LDF at the aimag levels. When appointed, these officers will need training. Further, at the soum level there is no Planning Officer, only one Treasury Officer. So it is not clear who will prepare the soum level plans.

There is no full-fledged ministry of Local Government, and the Department of Local Administration within the Cabinet Secretariat (CS/DLA) oversees the sub-national government policy and is responsible for monitoring. It also has the responsibility for the contracts between the line ministries and aimags for the delegated functions.

Also, the fiscal decentralization initiated is not based on a Decentralization Strategy. So it is suggested that *a Standing Committee for Local Government be set up to ensure continued focus on local government issues and smooth initial difficulties in rolling out the government's decentralisation agenda.*

Still, it needs to be recognized that fiscal decentralization can be a challenging and a gradual process. There are no quick wins and there are likely to be many teething problems as local fiscal autonomy, local participation and citizen engagement take root and the local governments, the CRKs and ordinary citizens begin to understand fully the nature and extent of their new responsibilities.

One thing which is encouraging is that Mongolia is moving away from the 'stop-go' process of decentralization of the 1990s and is steadily embarking on a new path which is expected to improve the quality of plans and budgets and lead to better integration between the two; result in better implementation, more participatory planning and monitoring; result in efficient use of mining revenues; and eventually to inclusive growth, poverty reduction and sustainable human development.

II. STRATEGY

Rationale for UNDP support

After the successful conclusion of national elections in June 2012, the new government has initiated some fundamental organizational and institutional changes. The newly created Ministry of Economic Development (MED), incorporating the earlier National Development and Innovation Committee (NDIC), along with other units from different ministries, will lead the government's efforts to streamline public investment planning, harmonise the planning and budgeting functions, and provide a strong thrust to economic policy formulation. This restructuring is accompanied by legislative changes whereby three new Laws started/shall start (one law) implementation from 2013. Together, these laws will help further streamline the government's functioning and make it more responsive to local needs. Thus, it is an exciting time for UNDP to work closely with, and provide support to, the government and help meet its development objectives of putting in place a stable and robust national development planning framework and promoting fiscal decentralization that will help improve service delivery and effectively manage the mining revenue.

Second phase of the Local Governance project of UNDP is planning to provide support for improving capacities of Citizens Representative Khurals. Some other donors such as SDC's Governance and Decentralization programme and phase III of SLP of World Bank are also will be providing assistance in this area. The local Governor's Office will be expected to regularly respond to the local elected representatives on the one hand, and the central Ministries, particularly the MED and the MOF, on the other.

Historically, local governments had little or no role in public investment planning, and only a peripheral role in local planning, and have few trained personnel who can undertake the new and multiple responsibilities.

There are serious capacity constraints at the lower level in prioritizing and preparing local planning and investment project appraisals. The capacity constraints are not restricted to the sub-national levels. At the centre, there is a huge need for capacity building among the staff of Planning Ministry (MED and line Ministries on issues related to:

- Economic analysis and policy research
- Development and strategic planning
- Sectoral plans by line ministries
- Investment planning including pre-feasibility and feasibility studies by line ministries
- Project planning, appraisal and implementation, and
- Monitoring and Evaluation (M&E)

As of now no any donors and development partners are providing holistic support in national planning.

OUTCOME AND OUTPUTS

UNDP will support the Government of Mongolia in strengthening capacities to meet their development objectives by setting up holistic system in development policy and planning at both central and local level. At the end of the project, it is aimed that the country will have a coherent development planning system. It will be demonstrated by

- Strengthened capacities in knowledge
- Availability of tools to guide
- Established institutional framework (legal and institutional) to support implementation

The following two main project outputs will contribute to achievement of the intended outcome of the project:

- Government capacity in development policy and planning strengthened
- Policy analysis and advocacy for evidence-based policy making

Each of the outputs has respective subsidiary result targets as specifies below.

