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Report No: 48648-MN

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 1.4 MILLION
(US\$ 2 MILLION EQUIVALENT)

TO THE

MONGOLIA

FOR A

MONSTAT: STRENGTHENING THE NATIONAL STATISTICAL SYSTEM OF
MONGOLIA PROJECT

IN SUPPORT OF THE MULTI COUNTRY STATISTICAL CAPACITY BUILDING
PROGRAM

May 15, 2009

PREM Sector Department (EASPR)
East Asia Pacific Region (EAP)

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CURRENCY EQUIVALENTS

Exchange Rate Effective: May 15, 2009

Currency Unit	=	Mongolian Tugrik
MNT1,422	=	USD 1.00
MNT 2,135	=	SDR 1.00
US\$1.49558	=	SDR 1.00

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
BOP	Balance of Payments
CAS	Country Assistance Strategy
CPAR	Country Procurement Assessment Review
CPI	Consumer Price Index
CPPR	Country Portfolio Performance Review
EASPR	Poverty Reduction/Economic Management, East Asia and Pacific Region
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FMS	Financial Management System
FY	Fiscal Year
GDDS	General Data Dissemination System
GDP	Gross Domestic Products
GIS	Geographical Information System
GNI	Gross National Income
GOM	Government of Mongolia
IBRD	International Bank for Reconstruction and Development
ICM	Implementation Completion Memorandum
IDA	International Development Association
IMF	International Monetary Fund
IT	Information Technology
ISN	Interim Strategy Note
MAPS	Marrakech Action Plan for Statistics
MDG	Millennium Development Goals
MNT	Mongolian Tugriks
MONSTAT	Strengthening the National Statistics System of Mongolia
NDS	National Development Strategy
NSDS	National Strategy for the Development of Statistics
NSO	National Statistical Office
OECD	Organization for Economic Cooperation and Developments
PCT	Project Coordination Team
PIU	Project Implementation Unit

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POM	Project Operational Manual
PPI	Producer Price Index
PSC	Project Steering Committee
SMP	Statistical Master Plan
SNA	System of National Accounts
STATCAP	Statistical Capacity Building
TFSCB	Trust Fund for Statistical Capacity Building
UNICEF	United Nations Children Fund
WB	World Bank

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MONGOLIA
MONSTAT: Strengthening the National Statistical System of Mongolia

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MONGOLIA

MONSTAT: STRENGTHENING THE NATIONAL STATISTICAL SYSTEM OF
MONGOLIA

PROJECT APPRAISAL DOCUMENT

EAST ASIA AND PACIFIC

EASPW

<p>Date: May 15, 2009 Country Director: David R. Dollar Sector Manager/Director: Vikram Nehru</p> <p>Project ID: P113160 Lending Instrument: Adaptable Program Loan</p>	<p>Team Leader: Mustafa Dinc Sectors: General public administration sector (80%); Central government administration (20%) Themes: Economic statistics, modeling and forecasting (P); Managing for development results (P); Poverty strategy, analysis and monitoring (S); Other economic management (S); Other public sector governance (S) Environmental screening category: C</p>
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Project Financing Data			
<input type="checkbox"/> Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other:			
For Loans/Credits/Others: Total Bank financing (US\$m.): 2.00 Proposed terms: Standard IDA terms for Mongolia (40 years amortization including 10 year grace period for the Credit).			
Financing Plan (US\$m)			
Source	Local	Foreign	Total
BORROWER/RECIPIENT	0.00	0.00	0.00
International Development Association (IDA)	0.00	2.00	2.00
Korea Trust Fund	0.00	0.70	0.70
Trust Fund for Statistical Capacity Building	0.00	0.40	0.40
Total:	0.00	3.10	3.10
Borrower: Mongolia Responsible Agency: National Statistical Office of Mongolia			

Estimated disbursements (Bank FY/US\$m)								
FY	2010	2011	2012	2013	2014	2015	2010	
Annual	150,000	500,000	900,000	850,000	500,000	200,000	150,000	
Cumulative	150,000	650,000	1,550,000	2,400,000	2,900,000	3,100,000	150,000	
Project implementation period: Start June 1, 2009 End: June 30, 2014								
Expected effectiveness date: June 30, 2009								
Expected closing date: December 31, 2014								

Does the project depart from the CAS in content or other significant respects? Ref. PAD I.C.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project require any exceptions from Bank policies? Ref. PAD IV.G.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Have these been approved by Bank management?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is approval for any policy exception sought from the Board?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project include any critical risks rated "substantial" or "high"? Ref. PAD III.E.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project meet the Regional criteria for readiness for implementation? Ref. PAD IV.G.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Project development objective Ref. PAD II.C., Technical Annex 3
The main objective of the project is to improve efficiency and effectiveness of the national statistical system of Mongolia to enable it to provide relevant, timely and reliable data for evidence-based policy making in support of Government's MDG-based National Development Strategy (NDS).
Project description [one-sentence summary of each component] Ref. PAD II.D., Technical Annex 4
<ul style="list-style-type: none"> • Improving policy, regulatory, and institutional framework and the organizational structure of the statistical system • Strengthening the statistical infrastructure • Upgrading statistical operations (improving individual subject matter programs and methodologies as well as the existing data outputs) • IT infrastructure and equipment • Project management
Which safeguard policies are triggered, if any? Ref. PAD IV.F., Technical Annex 10
There is no safeguard issue triggered by the project.
Significant, non-standard conditions, if any , for: Ref. PAD III.F.
Board presentation: This is a STATCAP project, which is approved by the Regional Vice-President. No Board presentation required.
Loan/credit effectiveness: June 30, 2009

Covenants applicable to project implementation:

Management approval condition

The PCT has been set up by the NSO including the hiring of a procurement officer and a financial management officer.

The Project Operations Manual and the Financial Management Manual have been approved and adopted by the NSO in form and substance satisfactory to the Association.

Effectiveness condition:

The Subsidiary Agreement has been executed on behalf of the Recipient and the NSO in form and substance satisfactory to the Association.

The financial management officer and procurement officer of the PCT have completed their training in financial management and procurement respectively, in a manner acceptable to the Association, to ensure compliance with the accounting, monitoring and reporting requirements under the Project.

Other Covenants:

Maintain the NSC, throughout the period of implementation of the Project, headed by the Chairman of the NSO, with representation from the Recipient's executive branch, the Parliament and scientific research institutions.

Maintain throughout the period of implementation of the Project, a project coordination team (PCT), headed by a qualified and experienced Project Coordinator, and provided with sufficient resources and competent staff in adequate numbers, under terms of reference satisfactory to the Association.

Establish within the NSO, by no later than one month after Effective Date, and thereafter maintain throughout the period of implementation of the Project, a review and monitoring committee, headed by the Deputy Chairman of the NSO, with representation from, inter alia, the three (3) department heads of the NSO, and staff of the PCT.

Select and engage, by no later than December 31, 2009, the services of an independent auditor acceptable to the Association, under terms of reference satisfactory to the Association.

Prepare, and regularly update an Annual Plan for the Project identifying Project activities by component and sub-component, and their related expenditures and financing sources; which plan shall be submitted to the Association for review and comments.

There are other covenants relating to the subsidiary agreement and other implementation arrangements that are included in the Financing Agreement.

I. STRATEGIC CONTEXT AND RATIONALE

A. Country and sector issues

1. Mongolia is a landlocked country between Russia and China with an area of 1.6 million square kilometers and a population of 2.56 million. Mongolia is the least densely populated country in the world and more than a third of the population continues to rely on semi-nomadic livestock herding as their primary source of livelihood, and many more depend on it for part of their income. However, these ways of life are changing rapidly, as Mongolia undergoes political, economic, and spatial transitions. Mongolia has been doing quite well in its transition from a planned economy to a market economy since the early 1990s. Mongolia has held four peaceful and fair parliamentary elections since 1992. A framework of market and democratic laws and institutions has been put in place, there is an active media, and a vocal civil society increasingly engages on the political front. The Government has undertaken various fundamental economic reforms and significant progress has been made towards reducing the incidence of poverty. Even though the reform progress has moved in a “stop and go” fashion during the past decade, it should be noted that the direction of the overall reform path has been towards a market-oriented economy.

2. As a result of these developments there have been significant in-migration to urban areas; hence population and economic growth have become increasingly concentrated in the capital city of Ulaanbaatar. Even though poverty seems declining, still over a third of the population remains poor.

3. Recently, the Government of Mongolia has prepared a National Development Strategy (NDS), which was approved by the parliament that covers an ambitious development agenda with six main priorities to be carried out through 2021. The agenda includes: (i) achieving the MDGs; (ii) developing an export-oriented, high tech, knowledge-based economy; (iii) exploiting strategic minerals to build savings, growth, and modern processing industry; (iv) developing regions and infrastructure to reduce urban-rural disparities; (v) halting ecosystem imbalances; (vi) consolidating political democracy and an accountable system that is free from corruption and red tape. This ambitious agenda is quite data and information intensive and achieving the proposed goals requires a well functioning national statistical system.

4. Before 1990, the Mongolian statistical system was organized in a manner typical of command economies, with main reliance on compulsory submission of administrative reports by enterprises. In 1990, the Central Statistical Office was reorganized as the National Statistical Office (NSO), just at the time when Mongolia had begun to shift to parliamentary government and a market economy.

5. Since then the national statistical system in general and the NSO in particular have made significant improvements with the help of various donors and development agencies¹, however the national statistical system as a whole still needs improvements in general, and in certain areas where the project’s involvement could make a significant difference. The Bank provided a grant from Trust Fund for Statistical Capacity Building (TFSCB) to the National Statistical Office of

¹ For more details see Mongolia: National Strategy for the Development of Statistics, December 2007 sections 1-2

Mongolia (NSO) in 2001 to develop a Statistical Master Plan (SMP) among other statistical capacity improvement activities. The project was completed in June 2004 and the SMP was approved by the State Great Khural (Parliament) in January 2006. Recently, the NSO has received a small grant from the Bank (TFSCB) to prepare the National Strategy for the Development of Statistics (NSDS)² that updated the SMP along with a financing strategy for the implementation of it. The NSDS was completed and discussed at the stakeholders' consultation workshop in October 2007. Following the workshop the NSO submitted the NSDS to the National Statistical Council, which has approved the updated NSDS and new action plan in December 2007. The NSO has adopted this updated NSDS and action plan in order to implement it. Based on these developments the Minister of Finance has sent an official letter to the Bank requesting assistance for the implementation of the NSDS.

6. Another important point worth mentioning is the relevance and timeliness of the project in light of the ongoing global financial crisis and its implications for Mongolia. It should be noted that during the time of crisis the need for reliable official statistics becomes most apparent and urgent because of the well known fact that better decisions could be made if they are informed by good statistics. It should also be noted that the cost of poor decision making during such times could be very high. In that sense the value of reliable and timely statistics appears to be quite obvious, hence this investment in statistical capacity of the national statistical system seems quite timely. There are certain emerging needs as a result of the financial crisis such as good quality and reliable data on National Accounts and price statistics that are included as priority areas in the project. Further, the project focuses on the improvement of the fundamentals of the statistical system that are necessary to produce relevant, reliable and timely statistical data on their own. Improving dialogue between statisticians and policy makers as well as other users; and improving analytical capacity of both producers and users in using already existing data will help the government in crisis management.

