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COVER PAGE

Country:	Mongolia
Project title	Scaling up Support to Local Service Delivery for the MDGs: Rural Water and Sanitation
UNDAF Outcome(s)/Indicator(s): (Link to UNDAF outcome)	<u>Outcome 4</u> : Equitable access to safe water and sanitation services in urban ger areas and rural settlements <u>Indicators</u> : % of population using an improved drinking water source in rural areas % of population using an improved sanitation facility
Expected Outcome(s)/Indicator (s): (CPAP outcomes)	Same as above
Expected Output(s)/Annual Targets: (CPAP outputs linked to the above CPAP outcome)	To be filled from AWP sheet
Implementing partner:	Ministry of Construction and Urban Development
Responsible parties:	Ministry of Finance, Local Governments of Mongolia, UNDP Mongolia, BDP UNDP

Narrative

The project responds to the urgent need to accelerate Mongolia's off-track target of the MDG 7 'to halve the proportion of people without sustainable access to safe drinking water and basic sanitation' and increase funding for public investments. Within the MDGs Acceleration Framework, the Project aims to foster capacity development by enabling local governments to fully undertake their assigned functions in the rural water and sanitation, enhance local resources mobilization, improve the quality and access of service delivery, thus contribute to the achievement of the national MDG 7 target by 2015.

Geographically, the project will focus on Bulgan, Uvurkhangai, Tuv and Dundgobi Aimags which have off-track records in MDG targets on access to safe water and adequate sanitation.

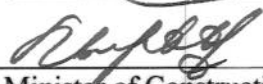
The project will deliver the following outputs:

1. Improved oversight, monitoring, policy coordination and service delivery arrangements for rural water and sanitation;
2. Capacity of local institutions strengthened for improved service delivery;
3. Water and sanitation services expanded in the selected areas;

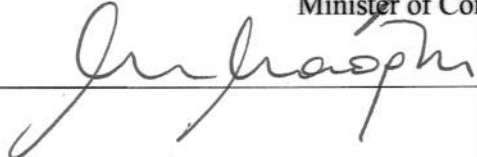
Programme Period: <u>2012-2016</u>
Programme Component: _____
Project Title: _____
Project ID: _____
Project Duration: <u>2 years</u>
Management Arrangement: <u>National Implementation</u>

Total Budget	US\$2,250,000
Allocated resources:	
• Government	<u>US\$500,000 – to be mobilized from local budgets</u>
• Regular	<u>US\$250,000</u>
• Other:	
○ Donor	<u>US\$2,000,000</u> (Republic of Korea)
○ Donor	_____

Agreed by Government: _____


Ts. Bayarsaikhan
Minister of Construction and Urban Development

Agreed by UNDP: _____


Sezin Sinanoglu
Resident Representative

Acronyms and Abbreviations

ADB	Asian Development Bank
APR	Annual Project Review
BDP	Bureau for Development Policy (UNDP)
CD	Capacity Development
CDG	Capacity Development Group (UNDP)
CP	Country Programme (UNDP)
CS	Cabinet Secretariat
GOM	Government of Mongolia
IP	Implementing Partner
KOICA	Korea International Cooperation Agency
MAF	MDGs Acceleration Framework
MIA	Ministry of Industry and Agriculture
MNGD	Ministry of Nature and Green Development
MOF	Ministry of Finance
MOH	Ministry of Health
MCUD	Ministry of Construction and Urban Development
NI	National Implementation
NDS	National Development Strategy
PD	Project Director
PM	Project Manager
POPP	Programmes and Operations Policies and Procedures
PUSOs	Public Utility Service Organizations
QPR	Quarterly Progress Report
RP	Responsible Party
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme

Part II. Situation analysis

Mongolia with population of 2.87 million and 1.5 million square km of land area is the world's most sparsely populated country. As of 2010, 68 percent of the total population lives in urban areas, of which 40 percent in the capital city alone¹. Administratively, the country is divided into 21 *aimags* (provinces) and the capital city, 330 *soums* (rural districts) and 9 urban districts. Mongolia's economy is continuing to grow at a fast pace after the 2008-09 financial crisis. It grew at 6.1% in 2010, at 17.6% in 2011 and 12.3% in 2012. Mongolia ranked 110th of 187 countries in the 2011 Human Development Index (HDI) and reached a GDP per capita of US\$ 3,236 (PPP). Thus the country is going through a new wave of transition - from low income to lower middle income country status.

The MDGs are strongly embedded in the policy: national MDG targets and the MDG-Based Comprehensive National Development Strategy (NDS) for 2008-2021 were approved by the Parliament of Mongolia in 2005 and 2008 respectively. Mongolia is on track to achieve education and under-five mortality targets (MDGs 2 and 4). However, in spite of the high economic growth rates, progress has been limited in reducing poverty and unemployment (MDG 1) – the poverty level remains stagnant at approximately 30% percent.

The target 16 under the MDG 7 to 'ensure environmental sustainability', calls to 'halve the proportion of people without sustainable access to safe drinking water and adequate sanitation' with targets to increase the coverage of safe water sources to 60%, and adequate sanitation services to 40% of the population by 2015, against the 1990 baseline data. The target for provision of improved sanitation is unlikely to be met by 2015. As of 2008, only one third of the rural population had access to improved services (33.7 for safe water source and 34.9 for adequate sanitation)². The latest UNDP supported study show when few big cities are excluded, provincial average access to safe water is approximately 58% and to adequate sanitation approximately 22%. These figures are expected to be even lower, when Aimag centers are excluded. Provincial rates of access to safe water and adequate sanitation are illustrated in Figure 1 and Figure 2, where disparities in urban and rural population are evident (UNDP, 2012).

Sector analysis

In order to meet MDG targets, in addition to the NDS, the GOM formulated a number of specific programmes related to water and sanitation, including the approval of Law on "the Use of Water Supply and Sanitation Facilities in Towns and Settlements" in 2010, the National Water Programme (2010-2021), Programmes on Sanitation Facilities (2006-2015), "Urban Development and Utilities", and "Provision of Safe Drinking Water to the Population of Mongolia" to be implemented in two phases up to 2015. The funds allocated by the central government for implementation of these programmes are being used for construction and rehabilitation of engineering networks (heating and water supply) and waste water treatment facilities mainly in urban areas, including aimag centres. The MIA has been establishing 1,000 new wells annually, but the focus was pastureland/livestock water supply. Improving water and sanitation provision is often capital intensive. It is estimated that a total of \$537 mln will be required to achieve the target 16 of the MDG 7. In 2005-2009, the Government allocated approximately \$50 mln to the sector.

¹ 2010 Population and Housing Census

² Source: Main Report of the Household Socio-Economic Survey 2007-2008, NSO/WB, 2009.