Output 1: Government capacity in development policy and planning strengthened

Under this output the project aims at increasing the capacity for national and local policy making and planning. The project will help in revising and approval of the draft development policy and planning law and other related legal documents which will serve as legal bases for implementation of coherent national and local level policy and planning. Existing institutional set up for policy and planning will be assessed against capacity needs and international best practices will be shared. Planning guidelines will be developed which will assist stakeholders concerned with national and local planning to work better together and to contribute to long-term common objectives. These guidelines should have a clear gender component that acknowledge that there are different needs of men, women, boys and girls and the budget need to address all of those. Based on the assessment from the experiences and recommended guidance developed, series of training should be offered to planning officers of both national and local authorities and as a result, the capacity to harmonize long-, medium and short-term policy making improved and better monitored. This training should incorporate a discussion on gender issues in budgeting and with special emphasis on female participation and how this best could be addressed. Medium-term development priorities (MTDS 2013-17)-as a medium-term strategic document will be updated and comprehensive result-based M&E framework developed as part of this document.

One of the Government priority agenda, public investment programme (PIP) will be supported by establishing integrated electronic database and offering practical training on investment planning and project design both at central and local level.

There are serious capacity gap in the government on aid coordination and the project will assist in identifying short term intervention and also longer term policy formulation on aid effectiveness.

UNDP has supported the development of the model in 2012. The Government of Mongolia, through the Ministry of Economic Development (MED), has taken strong leadership of the process of institutionalization of the model and is keen to use the model in support of national and local planning for effective use of the mining revenue. Through this new project, support will be continued in institutionalizing the model and increasing Government capacity to use the model. Scaling up of the on-going effort will provide a strong analytical basis for the development of sectoral and local plans in coordination with the national level planning effort. It will develop a modeling hub within MED to (i) create a broad awareness and recognition of the need for evidence-based planning and demonstrate its impact on policy making, (ii) improve local-level monitoring of progress on MDG indicators by strengthening local statistical capacity, and (iii) include new sectors (such as climate change) into the model as required, and (iv) develop and operate sub-models by undertaking knowledge transfer both across ministries, to sub-national levels, as well as internationally.

Why the macroeconomic model is essential for development policy and planning? Such a model helps create sustainable development strategies and policies by simulating possible impacts of alternative policy choices and strategies options; flexible and can be customized to address the unique needs of the country through the use of a modular design and the model generates nearly all of the MDG indicators. Such tool would also help the

government to estimate financing gap for development strategy, to formulate a financing strategy, and to develop macro policy options.

Needs assessment for data and information required for local policy making will be conducted and data collection and analysis at local level will be done. As the lack of gendered data already is a big problem in Mongolia hence, the assessment need to look at how the existing data reflects gender and special gender related needs. Moreover, how to conduct gendered data need to be incorporated and reflected in the data collected. Systematic training will be offered to the local statistics officers to enable them to be able to respond to the needs from local policy makers for evidence-based local policy making.

The following subsidiary result targets will be achieved under this output:

- Capacity for national and local policy and planning strengthened:
 - Development policy and planning law and other related legal documents approved
 - Medium-term development strategy (MTDS) updated and revised
 - Planning guidelines and manuals on planning, budgeting and monitoring developed
 - Planning capacity improved both for national and local officers
- Implementation of public investment programme (PIP) improved
 - Integrated database created for PIP
 - Capacity of investment planning at central and local level strengthened
- Government capacity to coordinate aid effectiveness strengthened
 - ODA funded investment programme approved and assessment on aid implications for human development completed
 - Aid policy formulated
- T-21 model institutionalized and scaled down to aimag
 - Model hub formed at MED (involving key modelers from other sector ministries)
 - Model expanded/scaled –down to sub-national level
 - Institutional capacity for using, updating and expanding the model strengthened
 - Long –term capacity built on modeling and forecasting the macroeconomic analysis
- Local statistics capacity improved to inform evidence-based local policy making and programming
 - Existing availability and gaps in statistical data at local level assessed and needs are identified
 - Statistical data of reliable and quality data available for policy analysis and planning
- Comprehensive monitoring and evaluation framework at various planning stages supported
 - M&E framework developed and adopted all level of planning

Output 2: Policy analysis and advocacy for evidence-based policy making supported

During 2012-13, UNDP launched development dialogues (DDs) in cooperation with the government stakeholders which aimed to support evidence-based policy formulation in Mongolia by providing a platform for discussion, exchange of analyses, and sharing international good practices on key development issues.