7. The proposed project to implement the NSDS is in line with the major pillars of the current ISN and has been included in it as part of supporting the government to implement "second generation" reforms where the Bank can assist the Government in strengthening the national statistical system to produce reliable, timely and quality data for monitoring of key poverty and development indicators. The outputs of this project will help sustaining achievements of the ISN pillars in the mid to long term. Meanwhile, to build on what has been achieved and to avoid duplication the project team is closely coordinating with Governance Assistance Project that has a component on "Capacity Building for Data Transparency and Data Access for Poverty Monitoring" as well as with the Economic Capacity Building TA project.

B. Rationale for Bank involvement

8. Weak and ineffective national statistical systems seriously constrain decision making and monitoring progress in many countries. Limited statistical capacity remains the main obstacle to better monitoring of Poverty Reduction Strategies and to measuring progress towards the Millennium Development Goals (MDGs). It is also a major constraint on managing for

² The NSDS provides a road map for the next five years and implementation of it will significantly improve the capacity of NSO and other agencies that will be responsible for data collection and dissemination and monitoring and evaluation. It was developed by NSO with a TFSCB grant.

development results in many countries. The increased emphasis on results in both IDA 14 and IDA 15 has focused attention on the statistical systems of low income developing countries. The IDA 15 Results Measurement System in particular, focuses on the need to promote demand for good statistics, to close the gaps in data coverage and to eliminate statistical weaknesses through IDA operations or donor community initiatives.

9. The rationale behind the Bank's involvement and its leadership in this project can be explained by two main reasons. First, the Bank has a mandate to lead in statistical capacity activities particularly in IDA countries. During the IDA 14 replenishment negotiations, deputies requested that IDA should play a leadership role in the global partnership for statistical capacity-building. This was reinforced during the IDA 15 negotiations. As part of the IDA15 Results Measurement System, results based Country Assistance or Partnership Strategies are expected to include a review of national statistical systems and an identification of what is needed to strengthen capacity both to generate and to use statistical data. IDA15 Report³ clearly states that statistical capacity building will be given prominence during IDA15, especially in by mainstreaming a comprehensive discussion on country statistical systems in ISNs and following up with relevant instruments, in line with partner country priorities and in collaboration with other donors.

10. The second reason for Bank's leadership is that the Bank has a substantial experience in assisting countries in statistical capacity improvement activities along with the necessary means to support such projects. This gives the Bank a comparative advantage. Further, the Bank provided some support to the NSO in the past and gained significant experience in the Mongolian statistical system. Therefore, the Bank is better positioned to play a leading role in supporting the improvement of the statistical system in Mongolia as well as coordinating donor efforts for this purpose.

11. The NSO has demonstrated its readiness to work on the project. The State Great Khural (parliament) approved the SMP on January 20, 2006 and the National Statistical Board approved the recently updated NSDS and new action plan in December 2007. The NSO has adopted this updated NSDS and action plan in order to implement it. This is an indicator that the Government is committed to improving the national statistical system.

C. Higher level objectives to which the project contributes

12. The long-term vision for the Mongolian statistical system is to produce and disseminate a growing variety of data that meets user needs and informs decision-making within the government and community. This will be accomplished by continually striving to improve the quality and relevance of the data. The major strategic objectives for the NSDS process are to upgrade the conceptual, methodological and analytical skills of the national statistical system including NSO and other data producer and user agencies of the country; while meeting the basic requirements for monitoring the macroeconomic situation, the MDG indicators, and the other national development objectives. Accomplishing these objectives will require upgrading the skills of specialists and gradually empowering them to make judgments about the data that they

³ IDA15 Report from the Executive Directors of the International Development Association to the Board of Governors; IDA: The Platform for Achieving Results at the Country Level, February 28, 2008

produce and use. This will be achieved by (a) improving policy, regulatory, and institutional framework, (b) strengthening the statistical infrastructure, (c) upgrading statistical operations (improving individual subject matter programs and methodologies as well as the existing data outputs), and (d) investments in physical infrastructure and equipment.

II. PROJECT DESCRIPTION

A. Lending instrument

13. This project will be an IDA Specific Investment Credit in the amount of SDR equivalent to US\$2 Million for a period of five years, under the umbrella of the STATCAP⁴ Adaptable Program Loan/credit/grant (APL) to improve statistical capacity through a system-wide approach using the NSDS as the basis for investments. The cornerstone of a STATCAP project is the development of a comprehensive and integrated national action plan for statistical capacity building, often linked to a National Strategy for the Development of Statistics (NSDS) or a Statistical Master Plan (SMP), which is prepared through consultation with both data providers and data users.

14. Mongolia has met all requirements of STATCAP and the project components are designed to support the implementation of the NSDS, and will be implemented in a coherent, consistent and well-sequenced manner.

B. Program Objective and Phases

The overall development objective of the STATCAP program is to increase access to assistance to strengthen National Statistical Systems and increase their capacity to produce more reliable, timely and accurate data.

The first phase of the program (Phase I) consists of individual lending operations up to an aggregate amount of US\$ 200 million, with a duration of five years. Phase Ia, comprising the first two projects for Burkina Faso and Ukraine, were approved by the Board. Subsequent country operations under Phase Ib are to be prepared in countries meeting the eligibility criteria set out below, and will follow the prototypes developed in Burkina Faso and Ukraine and the standard STATCAP template. In accordance with procedures for APLs, each subsequent operation will be circulated to the Executive Directors for information after approval in principle by Management (RVP). Management approval will become effective 10 working days thereafter; any operation can be scheduled for discussion at the request of at least three Executive Directors during the 10-day period.

Eligibility criteria for entry to the STATCAP program are as follows:

- The preparation of a Statistical Master Plan. This would typically be demonstrated by the existence of an approved Statistical Master Plan, prepared and owned by the country with broad stakeholder involvement, and including financing from the national budget. The Master Plan should include the normal cycle of statistical operations, such as a household survey program, and population and other censuses.

⁴ STATCAP is designed as a horizontal APL to make investments in statistical capacity easier and more effective. It was approved by the Bank's Board in March 2004. A STATCAP project is appraised and prepared for approval at the regional Vice President level following normal provisions for investment lending.

- National commitment and leadership to have a strengthened statistical system and use its outcomes to better design and manage policies, programs and resource allocation. Evidence of this might be demonstrated by the existence of a national champion of sufficient stature to act as an advocate for the use of statistical data and to provide leadership to oversee the implementation of the Statistical Master Plan.
- Willingness to comply with good statistical practice. Countries will be eligible if they subscribe to the IMF General Data Dissemination System, or are committed to adopting the Special Data Dissemination Standard.
- Participation in global development and monitoring activities. Countries will need to demonstrate the willingness to use of statistical data in developing and monitoring Poverty Reduction Strategies or the attainment of the Millennium Development Goals, as an indicator of government commitment to use statistical information for making policy decisions and monitoring.
- Use of sustainable implementation arrangements. An eligible country will need to put in place acceptable management, financial, procurement and regulatory arrangements for Project implementation and implementation of the Statistical Master Plan.

C. Project development objective and key indicators

The main objective of the project is to improve efficiency and effectiveness of the national statistical system of Mongolia to enable it to provide relevant, timely and reliable data for evidence-based policy making in support of Government's MDG-based National Development Strategy (NDS). The main beneficiaries of the project outcomes are the NSO, the Government and the general public of Mongolia as well as international development partners.

The principal outcome of this project will be an improved national statistical system that can inform the Government's decision-making process by providing timely and accurate economic and social data. It will also help Government monitor progress towards national development goals, including the NDS goals. The specific outputs of the project are:

- improved institutional framework that will encourage statistical development;
- improved IT infrastructure;
- strengthened human resources through training in statistical operations;
- improved statistical infrastructure through application of internationally accepted methodologies and data quality standards;
- developed statistical production system that continuously adapts to evolving needs of the society and economy through user-producer dialogues;
- institutionalized core statistical activities, including poverty monitoring;
- increased output of reliable statistics by consolidating and strengthening existing surveys and administrative sources, and by designing and conducting new data-generating activities; and
- timely dissemination, information-sharing, and the use of data for policy decisions.

Achievement of the specific objectives of the project will support the overall goal by reducing the cost of information supply, increasing the demand, and making coordination of statistical activities, financing, and execution more effective. It will also help statistical agencies in line

ministries through improved institutional interaction between statistical agencies and training of their relevant staff. These objectives are in full agreement with the NSDS. Key performance indicators include the following:

- User satisfaction rates have increase by at least 60% by the Closing Date;
- By the Closing Date, targeted statistical products are easily accessible in relevant media, with metadata and interpretation of findings;
- By the Closing Date, internationally accepted statistical techniques in collection, compilation and authenticity verification are applied by the Recipient, and regular validations are carried out for data sources and statistical products; and
- By the Closing Date, statistical outputs are released in a timely manner in accordance with internationally accepted frequency and timeframes.

Baseline data will be based on existing information provided by the NSDS and will be updated in the first year of the project.

D. Project components

The NSDS is aimed at achieving all the target outcomes - they are all important - while recognizing that some may require or merit more effort than others. It comprises four major strategic directions. The general focus is on building general infrastructure, both statistical and physical, rather than on individual program enhancements. This will position the NSO to respond quickly and effectively to the new needs and priorities that will undoubtedly arise in the future but cannot be foreseen at present. This focus does not preclude further development of individual survey programs - indeed the project specifically embraces such improvements.

The Project will be carried out under Phase I-b of the Statistical Capacity Building Program (STATCAP) APL. Mongolia has met all requirements of STATCAP and the project components are designed to support the implementation of the NSDS, and will be implemented in a coherent, consistent and well-sequenced manner. The major components of the project are planned as (a) Improving policy, regulatory and institutional framework and the organizational structure of the statistical system, (b) Strengthening the statistical infrastructure (c) Upgrading statistical operations (improving individual subject matter programs and methodologies as well as the existing data outputs), (d) IT Infrastructure and Equipment, (e) Project Management.

A. Improving policy, regulatory, and institutional framework and the organizational structure of the statistical system

The statistical system of Mongolia is centralized. The NSO is charged with managing official statistics and coordinating activities in this field. The BoM functions independently in the area of monetary and banking statistics, and the MoF compiles budget statistics as part of its operations. Line ministries and other agencies produce two types of statistical information. One is collected for the NSO on the basis of methodologies and questionnaires that must be approved by NSO, and that appear in the annual Statistical Action Plan. The other kind is collected for the line ministries' own needs, using methodologies and questionnaires that must be reviewed and discussed with NSO. These statistics do not appear in the Statistical Action Plan. The agencies often publish data summaries themselves.

Measures to strengthen human resources and review and improvement of organizational structure of the national statistical system are also considered under this component. The aim is

to improve all aspects of human resource management. More specifically, performance management, career development and staff assignment programs will be developed and implemented. More proactive and coordinated recruitment procedures will be put in place. The target is to improve the qualifications of the personnel in all statistical offices of the national statistical system. Training will be provided in basic and advanced methodologies and techniques, particularly those that support the priority indicators for NSDS. Training should be in the form of seminars abroad and in the country, consultancies, and on the job training. There will also be substantial opportunity for staff to go on study tours and to participate in international seminars. Meanwhile, this component will also support the design of a training strategy and the establishment of national training center for the entire statistical system; so training activities within the system can be strengthened and coordinated.