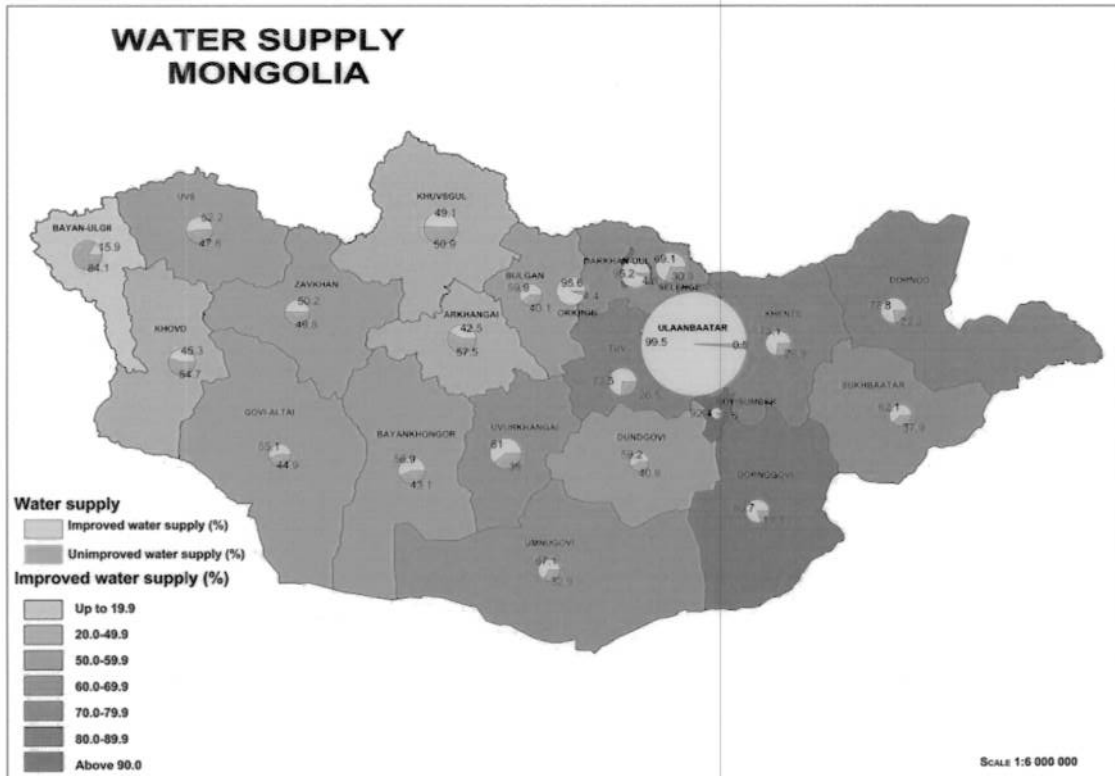


Figure 1. Provincial rates of access to safe water in Mongolia

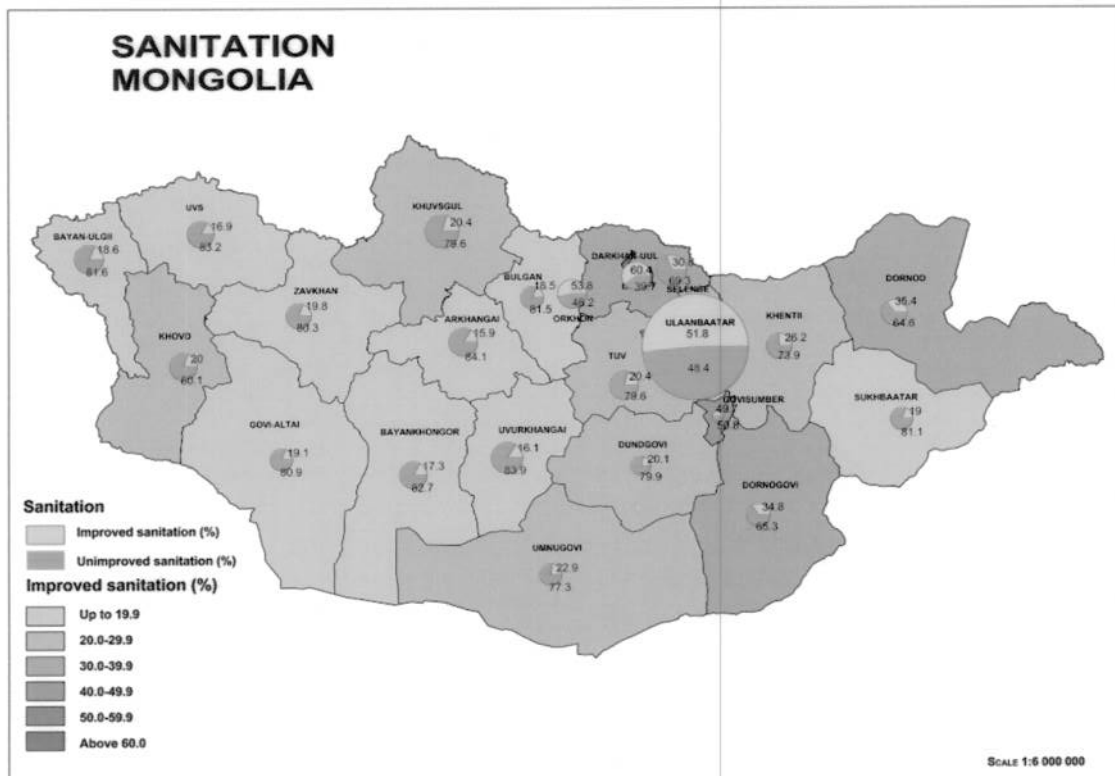


Figure 2. Provincial rates of access to adequate sanitation in Mongolia

The present institutional arrangement for delivering water and sanitation characterizes a great level of fragmentation between different government ministries and agencies with the Ministry of Environment and Green Development (MEGD) being responsible for water conservation and licensing; the Ministry of Industry and Agriculture (MIA) for agricultural and pasture land water supply; the Ministry of Construction and Urban

Development (MCUD) for urban water supply, waste water collection and treatment, the Ministry of Health (MoH) responsible for water quality, ecological and environmental sanitation and hygiene. Until recently, there was no ministry, department or agency at the central level that has been specifically assigned the task of planning and making provision for rural drinking water supply and sanitation (RWSS)³. With the newly elected Government, the MCUD is mandated with water and sanitation services in rural settlements, including *soum* centers.

Local governments are assigned with a primary responsibility for provision of water and sanitation services. However, their capacity is limited due to fiscal and human resource constraints under the centralized fiscal arrangements. A major reason of the poor record in RWSS is due to institutional gaps that lead to further gaps in policies, fiscal flows, human resources, a legal framework, and mechanisms to strengthen accountable and participatory processes for the delivery of safe and sustainable delivery of RWSS. Yet, urban and rural disparities in the quality and access to water and sanitation need to be addressed.

Currently, there are few timely initiatives taken by the GOM. The Government intends to address the challenges on access to safe water and adequate sanitation through the “100,000 housing units” programme that is later evolved into the “New development” medium term programme. One of the targets within this programme is to establish engineering infrastructures, including water supply and sewerage facilities in 96 *soum* centers or approximately 30% of all *soums* around the country. In 2013, three *soums* have been selected to generate a replicable model to other *soums* of the programme. Furthermore, a new Budget Law was approved in November 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 *aimags* and *soums* and for use by development expenditure. The law also provides opportunity and incentives for local participation and citizen engagement.

In addition, a major exercise to review functional assignments both across central government ministries, but also between central and local governments is underway. Because of its scope, this exercise might take up 2-3 years and there is no indication of whether the results will lead to a greater decentralization to local levels. Nevertheless, for the water and sanitation sector, there is a need to detail activity mapping along the levels of the government and allocation of functions, funds and personnel. Water and sanitation technology and issues related to water quality will have a critical importance on functional responsibilities, requiring some inter-*soum* and inter-*aimag* cooperation, thus the central coordination of such arrangements.

The policy with regard to water tariff provides an opportunity for promoting a rational basis for water use, manage the demand, and allocate the distribution of water resources across sectors, in rural and urban areas, and provide a basis for revenue transfer to the poor. The responsibility for setting tariffs and laying down the pricing policy has been assigned to local governments in Mongolia. The lack of guidelines and mechanisms for local governments in the context of weak capacity can impinge on the interests of the poor and marginal sections of society. The current pricing regime is pro-industry and pro-rich. While the poor receive water that is critical for their health and livelihood from vendors who charge about USD 0.7 per cubic meter of water, whereas apartment dwellers USD 0.23 and the industry and mining sector avails water at about USD 0.11 per cubic meter⁴.

³ UNICEF-UNDP Study on Rural Water Supply and Sanitation in Mongolia, 2009.