The dialogues brings together, and initiate consultations among, government, development partners, civil society, the private sector, and academia to develop a common understanding of the key issues and challenges so as to eventually inform development policy.

Dialogues will become a regular annual feature, are expected to also:

- Encourage a critical review of development priorities in light of global developments
- Expose policy makers to alternative points of view
- Contribute to strengthening national analytical capacity, and as a result
- Contribute to building a broad national consensus on the pace and direction of Mongolia's future development

This UNDP initiative will be continued through this project and series of policy dialogues will be carried out every year on the pressing development topics. Ownership and leadership of such initiatives will eventually be shifted to the respective national counterparts.

Fifth National Human Development Report (NHDR) will be prepared with the similar editorial autonomy for global and regional human development reports. NHDRs bring together independent research and analysis of relevant issues through the country-led and country-owned processes of consultation, research and report writing. The intended audience of NHDRs includes policy makers, civil society and academia, international partners, multilateral financial institutions, and the general public. The fifth NHDR is proposed to be prepared on Youth in Mongolia.

Even the MDGs target year (2015) approaches soon, there are still concerns among stakeholders on lack of availability of consistent data on some indicators and consensus to be made on lagging MDGs. UNDP has initiated dialogues among different stakeholders such as government ministries, agencies, NGOs and international organization including UN Agencies to get broader national consensus on lagging MDGs indicators. Final round table consultations will be held in March 2013 among various stakeholders and expected to get this consensus. Next national MDG report is planned to be prepared within the second quarter of 2013 with focus on those lagging MDGs. UNDP will coordinate other UN agencies to provide their technical supports to the preparation of this report.

The project will provide support in carrying out other policy studies to inform policy making. The project will ensure Gender analysis shall be made in the policy analysis and reports prepared under this output.

The following subsidiary result targets will be achieved under this output:

- Series of Development dialogues which aim to support evidence-based policy formulation organized during 2013-15
- Knowledge products produced

- Technical support provided to the preparation of the national MDGs report
- National Human Development Reports produced on issues for key concern of human development in Mongolia; and results widely disseminated and discussed;
- Other policy studies supported

The project will be implemented in two phases. Phase I will be completed by end of 2013 (pls refer annual targets for 2013) and expected results and intended activities for Phase II (2014-16) could be modified if necessary based on the results made at the end of Phase I.

III. RESULTS AND RESOURCES FRAMEWORK

Intended Outcome as stated in the Country Programme Action Plan Results and Resource Framework: Economic development is inclusive and equitable, contributing towards poverty alleviation

Outcome indicators as stated in the Country/ Regional/ Global Programme Results and Resources Framework, including baseline and targets:

National development policy and planning system improved Baseline: NDS not aligned with MDGs, lack of policy coherence, Target: NDS aligned with MDGs, action plan for acceleration of MDGs and M&E framework. Long, medium and short term- policies harmonized.

Applicable MYFF Service Line: MDGs achievement, promotion of HD and poverty reduction

Partnership Strategy: Partnerships to be forged with the Ministry of Economic development(MED), Parliament, NSO, Line Ministries, Local Governments, Academia, development partners and donors and UN Agencies

Project title and ID (ATLAS Award ID):