A1. Review and improvement of existing institutional framework

Expected outputs will be the development of relevant terms of interaction among the Recipient's institutions and agencies for the production, use, exchange and disclosure of statistical information.

A2. Improving the relationship between data users and producers

It will begin with segmentation and analysis of users according to their functions and data requirements, for example segmentation into government, industry, academia, media, international organizations, and the community at large. It will establish the demand for statistics working with users. It will inform users and potential users about the statistical programs and the data available. User surveys of needs and levels of satisfaction will be conducted. Media conferences will be held more frequently. The Statistical Council will become more active.

A3. Improving the data dissemination function and procedures

This sub-component will address the problems in data dissemination. NSO will work to give a wider range of users an easy access to statistics by improving publications and the web site.

A4. Strengthening human resource capacity

This sub-component will aim to develop a human resource management framework with an incentive structure to retain and attract qualified professionals and managers in the national statistical system.

Establishment of the National Statistical Training Center will also be supported under this sub-component. The training center will also have a library that contains all relevant documentation in electronic and hard copy format.

A5. Review and improvement of organizational structure of the national statistical system

To adopt a more efficient and effective territorial structure for the development statistical system, it is necessary to review the regional office structure and make adjustments where needed. This could take some time to achieve, but coupled with the introduction of an integrated processing system and more training of regional staff it could be accomplished. The volume and quality of data collected will be maintained throughout the reorganization.

B. Strengthening the statistical infrastructure

In broad terms, the aim is to enhance key elements of the statistical infrastructure – registers, classifications, standards and methods. More specifically, the Business Register will be enhanced through better identification of inactive enterprises and improved coverage of large and complex enterprises. Registers of Populations and housing will be designed and implemented. Key national classifications will be brought into alignment with the international versions and a data element dictionary and a glossary will be created. Questionnaire design expertise will be expanded and design standards will be formulated and applied. Sampling skills will be enhanced and selected full coverage enterprise surveys will become sample surveys. Seasonal adjustment and time series analysis methods will be introduced.

More precisely, the following actions are envisaged to be financed under this component: (i) improvement and updating of statistical registers; (ii) further development and improvement of classifications and other standards; (iii) further development and improvement of sampling methods; (iv) improvement of skills in seasonal adjustment; (v) improvement of skills in evaluating and improving data quality; (vi) improving questionnaire design procedures and developing Master Questionnaire.

B1. Improvement and updating of statistical registers

Statistical registries (business, population, housing and agriculture) constitute the basic instrument for the surveys of the economy including enterprises and individual proprietors. According to the Law on Statistics “the authorities who register legal bodies shall report necessary information and changes and revisions in the record of state registration for legal bodies to the National Statistical Office.” This gives the NSO the overall responsibility of establishing and maintaining these registers.

In many countries the Population Register is the main source of current demographic statistics in place of current estimates that are based on aggregate census results updated with statistics on births, deaths and migrations. Ultimately the census of population may be replaced by the population register supplemented by a suite of surveys to fill data gaps.

Currently the population register is being maintained by the State Civil Registration Center (CRC), a state owned company, and NSO has no access to the database. This sub-component will support the access to CRC database and will provide necessary tools for establishing secure links.

Another important register is the Housing (dwelling) Register. The aim is to create and maintain a statistical Housing Register. In addition to being a source of statistics about dwellings, a fully up to date housing register will provide the information required to construct frames for household surveys.

Currently the NSO does not have an Agriculture Register. Establishing one will help designing sample surveys in agriculture and will significantly reduce the cost of data collection. The aim is to create and maintain agriculture register.

B2. Further development and improvement of classifications and other standards

Harmonization of national classifications with international standards is a requirement to ensure improved quality of the national statistics system and especially to provide comparability with international statistics. The use of standard classifications is vital for interpretation and integration of data. The improvement of classifications has two major aspects: support and development. Support for a classification covers training of users in the meaning and use of the

classification and building a suite of resolutions to ambiguities in the classification in response to requests from users. Development covers creation and introduction of new classifications as well as the revision of existing classifications to ensure that they remain in line with the international classifications. Newly developed or revised classifications have to be accompanied by support for the survey areas in switching from the previous versions.

Given the broad range of national classifications currently available, the major development effort over the next few years will be in their revision. In particular, it will include work on the national versions of the Classification of Economic Activities (NACE) and the corresponding Classification of Products by Activity (CPA).

Keeping track of the definitions of the data elements used in the various data sets collected and disseminated is important for integration purposes but has been mostly neglected at the NSO. There is presently no comprehensive glossary of statistical terminology within the NSO. To ensure clarity a multilingual glossary will be developed as a component of the metadata repository.

B3. Further development and improvement of sampling methods

The advantages of a sample survey over a full coverage survey are the reduced costs and respondent burden and the increased potential for intensive follow up of non-respondents and for editing of anomalous or missing values.

NSO staff have already learned some sampling skills from various training programs, but the problems remain. The major problem is the lack of experience in designing samples for Mongolia. Thus, primary aim of this sub-component is to introduce sampling in place of full coverage surveys wherever feasible.

B4. Improvement of skills in seasonal adjustment

Time series of statistical results should be as long as possible. But to produce the long time series, it is necessary (i) to provide methodological consistency of results over the time period; (ii) to estimate the discrete indicators rather than cumulative data; (iii) to provide the seasonal adjustment for the sub-annual statistics; (iv) to implement the regular revision of previous results when/if more accurate results are estimated; (v) to use adequate deflation technique and indexes.

Seasonal adjustment is especially needed to prepare data for use in quarterly national accounts. To improve the underlying sub-annual data, NSO needs to convert all sub-annual data preparation to discrete periods (months, quarters) instead of publishing cumulative estimates, as has often been the case.

B5. Improvement of skills in evaluating and improving data quality

Data quality audits are needed as a basis for improving data quality. NSO has little experience in dealing with data quality issues. No attention has yet been paid to the problem of non-response and how to adjust for it. Validation procedures are minimal and rudimentary.

A working group will be formed, perhaps including a staff member with strong management skills to assist in the “change management” that will be involved in facilitating the introduction of procedures for self- and peer review.

A basic problem inhibiting improvements in data quality is that the field staff is still very close to the administrative functions of local government, as a result of which they find it difficult to

separate their own statistical duties from the administrative duties of general government. To deal with this problem, NSO will need to provide training and guidance to local officials.

B6. Improving questionnaire design procedures and developing Master Questionnaire

A questionnaire design unit will be established to design the Master Questionnaire with modules for all relevant sectors and to ensure consistency. Centralized design of the master questionnaire and their monitoring is very important for integration. As a rule, corresponding sections of statistical agency will be responsible for the content of the master questionnaire and work in cooperation with functional divisions, especially with those working with the methodology, survey structure and data processing. In designing the master questionnaire, it is important to ensure that all necessary requirements regarding the integration of indicators, efficiency of data entry and processing are satisfied. Further, it should be designed in a language easily understandable by respondents, thus minimizing mistakes in their answers.

C. Upgrading statistical operations (improving individual subject matter programs and methodologies as well as the existing data outputs)

The aim is to enhance all individual surveys and administrative data collections through re-engineering and/or continual improvement, taking advantage of new infrastructure and further incorporating international standards and best practices. This component will address the adaptation of internationally accepted standards and methodologies in data collection, compilation, and validation by NSO and other relevant agencies. It will also support a thorough review and inspection of existing data outputs. It is essential to re-examine the coverage and content of data outputs and the corresponding data inputs in each subject matter area. Starting with the revised SNA93 data requirements as the core, the content of economic statistics program should be reviewed and rationalized with the aim of reducing the amount of detail collected. This will be done by identifying and eliminating any indicators that seem inappropriate for a market economy and no longer needed, or that are not published. This will not only release NSO resources for other activities but also reduce respondent burden. It will also support further development of sectoral statistics.

C1. Full implementation of SNA

This sub-component will aim to produce national accounts that are timely, reliable and in line with internationally accepted methodologies.

C2. Price statistics (including PPI, CPI and other relevant indices)

The aims of this sub-component are to improve the calculation of Consumer Price Index (CPI), by enlarging the basket of goods covered and by upgrading methodology; introduce a customized program for the calculation of CPI by location and for the nation and Improve the calculation of the Producer Price Index (PPI) by enlarging the basket of goods covered and by upgrading methodology and prepare PPI for major sectors.

C3. 2010 Census preparation

This sub-component will focus on the main preparatory tasks identified in the framework of the run-up to the 2010 Census and will address the following tasks:

- Census Mapping.
- Preparation of Census training plan and program.
- Training of trainers

- Training of managers, supervisors, and enumerators
- Providing equipment and software and training for the preparation of census.

D. IT Infrastructure and Equipment

Enhanced IT infrastructure and equipment are needed to implement the reforms envisaged in this Project. This component will support NSO's strategic goal of improving efficiency and effectiveness in data collection, analysis, and dissemination processes through the use of information technology. To achieve this goal a detailed IT plan will be prepared, which includes such key elements as functional requirements, technology architecture, and system maintenance and support plan. It will also encompass a diagnostic review of IT solutions and IT competences in all data producing agencies including the NSO (central and regional offices), statistical units in line ministries and statistical units in Customs and Tax Offices. In addition, the consultancy service will support the preparation of bid documents that will ensure the effective implementation of business process changes introduced in the Project.

The proposed IT plan will help creating an IT network for the statistical system that will efficiently and effectively link the central office with the regional offices. It will also provide a unified information/data space to carry out all information flows and other services necessary for the entire national statistical system. The implementation of the IT plan will become one of the major components of the proposed project.

Investments in hardware and software will be made as specified in the IT Plan.

D1. Preparation of an IT plan

This sub-component will support the development of a detailed computerization plan for the national statistical system that will address a thorough upgrading of the IT solutions and IT competences in all data producing agencies including the NSO (headquarters, and regional offices), statistical units in line ministries and statistical units in state-owned enterprises.

D2. Establishment of a IT network for the national statistical system

This sub-component will support upgrading existing information technology (IT) and other equipment that is essential to carry out existing and project activities and networking equipment:

A thorough upgrading of the IT infrastructure and IT competences is needed to improve efficiency and ensure staff learn the new technologies and adapt to the new methods. Investments in IT, licensed software, and technical assistance will be provided to data producing agencies including the NSO (headquarters, and regional offices), statistical units in line ministries and statistical units in state-owned enterprises.

E. Project Management

NSO will be the main executing agency of the project and will be responsible for its management. To effectively carry out the implementation and daily project administrative work a financial management specialist and a procurement specialist will be hired by the executing agency. Specifically, this group will ensure compliance with the procurement, disbursement and financial management policies and procedures.

Technical Annex 4 contains detailed descriptions of each component.

At the current level of funding the project will focus on agreed priority areas that are described above and in Annex 4. These priority areas were based on the NSDS and had been identified by the recipient after discussions with all stakeholders at the consultation workshop.

The project team has been communicating with donors and development partners to obtain additional funding. Once these funds become available, the project will include relevant sub-components Improvement of statistical operations, including methodologies and data outputs, for the following areas.

