



## Mongolia: Promoting Effectiveness of Development Cooperation

Project Name	Promoting Effectiveness of Development Cooperation
Project Number	48187-001
Country	Mongolia
Project Status	Active
Project Type / Modality of Assistance	Technical Assistance
Source of Funding / Amount	<b>TA 8863-MON: Promoting Effectiveness of Development Cooperation</b> Technical Assistance Special Fund US\$ 700,000.00
Strategic Agendas	Inclusive economic growth
Drivers of Change	Governance and capacity development Knowledge solutions
Sector / Subsector	<b>Public sector management</b> - Public administration
Gender Equity and Mainstreaming	No gender elements
Description	<p>This technical assistance (TA) will support the Government of Mongolia (GOM) in identifying pragmatic solutions to improve the effectiveness of managing development assistance resources, including relevant international best practices contained in the Paris Declaration (2005), the Busan Partnership Document (2011), and the recent Mexico High Level Meeting Communiqu_ (2014), and recommend priority actions. The TA will also support the capacity of the GOM to effectively manage development assistance resources through (i) drafting a development assistance policy, (ii) better coordination with a broad range of development partners, (iii) human resource development.</p> <p>The TA is closely aligned with the Mongolia interim country partnership strategy (ICPS), 2014-_2016, which promotes good governance, and envisions a scale-up of ordinary capital resources to an annual amount of \$200 million from \$50 million, and is included in the Country Operations Business Plan (COBP), 2014-_2016. The TA is closely coordinated with relevant interventions by other development partners, in particular the World Bank (monitoring and evaluation of ODA) and UNDP (capacity building in development policy and planning).</p>

Project Rationale and Linkage to Country/Regional Strategy

The Mongolian economy, traditionally based on livestock herding, is experiencing a rapid transformation and economic growth due to the discovery of large mineral deposits and the development of the mining industry. While economic growth averaged about 10% over the past decade and has substantially boosted average incomes, about 27.4% of the population still lived below the national poverty line in 2012, largely as mineral-led growth has failed to generate substantial employment, with just 4% of the labour force engaged in this sector. In Ulaanbaatar, peri-urban informal settlements, or *\_ger areas\_*, are home to about 60% of residents and virtually not served by the city's heating, water supply, and sanitation network.

Hence, substantial public and private investment in infrastructure is needed to support economic growth, diversify the economy, and create jobs, while increasing access for all people to essential services like heat and power, health and education, housing, water, and sanitation. Mongolia's ability to tap international financial markets in recent years is notable, but it continues to face serious challenges in project planning, processing, and implementation. Therefore, development assistance continues to play an essential role in alleviating poverty through job creation, social protection, environmental protection, and strengthened governance, especially to aid the country to manage burgeoning mining revenues. As the relative size and concessionality of official development assistance (ODA) is declining as Mongolia moves towards becoming an upper middle income country, the effectiveness and efficiency of these scarce resources and the government's ability to align development partners' assistance with its priorities becomes increasingly important in face of these remaining challenges (1).

Unfortunately, the government's aid management capacity has been affected by repeated government restructuring. The Ministry of Economic Development (MOED) was created in 2012. It became responsible for planning foreign aid and the formal counterpart for ADB in 2012, together with the Ministry of Finance. As an entirely new agency, however, MOED has struggled severely to build its capacity to plan and coordinate development assistance and develop new systems and mechanisms for coordinating with the Ministry of Finance (MOF), other agencies, development partners, and key stakeholders (2). On 7 October 2014, a bill was passed to reduce the number of ministries from 16 to 13. According to this bill, the MOED is to be abolished with its functions being transferred to the MOF and Ministry of Foreign Affairs and Economic Cooperation, with the former becoming in charge again of loan and aid policy. Early indications are that this will take place with a very limited transfer of MOED staff. The MOF now faces the major challenge to rebuild its aid management capacity and bring its development assistance policies and practices rapidly in line with international best practices. The GOM is signatory of the Paris Declaration on Aid Effectiveness and has endorsed the Busan Partnership Document (the Declarations) establishing the Global Partnership for Effective Development Cooperation. A monitoring framework that tracks progress on the commitments agreed at the Fourth High Level Forum on Aid Effectiveness in Busan was recently discussed at the first ministerial-level meeting of the Global Partnership in Mexico. There are however no established implementation and coordination mechanisms in Mongolia to implement and monitor the commitments under the Declarations. For instance, Mongolia was not yet included in the list of countries assessed in the 2014 Global Partnership Monitoring Report.