Intended Outputs	Output Targets for (years)	Indicative Activities	Responsible parties	Inputs
<p>Output 1 Government capacity in development policy and planning strengthened</p> <p><i>Baseline:</i> There are serious capacity gaps at all stages of the national planning and monitoring framework; absence of a robust and systematically functioning national local level data to inform local policy formulation;</p> <p><i>Indicators:</i> Planning guidelines and manuals developed and endorsed for use for all stages of</p>	<p><u>Targets 2013</u></p> <ul style="list-style-type: none"> - Development policy and planning law approved - Other legal amendments made - Capacity assessment made for implementation of the development policy and planning law <p><u>Target 2014</u></p> <ul style="list-style-type: none"> - Medium-term Development Strategy (MTDS) 2013-2017 revised and approved - Planning guidelines and manuals on planning and monitoring developed <p><u>Target 2014-16</u></p> <ul style="list-style-type: none"> - Planning capacity 	<p>1. Support to approval and implementation of the Development Planning law</p> <ul style="list-style-type: none"> - Updating and approval of the Development policy and planning law - Legislative drafting of other legal amendments to support the implementation of the development policy and planning law - Review of institutional set up for development planning and policy coordination at central and local level - Identify capacity development needs in sectoral ministries and local governments - Share international best practices in national development planning - Update and approval of medium-term Development Strategy (MTDS) 2013-2017 - Development of planning guidelines and manuals on different level/types of planning and monitoring - Training for planning officers of all Ministries and key 	<p>MED</p> <p><i>Potential partners:</i></p> <p>line Ministries; Local government; academia</p>	<p>Technical support</p> <p>Workshops</p> <p>Training</p> <p>Publication</p> <p>Travel</p> <p>Advisory service</p> <p>Facilitation</p> <p>UNDP support services</p> <p>Budget: USD 400,000</p>

<p>planning; M&E framework prepared as part of strategic policy document; T-21 model updated with new sectors and aimag level T-21 model developed; Number of locally available data/indicators informed local policy making</p> <p>Targets: Capacity for national and local evidence-based policy making and planning strengthened and long-, medium-, and short-term policy documents harmonized and implementations monitored.</p>	<p>improved both for national and local planning officers</p> <p>Targets 2013</p> <ul style="list-style-type: none"> - Integrated database created for PIP <p>Targets 2014-16</p> <ul style="list-style-type: none"> - Capacity of investment planning at central and local level strengthened 	<p>government Agencies and local governments on national, sectoral and local planning</p> <ul style="list-style-type: none"> - Conduct annual forum on development planning before annual budget discussions at the parliament <p>2. Technical assistance provided to development and programme (PIP)</p> <ul style="list-style-type: none"> - Data collection of the current baseline for public investment and prioritize investment proposals for PIP - Introduce electronic network system for national public investment planning and establish integrated database for PIP - Training for officers of investment planning of all Ministries, key government Agencies and all aimags on investment planning, use of electronic networking for the investment proposals - Forecasting estimation for government current expenditure budgets based on the investments made under the PIP - Improve MED's capacity to design different investment projects and conduct feasibility study and cost benefit analysis of the proposed projects. 	<p>MED</p> <p><i>Potential partners:</i></p> <p>line Ministries; Local government; academia</p>	<p>Technical support</p> <p>Workshops</p> <p>Training</p> <p>Publication</p> <p>Travel</p> <p>Advisory service</p> <p>Facilitation</p> <p>UNDP support services</p> <p>Budget:</p> <p>USD 450,000</p>
<p>Target 2013</p> <ul style="list-style-type: none"> - ODA financed investment programmes approved as part of the PIP - Assessment on implications for human development completed <p>Target 2014-16</p> <p>Aid coordination policy developed and medium-term development assistance</p>	<p>3. Support to improve Government capacity to coordinate aid effectiveness</p> <ul style="list-style-type: none"> - Develop and review investment project proposals to be financed by ODA and include it in the PIP - Review current aid coordination structure (including review of previous UNDP project) and undertake an institutional assessment - Assess information by reviewing the quality, reliability and accessibility of ODA information for decision making process for evaluation of completed projects and approval of new projects to be financed 	<p>MED</p> <p><i>Potential partners:</i></p> <p>line Ministries; Local government</p> <p>Development partners; Donors</p>	<p>Technical support</p> <p>Workshops</p> <p>Publication</p> <p>Travel</p> <p>UNDP support services</p> <p>Budget:</p> <p>USD 200,000</p>	