- Non-observed economy
- Migration statistics
- Industrial statistics
- Investment and construction statistics
- Environmental statistics
- Agriculture Statistics
- Information, Communication and Transportation Statistics
- Demographic Statistics
- Labor force statistics
- Domestic Trade Statistics on Goods and Services trade statistics
- External Trade Statistics on Goods and Services trade statistics
- Justice and crime statistics
- Tourism statistics
- Social Statistics, Poverty and living conditions monitoring statistics

Further, this stage will also involve extending the IT network to regional and local offices.

E. Lessons learned and reflected in the project design

The most important lesson learned from previous assistance (including TFSCB) is the need for a more systematic approach, as in the NSDS, instead of the piecemeal approach that was the case earlier. Statistical capacity building requires integrated and coordinated support that could take a long-term commitment. Previous experience from Mongolia and other countries demonstrated that fragmented and uncoordinated capacity building activities do not result in sustainable improvements in statistical production and dissemination. Given that this project is based on NSDS, it ensures that support will be provided to the whole national statistical system in a coordinated way. The project will also support specific measures to strengthen coordination, collaboration, networking, and information sharing among stakeholders.

Another important lesson learned from previous capacity building project is that projects are often not sustainable once external support stops. This project emphasizes the ownership by the government and close coordination between all stakeholders. Further, this project focuses on strengthening institutional framework, improving human resources, and building necessary physical and statistical infrastructure. This will ensure that appropriate allocation from the budget and investments will be provided for the statistical system with the active involvement of a wide range of users and producers. As a result, new demand for high-quality data, stimulated by training, producer-user dialogue, and data dissemination, will provide an additional impetus for sustainability.

The experience from the implementation of the previous statistical capacity building project funded by the TFSCB demonstrated that projects in Mongolia can be implemented without creating a stand-alone project implementation unit. In the case of current project, the implementing agency, NSO, is very much committed and motivated that allows going for the “no-formal-PIU” option. However, given the still existing capacity constraints a small project coordination team consisting of local consultants will help relevant NSO staff in such project implementation issues as procurement, financial management and disbursements, monitoring and evaluation.

Another important lesson worth mentioning is the twinning issue. Experience from various statistical capacity building projects implemented in other countries showed that a twinning arrangement between NSO and a well developed national statistical office (or a consortium of such offices) could be a better approach instead of hiring several consulting firms or individual consultants. In the long-term this could allow building lasting partnership that can go beyond the project life. The MAPS (Marrakech Action Plan for Statistics) Advisory Board⁵ recommended greater use of statistical offices of developed countries through a twinning mechanism to help reduce the risk of implementation of capacity building projects that could be constrained by the lack of expertise and technical assistance. The Board also recommended raising this issue within the context of the OECD Statistics Committee and through EU within European statistical offices.

F. Alternatives considered and reasons for rejection

There are three likely alternatives to the project that were considered during preparation. These are:

- Providing support through a series of interventions aimed at improving specific areas of statistics funded by various donors and international organizations. This was rejected because as discussed above piecemeal approaches do not provide sustainable solutions. Instead, all areas of the NSS need to be improved in a systematic and coordinated way. Supporting the implementation of the NSDS ensures that the approach is country owned and country driven, and that activities are well coordinated and well sequenced.
- Providing support for only NSO instead of whole statistical system is another approach that was rejected because improvements are needed in all parts of the system, including line ministries and other producers and users of statistics.
- Another approach considered during the preparation is to provide support through existing World Bank projects and programs. This was rejected because creating statistical capacity under individual sector specific projects would limit the improvement in a particular area and would be no different than the piecemeal solutions. Regardless of the outcome of this approach improvement of the national statistical system would be delayed.

⁵ Marrakech Action Plan for Statistics, Minutes of the first meeting of the Advisory Board, October 26 and 27, 2005, Washington, D.C. Chaired by Jim Adams, Vice President, Operations and Country Services, World Bank. Document is in the project file.

III. IMPLEMENTATION

A. Partnership arrangements

IDA has formed partnerships with donors and development partners to help the National Statistical Office of Mongolia implement the project. Republic of Korea (through Korean Trust Fund) will be the main contributing partner in this project. TFSCB will also provide support for the project. The Turkish International Cooperation Agency (TICA) will support the project through in-kind contributions in the form of training in various areas of statistics in Turkey, short-term experts and some goods for the training center and printing facility. The implementation of the project will be coordinated and monitored by all partners through a joint mid-term review.

EC and Japan have expressed their interest in supporting the project and the project team is still communicating with them for their possible contribution. The team has been coordinating statistical capacity building/technical assistance efforts and proposed project components with UN/UNDP, UNICEF, IMF, ADB and FAO to avoid duplication and to increase the effectiveness of the implementation.

B. Institutional and implementation arrangements

NSO will be the main executing agency of the project and will be responsible for its overall management and implementation. To effectively carry out the implementation and daily project administrative work, there will be a project coordination team (PCT), headed by a qualified and experienced Project Coordinator, consisting of NSO staff that will be assisted by a financial management specialist and a procurement specialist (and an assistant) to be hired by the NSO. Specifically, this team will coordinate project activities, manage reporting and auditing activities and ensure compliance with the procurement, disbursement and financial management policies and procedures. All other aspects of the project would be implemented by relevant NSO staff with the assistance of local and international consultants.

It is important to note that the project coordination team will not be a PIU as it is the case in many other projects, instead a seamless approach of not having a PIU will be adopted. The PCT will be using the existing financial management and procurement system of NSO and will be assisting relevant NSO staff in implementing the project. This is in line with the directions provided in the Paris declaration and the Bank's policy on project implementation arrangements.

Given the fact that the project is aimed at improving the statistical system of the country it is necessary to obtain appropriate level of commitment and support of various government agencies and ministries. In order to ensure this, the National Statistical Council (NSC) will take the oversight responsibility and monitor the project implementation. The NSC consists of seven members from Parliament (State Great Hural), government, scientific research institutions and NSO headed by the current Chairman of NSO. The members of NSC are appointed by the Parliament. It will meet twice a year and perform the following key functions regarding the project implementation:

- Ensure efficient interdepartmental (inter-ministerial) interaction and resolve interdepartmental (inter-ministerial) issues;

- Exercise monitoring and evaluation of project progress on a semi-annual basis and propose improvement recommendations where needed.

C. Monitoring and evaluation of outcomes/results

To track progress towards the desired outcomes, the project coordination team will assist NSO to regularly monitor a set of intermediate results indicators in accordance with the results framework specified in Annex 3. An internal Review and Monitoring Committee (led by the Deputy Chairman, 3 Department heads and the PCT staff) will be established to monitor project outputs and outcomes. The review committee will meet at least once a month during the implementation and report to NSO management. The benchmarks for these indicators will be obtained from the NSDS and will be checked with the results of a baseline survey to be undertaken during the first year of the project implementation. NSO will monitor implementation of the project through quarterly financial management reports and annual audits and other reports on semi-annual basis. A joint midterm review will be carried out by the government and development partners about two and a half years after the project becomes effective (FY2011-12). This will provide an in-depth assessment of progress towards to desired project outcomes and will recommend measures to reorient the project if needed to ensure that it will achieve its objectives. Two months before the project closing date, the project coordination team will prepare and provide to IDA a report on the execution of the project, its costs and the current and future benefits to be derived from it, to be attached to IDA's Implementation Completion Memorandum (ICM) in accordance with IDA guidelines.

A set of indicators of statistical capacity building developed by the PARIS 21 consortium will be used to develop a monitoring baseline and for regular project monitoring. These indicators will be supplemented by information from the baseline survey mentioned above and other sources, including surveys of users of statistical products, an independent assessment of statistical products against the master plan, audits of management, staff, facilities, human resource training and records.

Given the magnitude of spending associated with IT under the project, NSO agreed that the PCT would monitor progress of the IT investments in terms of cost and schedule. These are two key indicators of statistical agencies with regard to implementing IT. Variances in cost and schedules of IT will be reviewed at mid-term of the project.

D. Sustainability

The recipient has shown a strong commitment to strengthening the capacity of national statistical system and has demonstrated its readiness to work on the project by preparing the NSDS. Endorsement of the NSDS by the National Statistical Council and its adoption of by the NSO is also an indicator of strong ownership. Further, the Government has subscribed to the IMF's General Data Dissemination System (GDDS), which provides guidelines for the production and release of statistical data. This is another indicator that the Government is committed to improving the national statistical system.

The proposed twinning arrangement could also become an important factor in ensuring project sustainability. The twinning partner, a well established statistical agency or a consortium of agencies can provide a systematic and programmatic assistance to NSO in capacity building. In

the long-run, NSO could become a twining partner (possibly in tandem) for other statistical offices of the region.

Another important indicator that will ensure sustainability is the development of better user producer dialogue. By developing the users-producers dialogue and through the improvement of the data quality in the NDS and MDG context, the project will also increase the demand for statistics within the Government and the civil society.

Sustainability of this project would largely depend on the Government's future commitment to provide budgetary support to the statistical system. By approving the NSDS and including the project in the National Strategy for the Development of Statistics of Mongolia, the Government committed to allocate necessary budget to support the national statistical system over a period that would go beyond the lifetime of this project.

Sustainability of IT investments depends on adequate operation and maintenance of hardware, systems and software. It should initially be noted that, at whatever its level of funding in the past decade, NSO has with limited resources skillfully and efficiently maintained its existing equipment base. Most of this equipment has lasted to the end of its depreciation cycle and far beyond. Sustainability of the IT investments will be promoted by trying to keep down projected operation and maintenance costs. Detailed design and procurement specifications will take into account future operation and maintenance costs including extended warranties (possibly 5 years for servers, 3 years for workstations, and software licenses that will provide the latest upgrades).

E. Critical risks and possible controversial aspects

<i>Risk factors</i>	<i>Description of risk</i>	<i>Rating of risk</i>	<i>Mitigation measures</i>	<i>Rating of residual risk</i>
I. Country and/or Sub-National Level Risks				
II. Sector Governance, Policies and Institutions				
Sector Specific Risks (General public admin. sector)	Lack of political support and commitment for a modern statistical system, by not providing adequate legal, administrative or budgetary conditions.	Substantial	National funding has increased in recent years, but this is insufficient to upgrade performance while still maintaining all of the older statistical activities. Hence, a particular challenge will be to maintain the political support for better official statistics. One way of ensuring sustainability is to provide better outputs, which can be achieved by improving the dialog between data producers and users. NSO and the other main partners of the statistical system will need to improve communications with users, to build credibility and to focus on providing outputs that meet the needs of users. Further, linking the project closely with NDS and MDGs as well as with other ongoing and planned programs will create continuing demand for better data.	Moderate

			Endorsement of the NSDS by the National Statistical Council and its adoption of by the NSO is also an indicator that these potential risks could in fact be mitigated.	
III. Operation-specific Risks				
Technical Design	Lack of external funding and lack of effective coordination among development partners	Substantial	The task team has been communicating with EC and Japan for co-financing. Meanwhile the team obtained co-financing grants from Korean Trust Fund and TFSCB. Signing a Memorandum of Understanding (MoU) among development partners and donors is also an option that clearly identifies relevant activities with proper sequencing and clear responsibilities to all involved parties will make sure effective and efficient coordination.	Moderate
Implementation Capacity And Sustainability	Resistance to change and lack of capacity in the present statistical system, due, for instance, to loss of competent staff;	Substantial	The task team identified champions of statistics within country and got their support. The team will also ensure involvement of all stakeholders from preparation to the end of implementation and obtain Government's continuing support. As the implementing agency, NSO has demonstrated that it has the capacity to carry out statistical capacity building projects and to take the lead in technical and methodological forums for statistical policy. Implementation of the NSDS will ensure the improvement of skill of staff and availability of better data in the short-term by utilizing existing sources. These short term improvements will bring credibility to the system and ensure sustainability.	Low
Social And Environmental Safeguards	N/A		N/A	
IV. Overall Risk (including Reputational Risks)				
Overall Risk	No reputational risk is anticipated.			Moderate

F. Loan/credit conditions and covenants

Management approval condition

The PCT has been set up by the NSO including the hiring of a procurement and a financial management officer.