⁴ Regulatory committee on urban waterworks utilization and service <http://www.wsrc.mn/index.php?>

Hence, those who lack access to safe water sources pay the highest and consume the least. In addition to affordability, lack of sewerage facilities is a critical factor for low consumption rates. Compared to the mining companies, the relatively poor residents in the *ger* (traditional dwelling) areas pay 7 times more for water. Currently, the GOM is reviewing the water tariff issues for industry and mining and there might be possibilities to direct the revenues to provide a fiscal base for the provision of much needed RWSS infrastructure.

The new government which was formed after the elections of June 2012, developed its action plan for 2012-2016 with a strong focus on infrastructure improvements in aimags and soums. It has put forward agenda to:

- *Improve centralized heating and water supply systems in aimag centers for creating comfortable and healthy conditions for the people living in aimag centres;*
- *Develop aimag centres and settlements with population above 15,000 to the standards of a city;*
- *Carry out technological renovations in water supply, drainage and sanitation facilities of towns. Take measures to implement the Law on the Use of Water Supply and Sanitation Facilities in Towns and Settlements.*

GOM is currently determining its post 2015 development priorities based on the outcome document of Rio+20 (“The Future We Want”), including a “National Green Development Strategy”.

Development assistance in improving access to safe water and adequate sanitation

The Asian Development Bank (ADB) is the largest donor in the water and sanitation sector through its loan project “Urban Development Sector” (\$35.0 mln implemented in 2008-2012), “Integrated Development of Basic Urban Services in Provincial Towns” (\$20 mln, 2002-2009) and grant project “Southeast Gobi Urban and Border Town Development” (\$15.0 mln). These projects have focused on improvement and extension of sanitation facilities, including sewage treatment works; refurbishment and replacement of heating and hot water supply systems, solid waste management and strengthening the operation and management capacities of local Public Utilities Service Organizations (PUSOs) in selected aimags (see Annex III on mapping of *aimags* covered).

The ADB projects provide useful lessons for future assistance in this area. The ADB reports that “the ADB and other development partners have focused on helping the government to rebuild assets but placed less emphasis on building the institutions and systems required to ensure these assets are maintained and used efficiently. The systemic issue of low tariffs left local PUSOs unable to cover their operating costs, thus undermining the Bank’s efforts to build the capacity of local PUSO staff and to make the PUSOs sustainable service institutions, indicating the need for wider institutional and policy reform. Insufficient emphasis on delineating the functions of the *aimag* governments and the PUSOs; strengthening lines of accountability for delegated service provision, involvement of local institutions and beneficiaries in all stages of project preparation, design and construction; and addressing local capacity constraints and incentives for quality service provision negatively affected the sustainability of project interventions. Measurement of sector performance and service provision, including in those areas specifically related to the MDGs and the NDS, is compromised by an absence of disaggregated data and a lack of clear and measurable indicators. Better analysis of existing information and trends is required at preparation and greater attention needs to be

paid to the development of a robust baseline and measurement and evaluation of outputs, outcomes and benefits.”⁵

AUSAID funded UNICEF project to support Mongolia in developing child-friendly schools and kindergartens is being implemented in 12 *soums* of Khuvsgul Aimag for the period of 2012-2015. The total budget is 3.5 mln Australian dollars. Activities on establishment of water and sanitation facilities in *soum* center education facilities will be coordinated through the Un Thematic Working Group.

The UNDP supported Local Governance Support Programme (LGSP) - \$2 mln, 2007-2011, has demonstrated that when citizens are allowed to choose a priority of projects, one third of the approved proposals involved digging of wells, installation of water purification facilities, and construction of public baths indicating the demand for improved services. LGSP has piloted a successful innovation – a block grant scheme with efforts to stimulate policy discussions on fiscal decentralization, increased participation opportunities for citizens, enhancement of the decision making capacity of local representative bodies in resource allocation, relying on local procedures and processes instead of a donor project created ones, local resource mobilization for local development initiatives⁶. Approval of the Budget Law has upscaled this innovation by establishing the LDF.

Through the UNDP’s GoAL-WaSH (Governance, Advocacy, Leadership on Water Sanitation and Hygiene) programme, the water and sanitation sector institutional analysis was made, determining critical gaps and bottlenecks to re-invigorate sector coordination and key capacity gaps. The findings served as a basis to formulate the MDG roadmap on Water and Sanitation and implementation guidelines that were approved by the Joint decree of former Ministers for Environment and Urban Development. A renewed national assessment methodology formally approved by the Government on access to safe water and adequate sanitation along with the national database linked with National Statistical system will help address the discrepant data in this regard (see Figures 1 and 2). A national standard on Small-scale Wastewater Treatment Facilities and a guidebook on monotype design drawings and technologies for small-scale waste water treatment facilities that were developed by the UNDP support will enable application of relatively innovative small-scale solutions for waste water treatment for small rural settlements throughout the country. Piloting of such systems will be an opportunity for the proposed project.

Project justifications

There is a greater need to promote productive local investments in areas that would contribute to achieving the MDGs in Mongolia, and integrate such investments with capacity development in functional areas such as pro-poor planning and budgeting, procurement, implementation, management and maintenance of the resulting infrastructure and services. The implementation of the new Budget Law from 2013 will require greater capacities for monitoring of budgets and service delivery, and effective accountability mechanisms at local levels.

⁵ ADB Completion Report, Mongolia: Integrated Development of Basic Urban Services in Provincial Towns Project. Project Number: 31243, Loan Number: 1907-MON (SF) October 2010

⁶ Cost-sharing arrangements with local governments were made through a Memorandum of Understanding between each pilot aimag, the Cabinet Secretariat and the UNDP, and the total local contribution was amounted to around US\$120,000 annually in 2008-2011, which was 50 percent of the total grants provided by the UNDP.

Based on the above background and lessons learned from the past and ongoing donor interventions, the project will focus on strengthening the institutions required for the delivery of water and sanitation, including clarifications of roles and responsibilities of different actors, improving financing and accountability mechanisms, thus complementing interventions by the UN joint programme which focuses on water and sanitation infrastructure improvements in the selected local areas, behavioral and hygiene education and community ownership of water resources. UNDP is in a good position to provide technical assistance in this area and promote pro-poor investments including the small-scale infrastructure for the provision of water and sanitation services in rural settlements as well as integrating the capacity development support to local governments that is needed for sustaining the result of the investments.

Part III. Strategy

As the performance of MDG 7 targets to halve the proportion of people without sustainable access to safe drinking water and basic sanitation varies significantly between different locations of the country (Figures 1 and 2), there is an increasing need to target funding for public investments in off-track areas in order to accelerate MDG achievements nationwide. Access to safe drinking water and sanitation has a fundamental impact on MDG measures related to poverty, health and education.

UNDP's MDG Breakthrough Strategy calls for actions at the country level which take into account the voices of the poorest and most marginalized populations, developing the capacity of local organizations and agencies to deliver, and better aligning central and local policies and institutional frameworks. The MDG action agenda for the period 2010-2015 also stresses the importance of relying on national ownership which requires broad consultation and participation by all citizens through the direct use of representative political structures in order to sustain more effective and sustainable development outcomes.

Development objectives

Within the MDGs Acceleration Framework, the overall objective of the Project is to develop capacity of local governments for improved delivery of water and sanitation services in rural areas and enhance local resource mobilization, thereby contribute to the achievement of the national MDG 7 target by 2015.

Project approach and strategies

MDG Roadmap on water and sanitation, approved by the Government in 2011 will serve as a guiding framework for the implementation of this project. The project will build on the experience and lessons learned from the previous assistance of UNDP in relevant areas – LGSP, which piloted funding mechanisms for local service delivery and infrastructure and enhanced decision-making capacity by local governments in resource allocation and participatory processes; and the PMMS project - "Support to the National Poverty and MDG Monitoring and Assessment Systems", which supported MDG localization and preparation of MDG progress reports and action plans for MDG acceleration at the aimag level. This project has benefited from the generous funding support from the Government of Korea – USD1,1016,000 in 2008-2011. The project activities will be well coordinated with those of UNDP's new "Capacity Strengthening of Local Self-Governing Bodies" Project for the period 2013-2016 that will cover all provinces of the country.