programme approved	<p>Targets 2013</p> <p>1. Model hub formed at MED (involving key modelers from other sector ministries)</p> <p>Targets 2014-16</p> <p>2. Model expanded/scaled – down to sub-national level</p> <p>Targets 2013-14</p> <p>3. Institutional capacity for using, updating and expanding the model strengthened</p> <p>Targets 2014-16</p> <p>4. Long-term capacity built on modeling and forecasting the macroeconomic analysis</p>	<p>by the ODA</p> <ul style="list-style-type: none"> - Review existing aid coordination efforts and identify necessary interventions on aid coordination - Training for ODA responsible officers of the MED - Review regulatory framework, including laws and regulations on coordinating official development assistance - Formulate policy on aid and draft medium-term development assistance programme <p>5. Support to institutionalize Macroeconomic model and scale it down to aimags</p> <p>1a. Training for modelers in the hub both in updating the model by new sectors and developing aimag models.</p> <p>1b. Update model by new sectors (climate change, social protection, mining etc.)</p> <p>1c. Translation of manuals on T-21 model</p> <p>2a. Develop aimag-specific Sub-Models</p> <p>2b. Develop guideline on use of model at local level</p> <p>2c. Training local planning officers on use of the model for policy and planning</p> <p>2d. Produce at least one policy analysis/options on specified topics using the model</p> <p>3a. Recruit national economist who will provide technical support to the Government in institutionalizing the model</p> <p>3b. Increase number of modelers to work at the modeling hub and select the candidates</p> <p>3c. Provide technical assistance from Millennium Institute to the Modeling hub to improve their capacity</p> <p>4a. Set up twinning arrangement between National University of Mongolia (NUM) and MED/modeling hub for providing technical expertise</p> <p>4b. Introduce macroeconomic modeling/ curriculum at NUM</p>	<p>MED</p> <p><i>Potential partners:</i></p> <p>Line Ministries Local Government Millennium Institute Academia NSO</p>	<p>Staffing</p> <p>Technical support</p> <p>Workshops</p> <p>Training</p> <p>Publication</p> <p>Travel</p> <p>Advisory service</p> <p>Facilitation</p> <p>UNDP support services</p> <p>Budget: USD 500,000</p>
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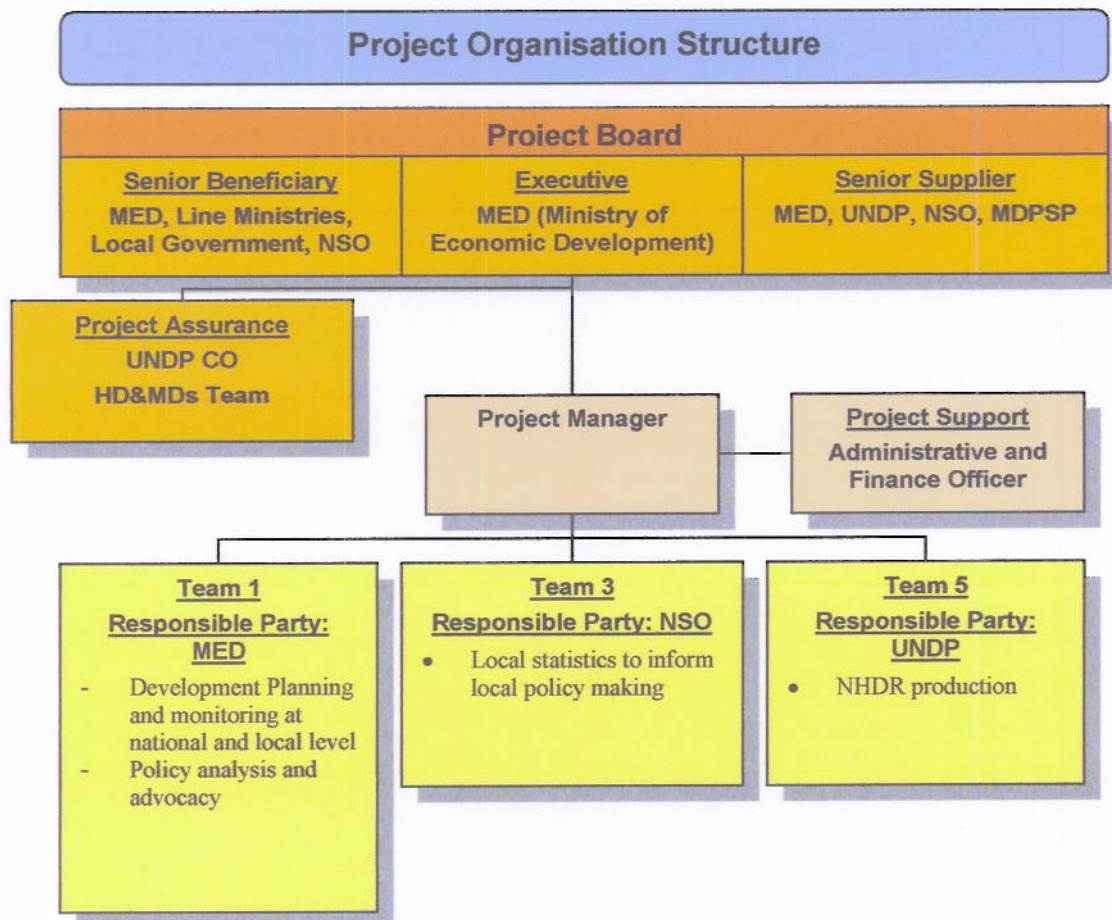
	<p>Target 2013 Existing availability and gaps in statistical data at local level assessed and needs are identified</p> <p>Target 2014-16 Statistical data of reliable and quality data available for policy analysis and planning</p>	<p>6. Improve Local statistics capacity to inform evidence based local policy making and programming</p> <ul style="list-style-type: none"> - Review existing data availability and conducting needs assessment for the data and information required for planning and budgeting at local level - Prepare training manual/module based on the needs assessment - Conduct systematic training for local statistics officers - Data collection and analyses at local level 	<p>NSO <i>Potential partners:</i> Local Government Academia</p>	<p>Technical support Workshops Training Publication Travel Data collection UNDP support services Budget: USD 300,000</p>
	<p>Target 2013 - M&E handbook developed</p> <p>Target 2014 - M & E framework developed for the Medium-term Development Priorities (MTDS)</p> <p>Target 2015-16 - M & E capacity at central and local level improved</p>	<p>7. Support to set up comprehensive monitoring and evaluation framework at various planning stages</p> <ul style="list-style-type: none"> - Develop handbook on M&E by reviewing current status and international experiences - Prepare M&E framework for the Medium-term Development Priorities (MTDS) - Conduct training for M&E officers for line ministries, all airnags 	<p>MED <i>Potential partners:</i> Cabinet secretariat NSO Line Ministries Local Government Academia</p>	<p>Technical support Workshops Training Publication Travel Advisory service Facilitation UNDP support services Budget: USD 200,000</p>
<p>Output 2 Policy analysis and advocacy for evidence-based policy making <i>Baseline:</i> As a new platform for exchange of views and analyses, series of</p>	<p>Target 2013-15 Development dialogues on various topics organized</p>	<p>1. Conduct policy dialogues on selected development topics</p> <ul style="list-style-type: none"> - Facilitate to define/identify topics for annual development dialogues - Organize series of development dialogues partnering with relevant government organizations, NSOs and academia - Deliver outcome documents to inform government 	<p>MED <i>Potential partners:</i> Parliament Line Ministries and Gov. agencies NGOs</p>	<p>Dialogues/consultation Publications UNDP support services Budget: USD 100,000</p>