The Project Operations Manual and the Financial Management Manual have been approved and adopted by the Project Implementation Entity in form and substance satisfactory to the Association.

Effectiveness condition:

The Subsidiary Agreement has been executed on behalf of the Recipient and the NSO in form and substance satisfactory to the Association.

The financial management officer and procurement officer of the PCT have completed their training in financial management and procurement respectively, in a manner acceptable to the Association, to ensure compliance with the accounting, monitoring and reporting requirements under the Project.

Other Covenants:

Maintain the NSC, throughout the period of implementation of the Project, headed by the Chairman of the NSO, with representation from the Recipient's executive branch, the Parliament and scientific research institutions.

Maintain throughout the period of implementation of the Project, a project coordination team (PCT), headed by a qualified and experienced Project Coordinator, and provided with sufficient resources and competent staff in adequate numbers, under terms of reference satisfactory to the Association.

Establish within the NSO, by no later than one month after the effectiveness date, and thereafter maintain throughout the period of implementation of the Project, a review and monitoring committee, headed by the Deputy Chairman of the NSO, with representation from, inter alia, the three (3) department heads of the NSO, and staff of the PCT.

Select and engage, by no later than December 31, 2009, the services of an independent auditor acceptable to the Association, under terms of reference satisfactory to the Association.

Prepare, and regularly update an Annual Plan for the Project identifying Project activities by component and sub-component, and their related expenditures and financing sources; which plan shall be submitted to the Association for review and comments.

There are other covenants relating to the subsidiary agreement and other implementation arrangements that are included in the Financing Agreement.

IV. APPRAISAL SUMMARY

A. Economic and financial analyses

Economic. The Project is not amenable to a cost-benefit analysis as national statistical offices have hardly any significant cost recovery. The economic benefits from the project will derive from three main sources. First, improvements in the efficiency of statistical operations and agencies will result in broader coverage of and higher-quality data from given levels of expenditure. Second, better data will enhance the potential for evidence-based decision making, at policy, program and project levels. Third, the project would help address the significant costs of missing or inaccurate data.

Financial. National statistics are a public good and generally financed from tax revenue. There is only very limited potential for cost recovery, mainly through data dissemination, including sale of publications and producing “non-standard” reports that require additional human and other resources. Therefore, only marginal financial returns are expected from this project. However, there can be a fiscal impact contributing to a better budgeting process and a potential increase in revenues due to better information and coverage, as well as a possible increase in recurrent costs to cover enhanced operations of the national statistical system.

B. Technical

The technical design of the project is based on a detailed analysis of the strengths and weaknesses of the national statistical system as provided in the NSDS developed under the Bank’s assistance. The proposed developments in management of statistical agencies, statistical infrastructure, and statistical operations and the choice of technology are appropriate to the borrower’s needs and capabilities, as well as international good practice and standards. The specifications for equipment, including computing, communications and transportation equipment, will be reviewed by technical specialists and will be in line with the World Bank procurement practices and local requirements.

C. Fiduciary

3.1 Financial Management Issues. The Financial Management team has conducted an assessment of the adequacy of project financial management system. The assessment, based on guidelines issued by Financial Management Sector Board on November 3, 2005, has concluded that the project meets the minimum Bank financial management requirements, as stipulated in BP/OP 10.02, subject to the satisfactory resolution of the issues listed in paragraph #10. In the FM team’s opinion, the project will have financial management arrangements acceptable to the Bank and, as part of the overall arrangements that the borrower has in place for implementing the operation, provide reasonable assurance that the proceeds of the IDA credit and grants will be used for the purposes for which they are provided. Financial management risk is the risk that World Bank credit and grant proceeds will not be used for the purposes intended and is a combination of country, sector and project specific risk factors. Taking into account the risk mitigation measures proposed under the project, a “moderate” FM risk rating was assigned to the project at the pre-appraisal stage.

3.2 Procurement Issues.

General: Procurement for the proposed project would be carried out in accordance with the World Bank’s "Guidelines: Procurement Under IBRD Loans and IDA Credits" dated May 2004 (Revised October 2006); and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (Revised October 2006), and the provisions stipulated in the Legal Agreement. The various items under different expenditure categories are described in general below. For each contract to be financed by the Loan/Credit, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Procurement of Works: No civil works would be required and financed under the Project.

Procurement of Goods: A total of US\$ 0.84 million worth of goods would be procured under this project, such as IT equipment and computers, office equipment and etc. The procurement will be done using Bank's Standard Bidding Documents for all ICB procurement.

- (i) **International Competitive Bidding (ICB).** Any contract for goods estimated to cost more than US\$100,000 equivalent would be procured under ICB procedures specified in the Procurement Guidelines.
- (ii) **Shopping.** Any contract for goods estimated to cost the equivalent of US\$100,000 or less per contract would be procured under shopping procedures as specified in Para. 3.5 of the Procurement Guidelines.
- (iii) **Direct Contracting.** Equipment including standard software with proprietary nature and obtained only from one sources or which meet other circumstances as specified in Para. 3.6 of the Procurement Guidelines would be procured on the basis of direct contracting.

Selection of Consultants: A total of about US\$ 2.23 million worth of consultant services would be required under this project. The consulting services would include Twinning Partnership TA, PCT staff multiple contracts and other ad hoc advisory services. Most services would be provided by consulting firms and some would be provided by individual consultants.

- (i) **Selection of Consulting Firms:** The consulting contracts expected to cost more than US\$100,000 equivalent per contract will use the Quality and Cost Based Selection (QCBS) or Quality Based Selection (QBS) processes in accordance with the relevant provisions of the consultant Guidelines. For the selection of auditors, Least Cost Selection (LCS) would be used. Consultants may also be selected based on Consultants Qualification Selection (CQS) method and Single-Source Selection (SSS) basis.
- (ii) **Selection of Individual Consultants:** Individual consultants would be selected and awarded in accordance with the provisions of Section V of the Consultants Guidelines. Individual consultants may also be selected on a sole-source basis, subject to the Bank's prior approval.

Operating Costs: A total of about US\$ 30,000 would be required for the project operational cost. These costs are largely related to office supply, translation and training materials printing, logistic cost for workshops and etc.

D. Social

It is expected that improved national statistical system will lead to improved social services delivery to the population, in particular to the poor in such areas as health, education and social protection. The project will help improving the statistical capacity of relevant line ministries and other agencies where applicable in both statistical issues and evidence-based decision making in the determining government policies and expenditures.

E. Environment

The project focuses on institutional reforms and capacity building of the national statistical system within the broad context of the governance system reform. It doesn't have any direct

environmental impact, and the project does not include any civil works. The project is therefore rated as 'C'. Any minor refurbishments of office space required for the installation of equipment that are foreseen under the project will be executed in line with prevailing national legislation and all bidding documents will make reference to the need to carry out any works in line with prevailing environmental standards and safety regulations.

F. Safeguard policies

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP 4.01)	[]	[X]
Natural Habitats (OP/BP 4.04)	[]	[X]
Pest Management (OP 4.09)	[]	[X]
Physical Cultural Resources (OP/BP 4.11)	[]	[X]
Involuntary Resettlement (OP/BP 4.12)	[]	[X]
Indigenous Peoples (OP/BP 4.10)	[]	[X]
Forests (OP/BP 4.36)	[]	[X]
Safety of Dams (OP/BP 4.37)	[]	[X]
Projects in Disputed Areas (OP/BP 7.60)*	[]	[X]
Projects on International Waterways (OP/BP 7.50)	[]	[X]

G. Policy Exceptions and Readiness

This project complies with all applicable Bank policies. The Project is entirely consistent with Bank Policy and no exceptions are requested.

The project meets the region's readiness criteria.

* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

Annex 1: Country and Sector or Program Background

MONGOLIA: MONSTAT: Strengthening the National Statistical System of Mongolia

1. **Country background.** Mongolia is a landlocked country between Russia and China with an area of 1.6 million square kilometers and a population of 2.56 million. Mongolia is the least densely populated country in the world and more than a third of the population continues to rely on semi-nomadic livestock herding as their primary source of livelihood, and many more depend on it for part of their income. However, these ways of life are changing rapidly, as Mongolia undergoes political, economic, and spatial transitions. Mongolia has been doing quite well in its transition from a planned economy to a market economy since the early 1990s. Mongolia has held four peaceful and fair parliamentary elections since 1992. A framework of market and democratic laws and institutions has been put in place, there is an active media, and a vocal civil society increasingly engages on the political front. The Government has undertaken various fundamental economic reforms and significant progress has been made towards reducing the incidence of poverty. Even though the reform progress has moved in a “stop and go” fashion during the past decade, it should be noted that the direction of the overall reform path has been towards a market-oriented economy.

2. As a result of these developments there have been significant in-migration to urban areas; hence population and economic growth have become increasingly concentrated in the capital city of Ulaanbaatar. Even though poverty seems declining, still over a third of the population remains poor.

3. Recently, the Government of Mongolia has prepared a National Development Strategy (NDS), which was approved by the parliament that covers an ambitious development agenda with six main priorities to be carried out through 2021. The agenda includes: (i) achieving the MDGs; (ii) developing an export-oriented, high tech, knowledge-based economy; (iii) exploiting strategic minerals to build savings, growth, and modern processing industry; (iv) developing regions and infrastructure to reduce urban-rural disparities; (v) halting ecosystem imbalances; (vi) consolidating political democracy and an accountable system that is free from corruption and red tape. This ambitious agenda is quite data and information intensive and achieving the proposed goals requires continuous monitoring of poverty and performances of various sub-sectors of the economy for developing policy measures to reduce poverty. This, in turn, requires a well functioning national statistical system. Monitoring and evaluation, based primarily on statistical data, constitute the one of key aspects of the strategy that will enable policymakers to:

- Follow the progress of the strategy and measure the extent to which objectives are being met during implementation;
- Identify current problems and ways to solve them;
- Update objectives at each stage of implementation.

4. The transition from a centrally planned to a market oriented economy has brought rapid changes in all areas of economic and social life of Mongolia. The social and economic reforms of recent years have changed the environment in which the statistics must function. A system is now needed for collecting economic information based on structured methods that are used in

countries with a market economy. As a result, statistical offices at all levels have been obliged to reform the system of collecting and processing data and delivering it to users. Therefore since transformation, the nature of the tasks of the NSO had to undergo significant changes.