(1) Increased gross domestic product per capita in recent years has led development partners, including the Asian Development Bank (ADB), to substitute grant financing for lending with increasingly less concessional terms, leading the government to increasingly explore alternative sources of development finance, especially by tapping international financial markets, and making use of its own Development Bank of Mongolia. Several bilateral development partners are in the process of scaling or shutting down operations in Mongolia.

(2) For instance, key governmental-development partner coordination mechanisms have fallen into disuse, including the annual coordination meeting chaired by the government and the World Bank which was considered ineffective and discontinued in 2012. Successor arrangements are needed to ensure that development assistance is well targeted and effective.

Impact	Alignment of development partners' assistance with GOM development priorities and objectives improved.
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**Project Outcome**

Description of Outcome	Performance of GOM to effectively plan and manage development assistance-supported projects improved.
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Progress Toward Outcome

**Implementation Progress**

Description of Project Outputs	Comprehensive aid management assessment against international best practices, including Mongolia's commitments under the Declarations, prepared along with pragmatic recommendations for improvement. Development assistance policy formulated. Effective government-development partner coordination mechanisms established. Skills of key government officials in development assistance management improved.
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Status of Implementation Progress (Outputs, Activities, and Issues)

1. Under this output, the TA will produce a comprehensive aid management assessment to benchmark development assistance processes and procedures against international best practices. The national consultants legal, development policy, and development coordination specialists who have been recruited in June and July 2016, conducted the aid management assessment through questionnaires collected from 10 development partners and 13 government institutions, interviews with the government agencies and development partners on quality and application of the development assistance regulations and procedures. The legal specialist reviewed the legal and regulatory framework related to the official development assistance and supported the MOF in preparing amendments to certain laws and regulations. The findings of the assessment have been prepared and expected to be finalized by the international consultants international development policy and development coordination specialists recruited in January 2017.

For the first time Mongolia participated in the second round of Monitoring Framework of the Global Partnership for Effective Development Co-operation, which was led by the TA Coordinator. The monitoring framework consists of a set of ten indicators which focus on strengthening developing countries and territories' institutions, increasing the transparency and predictability of development co-operation, enhancing gender equality, as well as supporting greater involvement of civil society, parliament and the private sector in development efforts. (<http://effectivecooperation.org/monitoring-country-progress/explore-monitoring-data/>) In total 8 bilateral, 11 multilateral organizations including UN agencies, civil society and private sector representatives have participated in the exercise reporting the effectiveness of the development assistance. The monitoring exercise highlights that the Government of Mongolia is currently focusing on building clear frameworks for each of the multilateral and bilateral development co-operation providers, but has yet to establish an overall cooperation and aid management policy. This is the first time Mongolia is participating in Global Partnership monitoring, which might become a first step to create a proper strategic framework for development cooperation to become effective in supporting national priorities. ([http://effectivecooperation.org/wp-content/uploads/2016/10/Mongolia\\_10\\_10.pdf?s](http://effectivecooperation.org/wp-content/uploads/2016/10/Mongolia_10_10.pdf?s))

2. Under this output, the TA will draft a detailed development assistance policy in line with international best practices for aid management. In October 2016, the MOF has established a working group to coordinate the policies related to the development assistance. The international development policy and development coordination specialists have started to work on the outline of the development assistance policy that was developed by the national development policy specialist. The consultants have been soliciting the ideas and comments from the government and donor agencies on the main features of the proposed policy through meetings and workshops with stakeholders. It is planned that the drafting of the policy will be led by the international development policy specialist. The draft policy will be prepared by June and approved by fall 2017 by the Cabinet.

3. Under this output, the TA will establish effective government development partner coordination mechanisms resulting in regular government-led coordination meetings at the national and/or sector level. The MOF organized a Donor Consultative Meeting in December 2016 reviving it after several years of interruption. The event was attended by over 40 development partners, government agencies, NGOs and other stakeholders. At the event the government introduced its Sustainable Development Vision 2030 and the priority sectors for the country's development; and urged to improve coordination between the Government Action Plan and development partners' partnership strategies.