<p>development dialogues on key development issues have started recently showing a demand for such initiatives.</p> <p>The Government has prepared four National MDGRs to monitor MDGs implementation. Mongolia has prepared five NHDRs since 1997, on key topics to inform the policy.</p> <p>Various policy studies were prepared, but still there is a high demand for reliable and analytical studies on specific topics for policy.</p> <p>Indicators</p> <p>Development dialogues on key development issues organized.</p> <p>Fifth or Final MDGR is prepared to conclude MDGs implementation.</p> <p>6th NHDR is prepared on the key development topic. Policy studies on key issues are conducted.</p>	<p>Target 2013</p> <p>National MDGs report prepared and disseminated</p>	<p>policy formulation</p> <p>2. Support to prepare national MDGs report</p> <ul style="list-style-type: none"> - Coordinate UN support to the preparation of the report - Support drafting the report - Hold workshops for consultation among stakeholder 	<p>MED</p> <p><i>Potential partners:</i></p> <p>Line Ministries UN Agencies</p>	<p>Technical support</p> <p>Workshops Publication Facilitation</p> <p>UNDP support services</p> <p>Budget: USD 100,000</p>
<p>Target 2013-14</p> <p>National Human Development Reports produced on issues for key concern of human development in Mongolia; and results widely disseminated and discussed;</p>	<p>Target 2013-14</p> <p>1. Other studies produced to inform policy making</p>	<p>3. Support to prepare national Human Development report</p> <ul style="list-style-type: none"> - Proposal review, setting up institutional arrangement - Development and approval of concept note, data needs, background papers - Conduct surveys, if required - Review background papers - Prepare and finalize the report - Launch of the report - Post-launch activities1a. Facilitate UN support to the preparation of the report - Support drafting the report - Hold workshops for consultation among stakeholder <p>4. Other policy studies</p> <ul style="list-style-type: none"> - Carry out a study on how to increase share of middle income population and prepare policy proposal - Review state policy on economic development and MDGs achievement during 1990-20122a. 	<p>UNDP</p> <p><i>Potential partners:</i></p> <p>MPPDSP NSO Line Ministries Academia NGOs UN</p>	<p>Technical support</p> <p>Workshops Publication Travel Facilitation</p> <p>Budget: USD 500,000</p>
<p>Target 2013-14</p> <p>1. Other studies produced to inform policy making</p>	<p>Target 2013-14</p> <p>1. Other studies produced to inform policy making</p>	<p>4. Other policy studies</p> <ul style="list-style-type: none"> - Carry out a study on how to increase share of middle income population and prepare policy proposal - Review state policy on economic development and MDGs achievement during 1990-20122a. 	<p>MED</p> <p><i>Potential partners:</i></p> <p>MOL Other line Ministries Academia</p>	<p>Advisory service</p> <p>Workshops Publications</p> <p>UNDP support services</p> <p>Budget: USD 50,000</p>