5. Further to the above discussion there is another important point worth mentioning. It is the relevance and timeliness of the project in light of the ongoing global financial crisis and its implications for Mongolia. It should be noted that during the time of crisis the need for reliable official statistics becomes most apparent and urgent because of the well known fact that better decisions could be made if they are informed by good statistics. It should also be noted that the cost of poor decision making during such times could be very high. In that sense the value of reliable and timely statistics appears to be quite obvious, hence this investment in statistical capacity of the national statistical system seems quite timely. There are certain emerging needs as a result of the financial crisis such as good quality and reliable data on National Accounts and price statistics that are included as priority areas in the project. Further, the project focuses on the improvement of the fundamentals of the statistical system that are necessary to produce relevant, reliable and timely statistical data on their own. Improving dialogue between statisticians and policy makers as well as other users; and improving analytical capacity of both producers and users in using already existing data will help the government in crisis management.

6. **Sector issues.** Before 1990, the Mongolian statistical system was organized in a manner typical of command economies, with main reliance on compulsory submission of administrative reports by enterprises. In 1990, the Central Statistical Office was reorganized as the National Statistical Office (NSO), just at the time when Mongolia had begun to shift to parliamentary government and a market economy.

7. The first Law on Statistics of Mongolia adopted by State Great Khural in 1994 and revised in 1997 and 2004. As a result, the official statistics and administrative statistics were distinguished and precisely determined, statistical data set, and coverage revised, and frequencies and contents of censuses and surveys updated. Moreover, the functions of statistical professional services, sectoral ministries and agencies, regional administrative offices and enterprises, which produce statistical information were defined and was possible to regulate their relations within relevant legislations. The law includes provisions for all statistical agencies of Mongolia but assigns NSO the leading role in production and dissemination of statistical information. The Law on Statistics was further amended in January 2008 that clarified the roles and responsibilities of NSO and other government agencies dealing with statistics.

8. Since the early 1990s the NSO has started introducing internationally accepted methodologies. In 1994, Mongolian Government passed 94th Resolution and approved Program in order to intensify the works of conforming statistical indicators and methodologies of the country to international standards. It was basically implemented from 1994 to 1997. Conducting 1995, 1998 and 2003 Living standard measurement surveys in collaboration with United Nations Development Program was a significant work presenting reliable information on the minimum subsistence level of the population. The NSO has also compiled the Input and Output Tables and Supply and Use Tables for 2000 and assessed the basic parameters of economy such as macro-economic balancing, structure and balancing relationships, and created database, which have been useful for the government policy making on economic and social development and implementation actions.

9. Another major initiative led by the Government is the monitoring of Millennium Development Goals, which gave additional responsibilities to NSO. In order to provide a basis for the monitoring of MDGs the NSO has been cooperating with all relevant public institutions, as well as with international agencies. In 2004, the first national MDG report, *Implementation of the Millennium Development Goals in Mongolia*, was issued under coordination from the Office of the President and the Ministry of Foreign Affairs. The report contained 21 goals for Mongolia based on the 48 generic indicators proposed by the United Nations. On 21 April, 2005, the State Great Hural, with Resolution Number 25, approved Mongolia's participation in the Millennium Development Goals, and endorsed a set of 24 quantitative goals, specifically tailored for Mongolia, to be achieved by the year 2015. NSO was tasked with establishing "the statistical indicators for measuring the progress towards the providing the Millennium Development Goals in collaboration with the relevant professional organizations".

10. In preparation for the adherence of Mongolia to the General Data Dissemination Standards (GDDS), the IMF in May 2000, applied its Data Quality Assessment Framework (DQAF) to seven datasets, of which four (national accounts, the Consumer Price Index (CPI) labor market indicators, and various social and demographic indicators) are produced at the National Statistical Office (NSO). Another two datasets, the balance of payments and monetary statistics, are produced at the Bank of Mongolia (BoM), while one, the government budget, is produced at the Ministry of Finance (MoF). Data from the Ministry of Health and the Ministry of Education, Culture and Science (MECS) were also reviewed. The review process led to a number of recommendations. In the wake of this assessment, the IMF accepted Mongolia for the GDDS in May of 2001, with NSO as the lead agency and with the participation as well of the BoM and the MoF (then the Ministry of Finance and Economy).

11. In 2003, the Government finalized the National Poverty Reduction Strategy in the form of the Economic Growth Support and Poverty Reduction Strategy (EGSPRS). Deriving from the EGSPRS, the Government adopted the National Action Plan for 2004–2008 and developed the longer-term National Development Strategy. Two components are prominent in the Government's strategy: higher, stable, private sector-led growth to improve living standards and reduce income disparities; and social development to improve income opportunities and the quality of public services and access by the poor. The strategy sees enterprise privatization, development around the mineral endowment, small and medium business promotion, infrastructure development, and legal and institutional reforms as key to growth. It enumerates financial sector priorities to support growth. Towards its social goals it targets education and private sector growth to generate employment and increase incomes. Improved access to health care (particularly maternal and child health services and primary health care), schooling, urban services, and housing are immediate targets.

12. So far the national statistical system in general and the NSO in particular have made significant improvements with the help of various donors and development agencies⁶, however the national statistical system as a whole still needs improvements in general, and in certain areas where the project's involvement could make a significant difference. The Bank provided a grant from Trust Fund for Statistical Capacity Building (TFSCB) to the National Statistical Office of Mongolia (NSO) in 2001 to develop a Statistical Master Plan (SMP) among other statistical

⁶ For more details see Mongolia: National Strategy for the Development of Statistics, December 2007 sections 1-2

capacity improvement activities. The project was completed in June 2004 and the SMP was approved by the State Great Khural (Parliament) in January 2006. Recently, the NSO has received a small grant from the Bank (TFSCB) to prepare the National Strategy for the Development of Statistics (NSDS)⁷ that updated the SMP along with a financing strategy for the implementation of it. The NSDS was completed and discussed at the stakeholders' consultation workshop in October 2007. Following the workshop the NSO submitted the NSDS to the National Statistical Board, which has approved the updated NSDS and new action plan in December 2007. The NSO has adopted this updated NSDS and action plan in order to implement it. Based on these developments the Minister of Finance has sent an official letter to the Bank requesting assistance for the implementation of the NSDS.

13. The proposed project to implement the NSDS is in line in with the major pillars of the current ISN and has been included in it as part of supporting the government to implement "second generation" reforms where the Bank can assist the Government in strengthening the national statistical system to produce reliable, timely and quality data for monitoring of key poverty and development indicators. The outputs of this project will help sustaining achievements of the ISN pillars in the mid to long term. Meanwhile, to build on what has been achieved and to avoid duplication the project team is closely coordinating with Governance Assistance Project that has a component on "Capacity Building for Data Transparency and Data Access for Poverty Monitoring" as well as with the Economic Capacity Building TA project.

14. Even though NSO has been trying to adopt standard international statistical methodologies and to remove old management structures, this transition has posed major challenges for NSO. For many decades prior to independence, statistics simply operated to trace the implementation of the government's economic plan. The dramatic changes in the economic environment and the necessary adoption of techniques and procedures to monitor economic movements have exceeded the adaptation capability of the agency.

15. As a result, there is now an increasing pressure on the national statistical system to produce and disseminate relevant statistics that meet internationally accepted standards. The critical issues to be addressed are:

- Weak institutional capacity and inefficient organizational structure of the statistical system hinder undertaking efficient statistical operations.
- Ineffective institutional coordination between various statistical agencies and the NSO and lack of an effective dialog between data users and producers create discrepancies between data supply and data needs.
- Lack of well developed human resources framework and proper job definitions prevent upward mobility and hence reduce the incentives for the staff.
- Inadequate analytical capability and qualifications of personnel of the statistical system prevent adaptation of advance methodologies and techniques for collection, analysis and dissemination of data as well as the use of existing economic and social data

⁷ The NSDS provides a road map for the next five years and implementation of it will significantly improve the capacity of NSO and other agencies that will be responsible for data collection and dissemination and monitoring and evaluation. It was developed by NSO with a TFSCB grant.

- Weak statistical infrastructure hinders institutionalizing the core statistics the national statistical system produces, such as censuses and surveys.
- Weak physical and IT infrastructure reduces efficiency of the system and creates significant time lag between data collection and dissemination.

16. This project will strengthen the capacity of the national statistical system to generate reliable, timely, and relevant statistical data to support and monitor development and poverty reduction. The results of the project will include a better legislative framework for statistical work, and better human skills, better equipment, and better data to monitor progress. The data will be of benefit to the government and people, but will also be of use to the Bank and other regional and international agencies in maintaining a policy dialogue with the government and in planning and implementing other projects and programs.

Annex 2: Major Related Projects Financed by the Bank and/or other Agencies
MONGOLIA: MONSTAT: Strengthening the National Statistical System of Mongolia

	Project	Objectives	Amt* (000)
I. United Nations			
A. UN Population Fund (UNFPA)			\$1997
1	MON/02/P08 Strengthening the NSO to increase availability and accessibility of reliable population data	Conducted a second RHS in 2003 and disseminated the findings of the CPH and the RHS. (the government also contributed MNT 103 million).	\$395
2	Subcomponent of the project (MDG)	Poverty, MDG Monitoring and Assessment system support pilot project	\$280
3	Capacity to monitor ICPD/MDG-s 2007-2011 (MNG4P103)	Building capacity of planner and officials to analyse and utilize pop gender, RH data, conducting 2008 RHS and support 2010 population and housing census	\$805
B. UN Development Program (UNDP)			\$603
1	Poverty Research and Employment Facilitation, 2002-04	The methodology of the Household Income and Expenditure Survey (HIES) was improved & the sampling design revised.	\$500
C. UN Children's Fund (UNICEF)			\$443
1	DevInfo 2004-05.	The DevInfo 4.0 software was translated into Mongolian and successfully introduced nationwide. The system is used for storage & retrieval of MDG indicators.	\$10
2	MONEE (Monitoring for Eastern Europe), 2002-04	A database template on the status of women, children and households, was implemented for Mongolia.	\$40
3	Third Multiple Indicator Cluster Survey (MICS), 2005-06	MICS was conducted in Nov-Dec 2005 and a workshop on tabulation and report writing was held in Aug 2006. The survey focuses on children under 5 & on women of fertile age, and includes birth weight & the weights of children under 5. UNICEF paid for 60 % of the cost, while the government paid the other 40 %.	\$120
3	Child protection. 0404YS 403-01 Data and analysis	A project has just begun for collecting data on the protection of children	\$14
D. International Labor Organization (ILO)			\$140
1	"Promoting decent and productive work for young women and men in Mongolia" within the ILO/ Korea Partnership Program, 2006	During 2006, a school to work survey	\$45
2	Labor force and child labor survey (P.270.13.335.050) during 2006-07	A child labor module sponsored by ILO was once again included with the Labor Force Survey (LFS), sponsored by ADB.	\$47
E. Food and Agriculture Organization (FAO)			