Downstream activities of the project will focus on selected aimags only – **Bulgan, Uvurkhangai, Tuv and Dundgobi** – with the lowest rate of access to safe water and adequate sanitation. As summarized in Table 1, rates of access to safe water and adequate sanitation in target *Aimags* are still relatively low when *soums* Aimag centers are excluded. This is especially true for access to adequate sanitation, the average rate of which equals to 12.9% for four target *aimags*. Project activities will target rural population only, mainly *soum* center public entities, including schools, dormitories, kindergarten and hospitals. A total of 10 *soums* are expected to be covered by the project. Selection of *soums* will be made based on additional study and discussions with local and central Governments within the first two months after the start of project implementation. Local Governments are expected to cost-share through the local budget. *Soums* will be approved by the first Project Board meeting. Selection criteria include:

- Lowest rates of access to safe water and sanitation within the particular Aimag
- Highest number of cases of hygiene-related diseases (diarrhea and Hepatitis A) among school children and soum population
- Inclusion in the New Soum Programme
- Local Government cost-sharing commitment.

For establishment of engineering structures proven innovative technologies will be applied that are low-maintenance and suited to conditions of small rural settlements.

Table 1. Access to safe water and adequate sanitation in target *aimags*

Aimags	Access rates including Aimag centers (%)		Access rates excluding Aimag centers (%)	
	Water	Sanitation	Water	Sanitation
Bulgan	59.86	18.48	52.09	14.82
Dundgobi	59.16	20.15	43.32	13.41
Uvurkhangai	61.05	16.1	41.33	9.3
Tuv	73.46	20.44	67.8	13.87

By using a rapid capacity assessment tool (to be developed by the project based on UNDP's capacity development framework), capacity development support will be targeted where these procedures and processes are found to be insufficient and unsatisfactory. The decisions on selection of specific project sites, funding and identification of project beneficiaries will be made using local representative political structures through consultative and participatory processes involving the most vulnerable and disadvantaged groups.

The project will use the lessons learned from international experience in public-private partnerships⁷ (PPPs) for increased access to water and sanitation for the achievement of MDGs. Soum level public utilities management model proposed by UNDP's GoAL-WaSH initiative will be used as a model for pilots. It will assist in awareness raising on PPPs and where possible, finding local solutions by piloting a PPPs scheme in a selected aimag. For this purpose, the project will closely work with the Capacity Development Group of UNDP and the concerned government agencies and local governments of Mongolia.

Citizens' monitoring groups will be established and maintained to oversee the implementation of investment projects and service delivery. Procedures for participatory audit of local government service delivery, with a special focus on Public utility management models, will be developed. Practical tools to receive feedbacks from citizens will be tested for service delivery performance to assist developing processes to strengthen accountability of local representative bodies to their constituencies.

The lessons from the project will be distilled and documented for feeding into policy decisions as well as aimag-to-aimag experience sharing and learning. The project will support an assessment of the current pattern of policy, provision and production arrangements for water and sanitation services and how they are defined and actually

⁷ For example: Every Drop Matters with Coca Cola, and the Community Water Initiative, MDG GoAL-WaSH A partnership between the UNDP Water Governance Facility, SIDA and the Basque Water Agency of Spain.

practiced, identify any arising problems (e.g. ambiguities, contradictions, overlaps, etc.), including the roles assigned to the private providers and corresponding funding mechanisms. It will also conduct a study on cost recovery and tariff setting for water and sanitation and facilitate a decision to adopt more transparent and efficient mechanisms for financing and subsidizing utilities at local levels. Standards for water and sanitation service delivery will be developed for review by the central government concerned agency and *aimag* administrations.

For all project related interventions and activities, the Project will foster close coordination and information sharing between government key ministries and agencies, which are primarily assigned with functions related to financing, setting up a regulatory framework and service standards, coordination and monitoring, namely, the Cabinet Secretariat, the Ministry of Finance, the Ministry of Construction and Urban Development, and mobilize their inputs in delivering the project outputs. Existing coordination platforms will be applied to the extent possible, including the UN WaSH Thematic working group, WaSH Emergency Cluster etc. It will also seek a synergy between projects supported by international development partners in the area of RWSS, including that of KOICA.

Expected outputs and indicative activities:

Output One. Improved oversight, monitoring, policy coordination and service delivery arrangements for rural water and sanitation

- Activity mapping along the levels of the government and allocation of functions, funds and personnel in policy, provision and production arrangements for water and sanitation, feeding into the functional review carried out by the GOM;
- Review of the performance and effectiveness of public utilities management based on customers' satisfaction and feedback surveys.
- Support to review of service standards, performance indicators with baseline and target indicators and monitoring framework, pricing and cost-recovery policies.
- Setting up a knowledge management system to support aimag-to-aimag and national experience sharing and analysis of lessons emerging from field operations, and for policy awareness (seminars, targeted study tours, etc).

Output Two: Capacity of local institutions strengthened for improved service delivery

- Develop a rapid capacity assessment tool tailored to the needs of local government service delivery in Mongolia.
- Conduct a CD needs assessment in functional areas of local governments. Rather than just identifying 'training needs', the project will explore factors and constraints affecting local government performance such as human resource constraints, material and logistical constraints, inappropriate or vague procedures, systems and rules and inadequate incentives, leading to policy reforms in this area.
- Develop a set of participatory planning, budgeting, procurement and expenditure monitoring and management guidelines and tools – and user-friendly training materials – for Soum and Aimag authorities. These will be fully consistent with the institutional and regulatory framework for local government.
- Support for improved monitoring and accountability. This too would entail the testing of procedures consistent with the legal and institutional framework for local government, building on LGSP, experience, and then a national roll-out to enable:

- Citizen groups to be better able to monitor delivery by their local authorities, testing out customer feedback tools on effectiveness of Public utility service;
- Soum and Aimag Hurals (elected bodies) - to better undertake their statutory oversight and monitoring role of the local executive.
- Testing of a mechanism to allow local authorities to ‘buy-in’ support for an agreed menu of activities. This would be important in developing a demand-driven dimension to the CD agenda.
- Given the scarcity of the national expertise in decentralization and related capacity development, the project will deploy international and national advisers for 3 months.

Output Three: Water and sanitation services expanded in selected areas

- Multiplier investments including small-scale and mono type waste water treatment facilities, establishment of new safe water sources, public baths and gender-sensitive sanitation facilities;
- Provide technical support in project management, engineering design, survey, procurement and construction supervision.
- Pilot *soum* level public utilities management options through tri-partite agreements and where possible, PPP scheme in a selected aimag;
- Implement a Behavior Change Communication programme for school children and soum center population

Value-added of the project

Since the project is building on the demonstrated success and lessons from the LGSP, there is a less risk in delivering the expected outputs and results in scaling up local level interventions to the policy level within a short span of time. The timing of the project corresponds to the ongoing reform of intergovernmental fiscal relations, therefore, the project may be able to contribute to filling of the institutional gap that long persisted in the delivery of rural water supply and sanitation. The main advantage lies in the project’s approach which aims to address the issues related to water and sanitation from governance and capacity development perspectives which previous donor funded projects overlooked or had a limited success, especially in the area of setting the pricing policies and regulatory and management frameworks.