IV. MANAGEMENT ARRANGEMENTS

1. The Implementing Partner of this project is the Ministry of Economic Development (MED) 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 Partner 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 Partner 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 result. Implementing Partner assessment will be done in March 2013 and the result of the assessment will guide further modification of the programme management modality of the programme.

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



3. 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 has three roles: Executive: Chair of the Board (Chief of DLA/CS) representing the national organization, Senior Supplier (UNDP DRR) who provide guidance regarding the technical and overall feasibility of the project, and Senior Beneficiaries (MED, Line Ministries, Local Government, NSO) who ensure that the project benefits reach the intended beneficiaries. The PB will meet at least bi-annually and it will be convened and supported logistically by the Project Manager. The PB is responsible for making executive management decisions, including approval of work plans, budget plans and project revisions. The PB will also provide guidance regarding the technical feasibility of the project, and ensure the realization of project benefits to the project beneficiaries. 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 statutory planning processes and sustainable resource use and conservation policies, plans and conservation strategies; (iii) ensuring that activities are fully integrated between the other developmental initiatives in the region; (iv) overseeing the work being carried out by the implementation units, monitoring progress and approving reports; (v) overseeing the financial management and production of financial reports; and (vi) monitor the effectiveness of project implementation.

4. The role of the Project Manager and AFO 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 the meetings of the PB; and (iv) support the local stakeholders.

5. 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 the preparation of progress reports which are to be submitted to the 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). Where necessary, a Project Coordinator/Professional Support Officer may be recruited for the specific components by UNDP, MED and NSO to assist the Project Manager in running day-to-day activities.