1	Strengthening capacity for the improvement of agricultural statistics service (Phase 1- planning for a national agriculture census)	Project design for preparation of Census of Agriculture	Amt hasn't been decided yet
F. Economic and Social Council for Asia and the Pacific (ESCAP)			\$38
1	Disability Question Set Testing, 2005	In 2005, pretesting a health and disability statistics questionnaire	\$5
2	Development account project (Interregional Cooperation of the Measurement of Informal Employment) 2007-08	At this time, ESCAP is assisting with a special module for the informal sector, to be attached to the labor force survey during 2007-08.	\$33
3	Importing access to survey micro data	Document census and survey micro data using microdata management toolkit to archive data and metadata	\$11
II. Asian Development Bank (ADB)			\$1,240
1	MON 1713: the Governance Reform Program, 2001-07	Helped NSO in some ways, including the development of a business strategy	\$500
2	RETA 6088, "Strengthening and Collection of Purchasing Power Parity Data in Selected Developing Countries" 2003-06.	This Regional Technical Assistance (RETA) project supported assistance to NSO (and other countries) in preparing price measures under 2004 round of the International Comparison Project	\$15#
3	TA 4383, "Participatory Poverty Assessment and Monitoring", 2004-07.	Assistance for conducting participatory poverty assessment and monitoring (PPAM) in the context of the EGSPRS. in 20 sample communities in 5 <i>aimag</i> and at 8 sample communities in Ulaanbaatar.	\$300
4	RETA 6333, "Statistical Capacity Building in the Asia and Pacific Region", 2006-	Assists 13 "statistically very weak developing member countries", including Mongolia, to upgrade their statistical systems. Will conduct a diagnostic study and prepare a long-term technical assistance plan.	#
5	RETA 6356, "Improving Administrative Data Sources for the Monitoring of the Millenium Development Goals", 2006-	Assists developing member countries "to enhance their capacities to compile and monitor MDG indicators in a more timely and regular manner by making improvements in the use of their administrative data reporting systems", Implemented in 6 countries, including Mongolia.	#
III. World Bank			\$1,964
1	TF-028427, 2001-04	Further support for SCB. Included development of a corporate strategy, estimation of a sources & uses table (SUT), and the conduct of the HIES.	\$367
2	2004	Survey of the investment climate in 2004, with NSO as subcontractor.	\$35.4
3	TF-054740, Index based livestock insurance project (livestock insurance project, 2005-09.	NSO subcontracts to MoF for survey work on livestock.	
4	Government assistance project Subcomponent B3, 2006-11	SCB for poverty monitoring, data transparency and access for researchers to use micro-data outside NSO.	\$600
5	Updating of the Statistical Master	Support for preparation of a National Strategy for	\$69

	Plan and Preparation of a Financing Strategy for 2007-2010 (TFSCB Grant No. 057815) under Trust Fund for Statistical Capacity Building, 2007	Development of Statistics.	
6	Trust fund TFSCB Grand	TF056595: Strengthening Institutional Statistical System	\$200
Eurostat -- TACIS		€1,029	
1	"Statistics 8" for 2005-06	Assistance for SCB in social statistics at regional level, improvement of economic accounts for agriculture, and statistical database management.	€200
International Monetary Fund (IMF)			
1		In 2007, a short-term consultant began a series of 4 missions to advise on the national accounts, especially quarterly accounts.	
2		A comprehensive ROSC mission in September 2007 reviewed data from NSO, BoM and MoF, and is preparing a new report under the DQAF.	
Mongolian Open Society Foundation (Soros Foundation)			
1	Survey of the Non-observed Economy in 2004		6

Annex 3: Results Framework and Monitoring

MONGOLIA: MONSTAT: Strengthening the National Statistical System of Mongolia

Results Framework

PDO	Project Outcome Indicators	Use of Project Outcome Information
<p>The main objective of the project is to improve efficiency and effectiveness of the national statistical system of Mongolia to enable it to provide relevant, timely and reliable data for evidence-based policy making in support of Government's MDG-based National Development Strategy (NDS).</p>	<p>Access to information/ dissemination</p> <ol style="list-style-type: none"> 1. User satisfaction rates have increase in at least 60% by the Closing Date 2. By the Closing Date, targeted statistical products are easily accessible in relevant media, with metadata and interpretation of findings. <p>Coverage/ Accuracy / Reliability:</p> <ol style="list-style-type: none"> 3. By the Closing Date, internationally accepted statistical techniques in collection, compilation and authenticity verification are applied by the Recipient, and regular validations are carried out for data sources and statistical products. <p>Timeliness:</p> <ol style="list-style-type: none"> 4. By the Closing Date, statistical outputs are released in a timely manner in accordance with internationally accepted frequency and timeframes 	<p>Years 1–5: NSO management and Project Coordinator will monitor progress in establishing intermediate indicators and take action if these are not being satisfactorily implemented.</p> <p>Progress towards project outcomes will be reported twice a year and compared with baseline data.</p> <p>There will be joint mid-term reviews with participation of all donors that will be carried out in the third year possibly in November.</p> <p>Mid-term review: No improvement in these outcomes may indicate that the project components and the implementation strategy need to be re-examined.</p>
Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
<p>1. Adequate policy and regulatory framework as well as effective institutional framework, management and human resources for statistics are in place</p>	<ol style="list-style-type: none"> 1.1 Mechan isms for effective inter-agency coordination are established and operational. 1.2 Mechan isms for effective dialogue with the data users and providers are operational. 1.3 National Stat istics Training Center established. 1.4 NSO central a nd local level structure optimized and staff trained including staff from relevant ministries and agencies. 	<p>Years 1–5: Action will be taken to either ensure that these are put into place or to redesign the project to correct deficiencies.</p> <p>Year 5: These results are compared with baseline data to evaluate the project outcome.</p>
<p>2. Statistical infrastructure developed and made operational</p>	<ol style="list-style-type: none"> 2.1 R egisters are compiled and being maintained. 2.2 Internatio nally accepted 	<p>Years 1–5: Action will be taken to either ensure that these are put into</p>

	<p>classifications, standards and methodologies are adapted and used in data production.</p> <p>2.3 Standard question naire for survey conducting developed and applied.</p> <p>2.4 Targeted surveys conducted, thematic statistical data are developed and results disseminated</p>	<p>place or to redesign the project to correct deficiencies.</p> <p>Year 5: These results are compared with baseline data to evaluate the project outcome.</p>
<p>3. Investment in physical infrastructure and equipment to facilitate the production and dissemination of data by statistical agencies is undertaken and adequately maintained.</p>	<p>3.1 Capacity for physical operations is adequate and well maintained.</p> <p>3.2 At least 75% of staff at each unit at NSO headquarters have workstations with direct access to databases for analysis and tabulation, and 60% of field staff have workstations</p>	<p>Years 1–5: Action will be taken to either ensure that these are put into place or to redesign the project to correct deficiencies.</p> <p>Year 5: These results are compared with baseline data to evaluate the project outcome.</p>

Arrangements for results monitoring

Project Outcome Indicators	Baseline	Target Values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
<p>Access to information/dissemination</p> <p>1. Rate of user satisfaction significantly increased by the end of project.</p>	<p>Activities conducted are insufficient. There are no skills to evaluate quality of data. It is necessary to conduct regular surveys among users on data quality, conduct training courses, seminars</p> <p>Prepare measures – technical notes on every data series, check-up databases, etc.</p>	<p>Preparatory activities</p> <p>Conduct users' survey for baseline.</p>	<p>Preparation of actions.</p> <p>Training courses</p>	<p>20%</p> <p>Conduct users' survey.</p> <p>Training courses</p>	<p>40%</p> <p>Continue activities.</p> <p>Increase satisfaction</p>	<p>Rate of user satisfaction increased at least 60%</p>	<p>Twice a year</p>	<p>Survey, independent assessment, audit, etc.</p>	<p>NSO and PCT</p>
<p>2. Targeted Statistical products are easily accessible in relevant media with metadata and interpretation of findings</p>	<p>Activities are being conducted, but additional actions are needed.</p> <p>Web-site of NSO is created and maintained, including metadata. There is a need to improve this Web-site, improve the process of production of publications in</p>	<p>Preparation of action plan.</p>	<p>40%</p> <p>Training, Web-site updating.</p> <p>Preparatory activities for the issue of information on CD.</p> <p>Development of marketing.</p>	<p>60%</p> <p>Training Metadata, Explanation of conclusions Updated Web-site</p>	<p>90%</p> <p>Issue of publications with explanations and metadata</p>	<p>100%</p> <p>Increased accessibility through the mass media</p>			

	electronic format (CD). Develop marketing strategy.																		
Coverage/ Accuracy / Reliability:																			
3. Internationally accepted statistical techniques in collection, and compilation, and authenticity verification are applied and regular validations are carried out for data sources and statistical products.	Verification takes place, but it is necessary to increase skills, and improve methodology	Training, authenticity verifications	Training, Authenticity verification. Conduct of surveys.	Continuation of activities	Data are compatible with international standard	Regularly conducted check-ups based on improved methodology													
Timeliness:																			
4. Statistical outputs are released within the time limits and with frequency meeting GDDS requirements	In majority, NSO meets the requirements of GDDS.	Continue GDDS activities. SNS expert	Training, switching to quarterly reporting	100% submission of statistical data at GDDS	Entrance into SDDS	Submission of statistical data at SDDS													

Intermediate Outcome Indicators	Baseline	Target Values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
1.1 Mechanisms for effective inter-agency coordination are established and	NSO coordinates statistical activities and collection of official data.	Consulting services on master questionnaire design.	Training, overall assessment of existing reporting.	Training, elimination of data duplication. Implementation	Implementation and effective interagency coordination	Effective interagency coordination			

operational.	But, there was no comprehensive evaluation of existing departmental and centralized statistical reporting conducted in terms of usefulness of data collected, identification of non-needed information and duplication.	Preparatory activities	preparation of new album of statistical reporting forms.						
1.2 Mechanisms for effective dialogue with the data users and providers are operational.	Underdeveloped. No user needs survey was conducted.	Conducting users' survey Preparation of mechanisms. Training courses	Conducting users' survey Preparation of mechanisms. Training courses	Analysis of surveys, development of mechanisms, training	Effective dialogue between users and producers of statistical data				
1.3 National Statistical training Center is established	There is no such a center.								
1.4 NSO central and local level structure optimized and staff trained including staff from relevant ministries and agencies.	Optimization was not conducted. Local level staff is trained by central office staff. In some cases, some personnel at both central and local levels were trained by international organizations. Takes place permanently.	Consulting services, training	Consulting services, training	Training of staff. 100% optimization of organizational structure of NSO at the central and local levels	Optimization of organizational structure of NSO at the central and local levels				
2.1 Registers are compiled and		Consulting services,	Consulting services,	Training for sampling	Full-scale use of register for	Twice a year	Survey, independent		NSO and PCT

being maintained.	But, there are problems of register actualization, use of data for the surveys.	pilot survey, training	register re-writing, training.	use of data for sampling surveys	surveys, maintaining actualization	surveys	assessment, audit, etc.	
2.2 Internationally accepted classifications standards and methodologies are adapted and used in data production.	Not fully applied, introduction of changes into internationally accepted classifications is underway taking into account changes in ISIC, and other classifications.	Consulting services, training	Consulting services, training development of new classifications, introduction of changes. Adaptation – 50%	Consulting services, training, adaptation – 80%	100% adaptation			
2.3 Standard questionnaires for surveys developed and applied.	Was not developed	Consulting services, questionnaire design	Consulting services, questionnaire development, training	Use Sample questionnaire for surveys				
2.4 Targeted surveys conducted, thematic statistical data are developed, and results disseminated	Surveys are being conducted, some of those requiring additional funding are being conducted irregularly or not conducted. It is necessary to improve methodology, or to develop new one based on international standards.	Training, Consulting services	Training, Consulting services Changes taking into account new methodologies. Targeted surveys conducted and published.	Training, Consulting services. Conducting targeted surveys. Production of thematic data and their publication	Training, Consulting services. Conducting targeted surveys. Production of thematic data and their publication	Activity is being conducted systematically		
3.1 Capacity for physical operations is adequate and	Most of the workstations are outdated.	Preparation for procurement process is	Necessary IT equipment procured and network	IT network was installed and operational.		Twice a year	Survey, independent assessment,	NSO and PCT

well maintained.		completed.	installation started.				audit, etc.	
<p>3.2 All relevant staff at NSO headquarters have workstations with access to databases for analysis and tabulation, and 60% of field staff have workstations</p>	<p>Currently, only 3 departments have access to appropriate section of database.</p>		80%	100%				