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:

- 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;
- For capital investments for improving the physical infrastructure of water and sanitation, the project will seek to leverage and mobilize national and local budget resources. As such, it will provide local governments assistance in preparing solid technical and budget proposals where necessary. Project funding for such investments will be used only for the demonstration and capacity development purpose in each selected aimag.
- Broad-based consultations with the project beneficiaries during all stages of the project implementation and mobilize local hurals for promoting the culture of participation;

- Awareness raising among the users of the services on the benefits of service improvements through user fees and charges and develop a cost recovery policy with active participation of *Aimag* hurals and *Aimag* governors in order to sustain the public utilities services;
- Establishment of a knowledge management system using web-based tools and other means for experience and knowledge product sharing;
- Development of service standards and performance indicators and establishment of monitoring systems.
- Institutionalization of participatory service delivery monitoring tools.

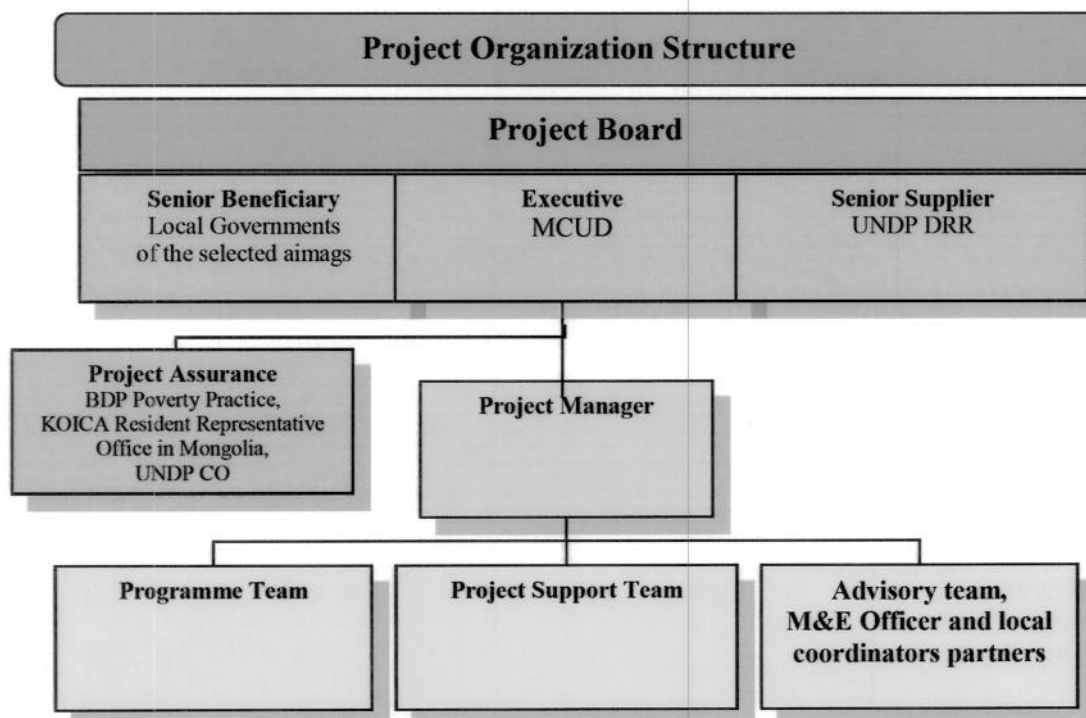
Part IV. Results & Resources Framework

<p>Intended Outcome as stated in the Country Programme Action Plan Results and Resource Framework: <u>Outcome 4:</u> Equitable access to safe water and sanitation services in urban ger areas and rural settlements; <u>Outcome 12:</u> Strengthened governance for protection of human rights and reduction of disparities.</p>			
<p>Output and targets as indicated in CPAP 2012-2016: Output 2.1: Policy framework for decentralization created; local government capacity for service delivery increased. Targets: - Review of functional assignments and service standards for MDGs sensitive services</p>			
<p>Output 3.5: Innovative and cost-efficient technologies made available for reducing disparities in access to safe drinking water and adequate sanitation. Targets: - Innovative and affordable sanitation technologies for small settlements made available with approved BCNS - Public Utilities Service Management model demonstrated for soum centers Indicator: Cases of diarrhea and Hepatitis A among the target <i>soum</i> kindergarten and school children Baseline: TBD Target: 20% decrease</p>			
<p>Partnership Strategy: Partnerships to be forged with the Ministry of Construction and Urban Development, Cabinet Secretariat, Ministry of Finance, and other relevant line ministries, local governments, CSOs, the private sector, academic institutions and key development partners</p>			
<p>Project title and ID (ATLAS Award ID): Scaling up Support to Local Service Delivery for the MDGs: Rural Water and Sanitation</p>			
	Intended Outputs	Output Targets for (years)	Indicative Activities
	Output One: Improved oversight, monitoring, policy coordination and service delivery arrangements for rural water and sanitation	<p>2013: Review of Functional Assignment completed and recommendations made</p> <p>2014: Policy recommendations made on service provision modalities, including that of private providers. Service standards are</p>	<ul style="list-style-type: none"> Activity mapping along the levels of the government and allocation of functions, funds and personnel in policy, provision and production arrangements for water and sanitation, feeding into the functional review carried out by the GOM; Develop and test tools to receive customer feedback on effectiveness of local Public utilities management arrangements. Support to review of service standards, performance indicators with baseline and
			Responsible parties
			MCUD, UNDP
			Inputs US\$
			450,000

	set and monitoring tools available	<ul style="list-style-type: none"> target indicators and monitoring framework, pricing and cost-recovery policies. Setting up a knowledge management system to support aimag-to-aimag and national experience sharing and analysis of lessons emerging from field operations, and for policy awareness (seminars, targeted study tours, etc). 		
<p>Output Two: Capacity of local institutions strengthened for improved service delivery</p>	<p><u>2013:</u> CD needs assessment conducted <u>2014:</u> Aimags received CD support and recommendations for policy reforms made to the Government</p>	<ul style="list-style-type: none"> Develop a rapid capacity assessment tool; Conduct a capacity development needs assessment; Develop a set of participatory planning, budgeting, procurement and expenditure monitoring and management guidelines and tools Recruit an international and national advisers 	UNDP CO, CDG	400,000
<p>Output Three: Water and Sanitation Services expanded in the selected areas</p>	<p><u>2013:</u> At least 2 water and sanitation facilities established <u>2014:</u> At least 10 water and sanitation facilities established</p>	<ul style="list-style-type: none"> Multiplier investments such as small-scale mono type waste water treatment facilities, establishment of new safe water sources, public baths and gender-sensitive sanitation facilities; Provide technical support in project management, engineering design, survey, procurement and construction supervision. Pilot soum level public utilities management structure, where possible, PPPs scheme in a selected aimag; 	UNDP, MCUD, Local Governments	1,000,000
Project Management Support		<ul style="list-style-type: none"> Project personnel Project administration costs 		220,000 180,000
Total Budget				\$2,250,000

Part VI. Management Arrangements

The Implementing Agency of this project is the Ministry of Construction and Urban Development.



Project Board (PB)

A Project Board shall be set up and consists of the following roles:

- **Senior Executive** role the Ministry of Construction and Urban Development representing the project ownership to chair the group;
- **Senior Supplier** role (UNDP DRR) role to provide guidance regarding the technical feasibility of the project, and
- **Senior Beneficiary** role (Participating local governments) to ensure the realization of project benefits from the perspective of project beneficiaries.

The Project Board is responsible for making by consensus management decisions for the project when guidance is required by the Project Manager, including recommendation for UNDP/Implementing Partner approval of project revisions. In order to ensure UNDP's ultimate accountability, final decision making rests with UNDP in accordance with its applicable regulations, rules, policies and procedures. Project reviews by this group are made at designated decision-making points during the running of the project, or as necessary when raised by the Project Manager (PM). This group is consulted by the PM for decisions when PM tolerances (i.e. constraints, normally in terms of time and budget) have been exceeded.