6. The Project Assurance. The Project Assurance function will be performed by UNDP through the Human Development and MDGs 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.

7. 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. At the day-to-day operational level, ATLAS will be used for keeping track of timely and efficient delivery of the activities and for effective financial monitoring under the AWP.

8. 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.

9. UNDP may provide support services at the request of the Implementing Partner in accordance with the Letter of Agreement between UNDP and GoM for CPAP 2012-2016

Annually

- Annual Review Report. An Annual Review Report shall be prepared by the Project Manager and shared with the Project Board and the Outcome Board. As minimum requirement, the Annual Review Report shall contain the Atlas standard format for the CIPR covering the whole year with updated information for each strategic element of the CIPR as well as a summary of results achieved against pre-defined annual targets at the current level.
- Annual Project Review. In addition to 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 against the Annual Work Plan (AWP) for the following year, in the first year, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required. It shall focus on the extent to which progress against the work plan reflects that these remain aligned to appropriate outcomes.

End of project

- Terminal report. In the last quarter of the project implementation, a final Terminal Report will be prepared by the Project Manager and submitted to the Project Board.
- Project evaluation. In the last quarter of the project implementation, independent project evaluation will be conducted.
- AWP. The project will be funded in 4-year cycles with CIPRs of AWP and results, etc.

V. MONITORING FRAMEWORK AND EVALUATION

Within the annual cycle

- On a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods captured in the Quality Management table below.
- 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 submitted (see annex 1), 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 Schedule 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 shared with the Project Board and the Outcome Board. As minimum requirement, the Annual Review Report shall consist of the Atlas standard format for the QPR covering the whole year with updated information for each above element of the QPR 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 as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.

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.
- **Project evaluation.** In the last quarter of the project implementation, independent project evaluation will be conducted.
- **Audit.** The project will be audited as per guidance from Office of Audit and Investigation.

VI. LEGAL CONTEXT

This document together with the CPAP signed by the Government and UNDP 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.

Consistent with the Article III of the Standard Basic Assistance Agreement (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 [and the Project Cooperation Agreement between UNDP and the Implementing Partner]⁷.

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".

⁷ Use bracketed text only when IP is an NGO/IGO

VII. ANNEXES

RIS LOG

Description	Type	Consequence (Scale 1-4)	Likelihood (Scale 1-4)	Control/Action/Recommendation
Limited available resources to cover the cost of the project	Financial	C=3 L=3		• Resource Mobilization is needed
Insufficient political Commitment from MED yet	Political	C=3 L=2		• More consultation and consensus is needed
Inefficient internal capacity in the implementing partner to implement full NRM project	Operational	C=3 L=4		• PIU set up might be needed
As it is program level project, well organized good coordination mechanism needed	Operational	C=2 L=4		• Project will have separate components with separate thematic teams and each team has separate counterpart to responsible for implementing of the activities

*Note on estimation of risks:

Consequences: 1 (minor); 2 (moderate); 3 (major); 4 (severe)

Likelihood: 1 (unlikely); 2 (possible); 3 (likely); 4 (almost certain)

RISK LOG

Description	Type	Consequences (C) & Likelihood (L)*	Countermeasures / management response
Limited available resources to cover the cost of the project	Financial	C=3 L=3	<ul style="list-style-type: none"> • Resource Mobilization is needed
Insufficient political Commitment from MED yet	Political	C= 3 L= 2	<ul style="list-style-type: none"> • More consultation and consensus is needed
Insufficient internal capacity in the implementing partner to implement full NIM project	Operational	C= 3 L= 4	<ul style="list-style-type: none"> • PIU set up might be needed
As it is program level project, well organized good coordination mechanism needed	Operational	C= 2 L= 4	<ul style="list-style-type: none"> • Project will have separate components with separate thematic teams and each team has separate counterpart to responsible for implementing of the activities

*Note on estimation of risks:

Consequences: 1 (minor); 2 (moderate); 3 (major); 4 (severe)

Likelihood: 1 (unlikely); 2 (possible); 3 (likely); 4 (almost certain)