The event was very much welcomed by the government and development partners and the government is committed to organize such integrated meeting on annual basis and aims to revive the sectorial donor coordination mechanisms. The establishment of the Development Partners Coordination Mechanism is reflected in the Government Action Plan for 2016-2020. The next Consultative Meeting is planned to be held in September/October 2017.

The international development coordination specialist, who has commenced his service from early March, has been meeting the government and donor agencies to create prototype of the sectorial coordination mechanism. It is planned that at least two sectorial donor consultation meetings will be organized under the TA from end March to September 2017. The consultant has been having meetings with sector ministries to gauge their interest and identify the best suitable sector to start with.

To enhance coordination on the implementation side, the TA consultants have proposed to hold a Joint Portfolio Review Meeting by the development partners together with the Government to share the findings of their own portfolio reviews, prioritize the systemic issues and bring to the attention of MOF for resolution. The results of the Joint Portfolio Review and the follow-up actions could be presented at the 2017 Consultative Meeting to provide a powerful signal that government is committed to improving implementation, an important element to gain further confidence and support from the development community. The MOF is supportive of the proposal, and tentatively the Joint Portfolio Review is planned to be conducted in June 2017. The idea has been well accepted by the government agencies and development partners. The MOF would need to take a leading role in the organization of such meeting.

4. Under this output, the TA will organize targeted training, high-level workshops, conferences and/or seminars to improve the skills of key government officials on the effective use and management of development assistance, including new global actors and funding sources. Since the TA implementation, three capacity building training sessions were organized for the MOF staff in charge of aid management. Five representatives of MOF, Ministry of Justice, Cabinet Secretariat, and Parliament Standing Committee for National Security and Foreign Affairs visited ADB headquarter in 2015 to learn about the ADB development aid policies, procedures and practices. The team building training, and negotiation skills development training were conducted for 43 staff of the Development Financing Department of MOF in 2015. In addition, the specialists of MOF and Cabinet Secretariat participated in the Budget Investment and Project Evaluation Training organized by the Government of the Netherlands in March 2017, whose per diems and visa fees were financed from the TA funds. The international development coordination specialist is assessing needs for capacity building on development cooperation and is expected to provide recommendations on the capacity building activities to be provided during the remaining period of TA implementation.

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Geographical Location

## Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

### Stakeholder Communication, Participation, and Consultation

During Project Design The stakeholders-the government agencies, the development partners and civil society have been consulted during preparation of the TA, and the TA design was built on their views and concerns related to effectiveness of the official development assistance.

During Project Implementation Since the TA outputs will be achieved upon active engagement of the stakeholders, both ADB and the MOF has been consulting and informing the stakeholders on the TA implementation activities, and engaging them in consultations on the draft ODA policy and in donor-government coordination mechanism.

## Business Opportunities

Consulting Services The Asian Development Bank (ADB) is in charge of the TA consultants' recruitment which will be conducted in accordance with ADB's Guidelines on the Use of Consultants (2015, as amended from time to time). By March 2017, all the TA consultants have been recruited and commenced their assignments. Due to resignation of the TA Coordinator, the recruitment of her replacement is ongoing.

Procurement The office equipment have been procured through Shopping for the usage of the TA Coordinator and Consultants.

## Responsible Staff

Responsible ADB Officer	Lonjid, Itgel
Responsible ADB Department	East Asia Department
Responsible ADB Division	Mongolia Resident Mission
Executing Agencies	<i>Ministry of Finance Government Building-2 Negdsen Undestnii gudamj-5/1 Ulaanbaatar-210646, Mongolia</i>

## Timetable

Concept Clearance	13 Oct 2014
Fact Finding	-
MRM	-
Approval	12 Dec 2014
Last Review Mission	-
Last PDS Update	28 Mar 2017

## TA 8863-MON

Milestones						Closing		
Approval	Signing Date	Effectivity Date	Closing					
			Original	Revised	Actual			
12 Dec 2014	20 Jan 2015	20 Jan 2015	31 Mar 2017	31 Mar 2018	-			

  

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
700,000.00	0.00	50,000.00	0.00	0.00	0.00	750,000.00	12 Dec 2014	260,386.17

Request for Information

<http://www.adb.org/forms/request-information-form?subject=48187-001>

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