Project Assurance

This will be the primary responsibility of UNDP who will support the Project Board by carrying out objective and independent project oversight and monitoring functions. This role ensures that appropriate project milestones are managed and completed. Apart from

the CO of Mongolia, BDP Poverty Practice and KOICA Resident Representative in Mongolia will carry the additional assurance role by informing the Government of Korea on the project progress and facilitating the project evaluation.

Project Manager

The Project Manager has the authority to run the project on a day-to-day basis on behalf of the PB within the constraints laid down by the PB. The Project Manager will be responsible for day-to-day management and decision-making for the programme. The Project Manager's prime responsibility is to ensure that the project produces the results specified in the project document and work-plans, to the required standard of quality and within the specified constraints of time and cost.

Programme Team

Technical assistance and advisory activities will be the responsibility of a small team of international (short term) and national (long and short term) experts. This team will have a central, UB-based unit and local units to cover the target *aimags* and *soums*.

Project Support team

Project Support role shall provide project administration and management support to the Project Manager as required by the needs of the project. This role shall consist of an Administrative and Financial Officer, Secretary/Translator and Driver/Messenger.

The Implementing partner shall provide for office premises, telecommunication lines and other agreed inputs to the project.

Part VII. Monitoring and Evaluation

Project quality assurance and monitoring will be done at two levels: firstly to *validate* that the management and operations of the project are consistent with the policies and approaches articulated in the Results Management section of the UNDP User Guide, and secondly to *verify* that the deliverables and outputs of the project are produced at an acceptable level of quality. Validation ensures that the project is conducted in the "right way" and verification ensures the project produces the "right quality."

Project monitoring is the responsibility of the Country Office, which may designate one or more individuals to assume this responsibility as part of the Project Assurance role. The Government of Korea may assign the KOICA Resident Representative office in Mongolia for additional assurance support.

A project monitoring plan and approach will be prepared in the initial stage of the project, defining how project validation and verification efforts will be conducted, outlining monitoring review schedules, responsibilities, and reporting as well as identifying appropriate specific performance indicators.

The success of the Project can be measured through feedback from beneficiaries and stakeholders who use its services, as well as indirectly and with a lag through measurement of country progress towards achievement of national MDGs. The monitoring

plan will outline how project success will be measured, and how both beneficiary feedback and MDG progress will be used to measure the results of the project.

The project will identify the selected policies and interventions that will be subject to standard evaluation methods, including impact evaluation.

Performance indicators

It is to be noted that the Project Results and Resources Framework presented in Part IV of the present document also identifies output indicators for intended outputs of the project.

Annual Review Report: An Annual Review Report shall be prepared by the Project Manager and shared with the Project 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.

Part VIII. 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.

This project will be implemented by the Ministry of Construction and Urban Development (Implementing Agency) in accordance with its financial regulations, rules, practices and procedures only to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. Where the financial governance of the Implementing Agency does not provide the required guidance to ensure best value for money, fairness, integrity, transparency, and effective international competition, principles of UNDP shall apply.

The responsibility for the safety and security of the Implementing Agency and its personnel and property, and of UNDP's property in the Implementing Agency's custody, rests with the Implementing Agency. The Implementing Agency 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 agency'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 this agreement.

The Implementing Agency 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/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

Annexes

- Annex I: Risk Analysis
- Annex II: Terms of References
- Annex III: Mapping of recent and ongoing donor interventions in water and sanitation sector (by aimags)
- Annex IV Environmental and social screening summary
- Annex V Letter of Agreement for provision of support services
- Annex VI Description of UNDP CO support services

Annex I: Risk analysis

Risk Category	Risk Rating	Risk Description	Risk Mitigation Measure
Uncertainty in policy decisions	M	The exercise on the functional review may not result on a concrete policy decision to clarify functions assigned to different actors as the process requires support from the high level and line ministries.	Active partnership will sought to get support from central ministries responsible for RWSS.
Short construction season	L	Due to the climate condition the construction season is short in Mongolia (literally from June through September). Therefore some construction work may not be completed on time.	The project will plan well in advance construction and refurbishment work and start preparation processing including procurement as early as possible.
Lack of central coordination and monitoring	M	It may be challenging to improve coordination between central government ministries without strong leadership from the top.	The project will seek support and commitment from the highest possible level of the government. It will support different forums where policy and inter-ministerial coordination issues can be discussed.

Annex II. Terms of References

Terms of References of the Project Board

The **Project Board** (PB) provides overall technical advisory and management guidance, project assurance and oversight for the implementation of the project. Day-to-day coordination of the project will rest with the Project Manager. Appointments to the PB will be on an honorary basis and no fees will be paid.

The PB will have the following representations:

- Ministry of Construction and Urban Development – *Chair of the Board/Executive*
- Ministry of Construction and Urban Development - (Housing and Public Utilities Policy Implementation Department)
- UNDP (Deputy Resident Representative/Programme Officer)
- Ministry of Finance
- Ministry of Environment and Green Development
- KOICA
- Representatives of the target Aimag/soum government

The Project Board will meet annually at least, or if need be, more often, to review progress of the project.

The Project Board will be responsible for the following:

- Provide overall guidance and direction to the project, ensuring it remains within any specified constraints;
- Agree on Project Manager's tolerances in the achievement of Outputs and Activities;
- Review and approve end project report, make recommendations for follow-on actions;
- Provide ad-hoc direction and advice for exceptional situations when the project manager's tolerances are exceeded;
- Assess and decide on project changes;
- Assure that all planned deliverables are delivered satisfactorily.
- To monitor project implementation in terms of effectiveness and timeliness of inputs and in terms of the success of project activities.
- To oversee and provide guidance to project activities and ensure such activities address national priorities.
- To monitor project implementation to ensure that it remains in-line with the approved project document, financial rules and regulations of UNDP and requirements of any other donors providing co-funding.
- To provide a forum for ensuring an integrated approach to project activities and serve as a forum for stakeholder input and discussion.
- To resolve any conflicts or disagreements that arises with respect to project activities that cannot be resolved by the project team.
- To facilitate implementation of project activities in their respective organizations.
- To review Annual Project Reports (APRs) and annual workplans and budgets for project activities and consider proposed changes as recommended.

For the process of closing a project:

- Assure that all products deliverables are delivered satisfactorily;
- Review independent project evaluation and approve the end project report;
- Make recommendations for follow-on actions and post project review plan;

- Notify project closure to the Outcome Board.

Terms of References of the National Project Director

Duties and Responsibilities

Ministry of Construction and Urban Development (MCUD) has been designated by the Government of Mongolia to oversee the national implementation (NIM) of the UNDP-supported project on its behalf.

1. The **National Project Director** (NPD), appointed by the MCUD, is a government representative, responsible for supporting implementation of the project. The NPD serves as the focal point on the part of the MCUD as such ensures effective communication between the government and other relevant national stakeholders/actors and monitors the progress towards expected outputs and strategic results under the project.
2. Specifically, the NPD's major responsibilities, in close collaboration with UNDP CO and the MCUD are:
 - (a) Undertake project advocacy at the policy level (high officials of the parliament, cabinet, line ministries, government agencies and other public sector institutions, civil society, private sector and the donor community) to ensure national commitment and contribution to the project objectives;
 - (b) Undertake policy level negotiations and other activities to facilitate effective and efficient project implementation and maximize its impact;
 - (c) Provide policy guidance to the PIU (Project Implementation Unit) congruent with national policies, including for the selection of local consultancy, training and other specialist services;
 - (d) In consultation with the Ministry of Foreign Affairs (MFA) and the Designated institution concerned, ensures that requisite financial allocations are contained in the national budget, in accordance with the in-kind, cash or cost-sharing budgets, and the established schedules of payment;
 - (e) Ensures that the project document revisions requiring Government's approval are processed through the MF (as a Government's Coordinating Authority), in accordance with established procedures;
 - (f) Participate in the finalization and approve the Project Annual and Quarterly Work Plans and budget, in close discussion with the UNDP, to maximize the leverage of the project resources in order to achieve the desired overall state of development and immediate objectives set out in the project document; s/he may also approve individual payments on a day-to-day basis.
 - (g) Supervise and approve the project budget revision and NIM delivery report;
 - (h) Review jointly with the PIU success indicators and progress benchmarks against expected project outputs so that progress can be assessed, and review and clear Annual Project Progress and Terminal Reports;
 - (i) Conduct regular monitoring sessions with UNDP and the PIU, including Project Appraisal Committee (PAC) Meeting, to measure progress made or achieved towards the project objectives, and comment on Project Review and Evaluation Reports;
 - (j) Report regularly to the Project Board on the project progress, in conjunction with the PIU staff;
 - (k) Assess on regular basis staff work performance in the PIU, including that of National Project Coordinator, Administrative & Finance Officer and other staff;

- (l) Establishes close linkages with other UNDP and UN supported as well as other donor or nationally funded projects/programmes in the same sector

Terms of References of the National Project Coordinator

Organizational Setting

The **National Project Coordinator** (NPC), under supervision of the National Project Director (NPD), will be responsible for achieving the outputs and, hence, objectives of the project, and ensuring the co-operation and support from the implementing partner.

Job content

The NPC will be responsible for managing the implementation of the project, which includes personnel, subcontracts, training, equipment, administrative support and financial reporting keeping the NPD aware of all relevant factors which could impact on project implementation. The specific responsibilities of the NPC will be to:

1. Set up and manage the project office, including staff facilities and services, in accordance with the project work plan;
2. Prepare and update project workplans, and submit these to the NPD and DRR UNDP for clearance and ensure their implementation consistent with the provisions of the project document.
3. With respect to external project implementing agency:
 - a) ensure that they mobilize and deliver the inputs in accordance with the implementation agreement and contract, and
 - b) provide overall supervision and/or coordination of their work to ensure the production of the corresponding project outputs.
4. Act as a principal representative of the project during review meetings, evaluations and in discussions and, hence, be responsible for preparation of review and evaluation reports such as the Annual Project Report (APR) for the consideration of the NPD.
5. Ensure the timely mobilization and utilization of project personnel, subcontracts, training and equipment inputs, whether these are procured by the Executing Agent itself or by other implementing agents:
 - a) identify potential candidates, national and international, for posts under the project
 - b) prepare the ToR, in consultation with the implementing agent and subcontractors;
 - c) prepare training programmes (in consultation with the implementing agents) designed for staff, with particular emphasis on developing an overall training plan.
 - d) draw up specifications for the equipment required under the project; procure such equipment according to Government and UNDP rules and procedures governing such procurement.
6. Assume direct responsibility for managing the project budget on behalf of the NPD, ensuring that:
 - a) project funds are made available when needed, and are disbursed properly;
 - b) accounting records and supporting documents are kept;
 - c) required financial reports are prepared;
 - d) financial operations are transparent and financial procedures/regulations for NEX projects are applied; and

- e) the project is ready to stand up to audit at any time.
- 7. Exercise overall technical and administrative oversight of the project, including supervision of national and international personnel assigned to the project.
- 8. Report regularly to and keeps the NPD/Implementing Agency and UNDP CO up-to-date on project progress and problems, if any.
- 9. Ensure timely preparation and submission of required reports, including technical, financial, and study tour/fellowship reports;
- 10. Perform others coordinating tasks as appropriate for the successful implementation of the project in accordance with the project document.

Responsibilities on project completion and follow-up

In order to ensure the efficient termination of project activities, the NPC will:

- 1. Prepare a draft Terminal Report for consideration at the Project Board Meeting, and submits a copy of this report to the UNDP Resident Representative and designated Implementing Agency’s official for comments at least 12 weeks before the completion of the project;
- 2. Make a final check of all equipment purchased under the project through a physical inventory, indicating the condition of each equipment item and its location; discusses and agrees with the UNDP and the implementing agent(s) the mode of disposition of such equipment and follow up on the exchange of letters among the UNDP, Government and implementing agent(s) on the agreed manner of disposition of project equipment; take action to implement the agreed disposition of equipment in consultation with the project parties.
- 3. Ensure all terminal arrangements relating to project personnel are completed at the final closure of the project.

Accountability

The NPC will work under the general guidance of and report to the National Project Director and is accountable to UNDP for the manner in which he/she discharges the assigned functions.

The NPC shall discharge his/her duties in line with the rules and procedures set forth in the UNDP National Implementation Manual and other project management guidelines including, where applicable, the provisions of the agreements concluded with cost-sharing donors. The NPC acts as the Certifying Officer. As such, he/she is responsible for the actions taken in the course of his/her official duties. The NPC may be held personally responsible and financially liable for the consequences of actions taken in breach of the prevailing financial rules and regulations.

General qualifications

- Education: Post-graduate level in water and sanitation and/or construction engineering
- Experience: At least 5 years work experience in the relevant area;
Demonstrated management experience and organizational capacity;
Previous experience/familiarity with UNDP (or other donors) an asset.
- Skills: Good analytical, interpersonal and communication skills and advanced level of computer skills
- Language: Fluent in both English and Mongolian

Annex III: Mapping of interventions in the Water and Sanitation Sector by development partners (by aimags)

	Aimags	UNDP LGSP (2007-2011)	UNDP MDG Localization	UNDP Water and sanitation programme/GoAL-WaSH (2008-2013)	ADB Urban Development Sector project (2008-2012)	ADB Loan: Integrated Development of Basic Urban Services in Provincial Towns (2002-2009)	ADB Southeast Gobi Urban and Border Town Development Project (2010-2015)	Proposed under the Project
	Western region							
1	Bayan-Olgii	•						
2	Govi-Altai	•	•	•			•	
3	Zavkhan							
4	Uvs		•				•	
5	Khovd			•				
	Khangai region							
6	Arkhangai				•			
7	Bayankhongor			•				
8	Bulgan				•			•
9	Orkhon							
10	Ovorkhangai							•
11	Khovsgol		•				•	
	Central region							
12	Govisumber							
13	Darkhan-Uul							
14	Dornogovi				•	•		
15	Dundgovi	•	•		•		•	•
16	Omnogovi			•	•	•		
17	Selenge							
18	Tuv	•						•
	Eastern region							
19	Dornod		•		•		•	
20	Sukhbaatar				•			
21	Khentii	•			•			

Annex IV. Environmental and social screening summary

Name of Proposed Project: Scaling up Support to Local Service Delivery for the MDGs: Rural Water and Sanitation

A. Environmental and Social Screening Outcome

Select from the following:

Category 1. No further action is needed

Category 2. Further review and management is needed. There are possible environmental and social benefits, impacts, and/or risks associated with the project (or specific project component), but these are predominantly indirect or very long-term and so extremely difficult or impossible to directly identify and assess.

Category 3. Further review and management is needed, and it is possible to identify these with a reasonable degree of certainty. If Category 3, select one or more of the following sub-categories:

Category 3a: Impacts and risks are limited in scale and can be identified with a reasonable degree of certainty and can often be handled through application of standard best practice, but require some minimal or targeted further review and assessment to identify and evaluate whether there is a need for a full environmental and social assessment (in which case the project would move to Category 3b).

Category 3b: Impacts and risks may well be significant, and so full environmental and social assessment is required. In these cases, a scoping exercise will need to be conducted to identify the level and approach of assessment that is most appropriate.

B. Environmental and Social Issues (for projects requiring further environmental and social review and management)

In this section, you should list the key potential environmental and social issues raised by this project. This might include both environmental and social opportunities that could be seized on to strengthen the project, as well as risks that need to be managed. You should use the answers you provided in Table 4.1 as the basis for this summary, as well as any further review and management that is conducted.

All environmental and social benefits, impacts and risks are factored into the project design. The project is designed to have no measureable negative environmental and social impacts. The project will improve environmental integrity and social welfare, including reducing inequalities in access to quality social services, advancements in gender equality and participatory decision-making of local communities and local self-governing bodies. The project will safeguard, rather than risk the interests of vulnerable communities in small rural settlements, as well as rural nomadic households. Provision of safe water supply and improved sanitation is expected to increase the daily per capita water consumption, and therefore, wastewater discharged to the environment. The technologies to be applied for physical infrastructures will be innovative and less water consuming and potentially waste waters re-used.

C. Next Steps (for projects requiring further environmental and social review and management):

In this section, you should summarize actions that will be taken to deal with the above-listed issues. If your project has Category 2 or 3 components, then appropriate next steps will likely involve further environmental and social review and management, and the outcomes of this work should also be summarized here. Relevant guidance should be obtained from Section 7 for Category 2, and Section 8 for Category 3.

A team comprising of international advisor and national experts will be made available for the project implementation and will continuously monitor project outputs and results to

ensure the project remains on-track to avoid any possible negative environmental and/or social impacts. Every physical infrastructure to be established through the project, depending on the size and capacity, will have undergone the Government's thorough scrutiny procedures in terms of ensuring technical accuracy, as well as Environmental Impact Assessment as per national laws and regulations. The project will also ensure a multi-sectoral coordination platform at the central level. It is designed to reflect the specific needs of local communities and a consultative process will be ensured with stakeholders at all levels, and particularly in rural areas, directly engaged and opinions solicited. UNDP's guidance documents identified in section 7 of the UNDP ESSP guidance have been taken into account while developing this project document, and will be continuously consulted during project implementation.

D. Sign Off

Project Manager

Date

PAC

Date

Programme Manager

Date

Annex V. Letter of Agreement for provision of Support Services

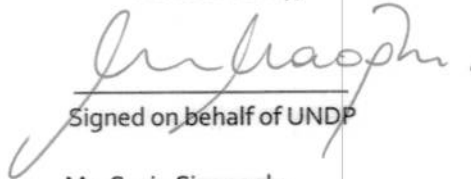
STANDARD LETTER OF AGREEMENT BETWEEN UNDP AND THE GOVERNMENT FOR THE PROVISION OF SUPPORT SERVICES

Excellency,

1. Reference is made to consultations between officials of the Government of Mongolia (hereinafter referred to as "the Government") and officials UNDP with respect to the provision of support services by the UNDP country office for nationally executed programme or projects. UNDP and the Government hereby agree that the UNDP country office may provide such support services at the request of the Government through its Implementing Partners designated in the relevant programme or project documents, as described below.
2. The UNDP country office may provide support services for implementation activities, such as assistance with reporting requirements and direct payment. In providing such support services, the UNDP country office shall ensure that the capacity of the Implementing Partners is strengthened to enable it to carry out such activities directly. The costs incurred by UNDP country office in providing such support services shall be recovered from the administrative budget of the office.
3. In addition, the UNDP country office may provide, at the request of the Implementing Partners, the following support services for implementation activities:
 - (a) Identification and assistance with and /or recruitment of project and programme personnel;
 - (b) Identification and facilitation of training activities, including study tours;
 - (c) Procurement of goods and services; and
 - (d) Access to UNDP-managed global information systems, the network of UNDP country offices and specialized systems containing operations information, including rosters of consultants and providers of development services.
4. The procurement of goods and services and the recruitment of project and programme personnel by the UNDP country office shall be in accordance with the UNDP regulations, rules, policies and procedures. Support services described in paragraph 3 above shall be detailed in an annex to the programme or project document, in the form provided in Attachment hereto. If the requirements for support services by the country office change during the life of a programme or project, the annex to the programme or project document is revised with the mutual agreement of the UNDP Resident Representative and the Implementing Partner.
5. The relevant provisions of the Standard Basic Assistance Agreement of 28 September 1976 (the "SBAA"), including the provisions on liability and privileges and immunities, shall apply to the provision of such support services. The Government shall retain overall responsibility for the nationally executed programme or project through its designated Implementing Partners. The responsibility of the UNDP country office for the provision of the support services described herein shall be limited to the provision of such support services detailed in the annex to the programme or project document.

6. Any claim or dispute arising under or in connection with the provision of support services by the UNDP country office in accordance with this letter shall be handled pursuant to the relevant provisions of the SBAA.
7. The manner and method of cost recovery by the UNDP country office in providing the support services described in the paragraph 3 above shall be specified in the annex to the programme or project document.
8. The UNDP country office shall submit progress reports on the support services provided and shall report on the costs reimbursed in providing such services, as may be required.
9. Any modification of the present arrangements shall be effected by mutual written agreement of the parties hereto.
10. If you are in agreement with the provisions set forth above, please sign and return to this Office two signed copies of this letter. Upon your signature, this letter shall constitute an agreement between your Government and UNDP on the terms and conditions for the provision of support services by the UNDP country office for nationally executed programme and projects.

Yours sincerely,

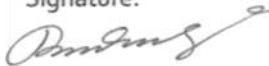


Signed on behalf of UNDP

Ms. Sezin Sinanoglu
Resident Representative,
UNDP Mongolia

For the Government of Mongolia

Signature:



Mr. Zandanshatar Gombojav

Minister of Foreign Affairs and Trade

DESCRIPTION OF UNDP COUNTRY OFFICE SUPPORT SERVICES


1. Reference is made to consultations between the *Ministry of Construction and Urban Development*, the institution designated by the Government of *Mongolia* and officials of UNDP with respect to the provision of support services by the UNDP country office for the nationally managed project *Scaling up Support to Local Service Delivery for the MDGs: Rural Water and Sanitation*".
2. In accordance with the provisions of the letter of agreement signed by Ministry of Foreign Affairs and UNDP for the provision of support services, attached to Country Programme Action Plan (CPAP) 2012 – 16 between the Government of Mongolia and United Nations Development Programme and the project document *Scaling up Support to Local Service Delivery for the MDGs: Rural Water and Sanitation*, the UNDP country office shall provide support services for the above Project as described below.
3. Support services to be provided:

	Support services (insert description)	Schedule for the provision of the support services	Cost to UNDP of providing such support services (where appropriate)	Amount and method of reimbursement of UNDP (where appropriate)
1	Identification and assistance with and/or recruitment of project personnel and international consultants	See AWP	Price List of UNDP	Atlas billing module and AWP/ QWP
2	Identification and facilitation of training activities, including international travel			
3	Procurement of goods and services in accordance with UNDP regulations and policies			
4	Access to UNDP-managed global information systems, the network of UNDP CO and specialized information systems including rosters of consultants and providers of development services. This service also covers access to management of ATLAS external and LMS profiles.			
5	Country office advisory service			
6	Communications and Advocacy service			
7	Security service			

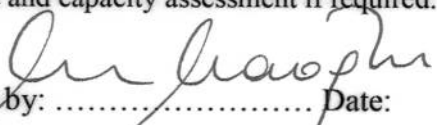
4. Description of functions and responsibilities of the parties involved:

Please refer to the Project document and Project Annual and Quarterly Work Plans for 2013-2014.

5. UNDP and the Ministry of Construction and Urban Development agree upon specific management arrangements and procedures for project implementation which will complement government's policies and procedures. Such agreement shall be materialized through a special annex - Implementation Set-up Table to the project document. The Implementation Set-up Table can be updated reflecting mid-term project progress and capacity assessment if required.

Signed by:  Date:

Ts. Bayarsaikhan
Minister of Construction and
Urban Development

Signed by:  Date:

Sezin Sinanoglu
Resident Representative
United Nations Development Programme