Annex 4: Detailed Project Description

MONGOLIA: MONSTAT: Strengthening the National Statistical System of Mongolia

The Project will be carried out under Phase I-b of the Statistical Capacity Building Program (STATCAP) APL. STATCAP is designed as a horizontal APL to make investments in statistical capacity easier and more effective. It was approved by the Bank's Board in March 2004. A STATCAP project is appraised and prepared for approval at the regional Vice President level following normal provisions for investment lending. The cornerstone of a STATCAP project is the development of a comprehensive and integrated national action plan for statistical capacity building, often linked to a National Strategy for the Development of Statistics (NSDS), which is prepared through consultation with both data providers and data users. STATCAP is designed to support a medium to long-term approach. To enter the STATCAP lending program borrowers need to fulfill certain eligibility criteria. Mongolia has met all requirements of STATCAP and the project components are designed to support the implementation of the NSDS, and will be implemented in a coherent, consistent and well-sequenced manner. The major components of the project are planned as (a) Improving policy, regulatory and institutional framework and the organizational structure of the statistical system, (b) Strengthening the statistical infrastructure (c) Upgrading statistical operations (improving individual subject matter programs and methodologies as well as the existing data outputs), (d) IT Infrastructure and Equipment, (e) Project Management.

A. Improving policy, regulatory, and institutional framework and the organizational structure of the statistical system

The statistical system of Mongolia is centralized. The NSO is charged with managing official statistics and coordinating activities in this field. The BoM functions independently in the area of monetary and banking statistics, and the MoF compiles budget statistics as part of its operations. Line ministries and other agencies produce two types of statistical information. One is collected for the NSO on the basis of methodologies and questionnaires that must be approved by NSO, and that appear in the annual Statistical Action Plan. The other kind is collected for the line ministries' own needs, using methodologies and questionnaires that must be reviewed and discussed with NSO. These statistics do not appear in the Statistical Action Plan. The agencies often publish data summaries themselves.

Measures to strengthen human resources and review and improvement of organizational structure of the national statistical system are also considered under this component. The aim is to improve all aspects of human resource management. More specifically, performance management, career development and staff assignment programs will be developed and implemented. More proactive and coordinated recruitment procedures will be put in place. The target is to improve the qualifications of the personnel in all statistical offices of the national statistical system. Training will be provided in basic and advanced methodologies and techniques, particularly those that support the priority indicators for NSDS. Training should be in the form of seminars abroad and in the country, consultancies, and on the job training. There will also be substantial opportunity for staff to go on study tours and to participate in international seminars. Meanwhile, this component will also support the design of a training strategy and the establishment of national training center for the entire statistical system; so training activities within the system can be strengthened and coordinated.

A1. Review and improvement of existing institutional framework

In recent years, the NSO and other relevant government agencies have improved information and data sharing. The Law on Statistics was amended in January 2008 that clarified the roles and responsibilities of NSO and other government agencies dealing with statistics. There is, however, still a need for strengthening institutional framework through increased guidance for statistical operations and inter-agency cooperation. This will help creating a well functioning statistical system at sectoral and regional levels and will make statistical outputs more relevant to users' needs and for the monitoring of development goals.

This component will support the improvement of the Recipient's capacity to carry out the formulation, coordination and implementation of appropriate statistical policies and programs that will address to the needs of Mongolia. It will support the review of existing statistical legislation and development of relevant terms of interaction that will clearly define the interaction and dialog between NSO and relevant line ministries and statistical agencies. To monitor this process an inter-agency working group could be established or the National Statistical Council could be involved. An internal Review and Monitoring Committee (led by the Deputy Chairman, 3 Department heads and the PCT staff) will also be established to monitor project outputs and outcomes. The review committee will meet at least once a month during the implementation and report to NSO management.

It is necessary to pay proper attention to and timely follow-up of the project induced reforms and changes. This component will also address the change management issue by providing necessary training and tools for the Change Manager (preferably at the level of department head) in order to (i) synthesize and integrate the substantial knowledge that would be transferred for the duration of the project, (ii) lead the review and monitoring process of the project by reporting to the NSO management on the project status and generic issues to be addressed, (iii) lead the work of the internal Review and Monitoring Committee, and (iv) lead the donor coordination process in statistics.

Expected outputs will be improved institutional framework and well developed terms of interaction that promote the efficient production and use of data and effective interaction among all relevant agencies of the national statistical system.

A2. Improving the relationship between data users and producers

The project views data users as an integral part of the statistical system, which is crucial to improvement of collection, processing and dissemination of quality data. Hence, it is important to take account of users' perspectives in the production of statistical outputs. There is no tradition in determining of user requirements for statistics, especially the requirements of non-government users. Currently, most of the statistical outputs are used only by government agencies as non-government users do not know what is available and their demands are thus weak. With the development of civil society, the non-government demand for statistics will become stronger.

The NSO will conduct a thorough analysis of requirements. It will begin with segmentation and analysis of users according to their functions and data requirements, for example segmentation into government, industry, academia, media, international organizations, and the community at large. It will establish the demand for statistics working with users. It will inform users and potential users about the statistical programs and the data available. User surveys of needs and levels of satisfaction will be conducted. Media conferences will be held more frequently. The National Statistical Council will become more active.

This sub-component will include the following activities.

- Conduct a general user requirements analysis and use the results for the improvement of the relevant subject matter areas in their program improvements (component C).
- Design and conduct a user satisfaction survey regularly every three years or so, to get an impression of changes in user opinions.
- Organize regular consultation workshops and seminars upon releasing statistical publications to explain the results and the use of principal indicators.
- Train staff in line ministries in data analysis.

Further, to improve the understanding of the role of official statistics and to ensure support for NSO and its work program, meetings and seminars for government officials will be arranged.

A3. Improving the data dissemination function and procedures

This sub-component will address the problems in data dissemination. Currently, users are not aware of the wealth of data available. Dissemination policies are not presently well articulated or procedures well organized. There is no marketing policy and a very limited marketing function. Paying more attention to dissemination of statistical information is very important to demonstrate the value of statistics and at the same time to contribute to the development of social, economical and political life of the country. NSO will work to give a wider range of users an easy access to statistics by improving publications and the web site. The main objectives for the next five years are:

- Develop a comprehensive and integrated dissemination strategy and publications policy to cover all printed reports and web data that is in line with the international standards for data dissemination.
- Begin issuing new annual and monthly publications to disseminate data that was not previously published.
- Provide more extensive technical notes in publications about issues of concern to users, e.g., about breaks in series and comparability with other data sets.
- Gradually develop a consistent style and layout for the various publications.
- Provide basic data in the form of time series on the website in addition to the publications already posted there.
- Prepare an electronic database of monthly and quarterly data that appear in the Monthly Statistical Bulletin and make it available to some users without cost and to other users for a fee.
- Make datasets of raw, household data available to researchers, after steps have been taken to remove any identifying information. Prepare streamlined procedures to facilitate this.
- Prepare and implement a marketing strategy, so that fees can be collected via the internet for access to electronic publications and datasets.
- Post the names, e-mail addresses and phone numbers of specialists on the website, to encourage users to make direct contact with producers.

A4. Strengthening human resource capacity

The NSO and the national statistical system need high caliber, well-qualified and trained staff to carry out the new and challenging responsibilities. A well defined human resources framework will help upgrading personnel selection and training, introducing staff performance incentives. It

also helps improving the remuneration system by linking it to performance and developing job specifications for career development of managers and regular statistical staff of the system. Retention of well motivated and qualified staff in the national statistical system will eventually contribute to the objective of providing timely, reliable and quality data by increasing productivity through improved human resource management. There will be close coordination with planned and ongoing activities related to public administration reforms in Mongolia.

Therefore, this sub-component of the project will aim to develop a human resource management framework with an incentive structure to retain and attract qualified professionals and managers in the national statistical system. It will consist of:

- Development and implementation of a human resource management strategy that includes performance management, career development and staff assignment and rotation.
- Establishment of job profiles by function and standard career paths for each profile.
- Introducing personnel performance monitoring system.
- Introducing more proactive and coordinated recruitment procedures.
- Liaising with universities to influence course content and to contact potential employees.

Improvement of staff skills is absolutely vital involving rapid changes in both methodology and technology, particularly in the context of the current project to strengthen the national statistical system of Mongolia. Therefore this sub-component will support necessary activities to design and implement a training strategy for the national statistical system that will include classification of training by type and an inventory of generic training needs. The strategy will also introduce an annual training review procedure for each staff member and supervisor, and will set annual targets for each office expressed in terms of average training days per staff member.

Establishment of the National Statistical Training Center will also be supported under this sub-component. Currently, the NSO does not have a training facility or a unit responsible for training. It is necessary to establish an administrative unit responsible for training. This unit will also be responsible for ensuring there is an assessment of training needs within the NSO and for organizing training activities to meet these needs. The training center will also have a library that contains all relevant documentation in electronic and hard copy format.

The following activities will be carried out:

- Establish a Training Unit within NSO.
- Based on the assessment of training needs determine the courses to be given by the Training Centre and the expertise required to give those courses.
- Establish National Statistical Training Centre.
- Develop and give training courses.
- Develop the program to support self-education.
- Establish a library (both electronic and hardcopy);
- Develop an on-line training module for regional office staff.
- Provide language training for key staff.

A5. Review and improvement of organizational structure of the national statistical system

The development of official statistics in Mongolia requires an in-depth review of the organizational structure of the statistical system in general and NSO in particular. It also requires a fine-tuning of the organizational structure and building up certain divisions that play a leading role in collecting priority data. There are many indications that the NSO divisions for producing statistics are understaffed. Many specialists must juggle two or more assignments and must often work unpaid overtime in order to finish their assignments. Furthermore, specialists can seldom find time to engage in analysis of data quality or data reconciliation issues, even when those issues are very important. NSO needs to increase its staff for producing data.

- To increase the active personnel of the divisions producing statistics by at least 20 persons, if possible 25, as a basis for expanding and upgrading their activities.
- Some of this could be accomplished by moving staff gradually from other activities but only if and when the specific functions (research, methodology, monitoring) can also be transferred to the producing departments.

Mongolia has 22 aimags including the capital city, 346 soums and 1681 bags/khoroos. Each bag or khoroo keeps a close watch over the population of its area and therefore records some basic demographic data on individuals, households, births deaths, marriages, migration. Aggregated numbers about these events are periodically sent to higher levels (to soums, aimags and finally the NSO). The soums are responsible for data collection about business statistics, business registration, labor statistics and prices.

To adopt a more efficient and effective territorial structure for the development statistical system, it is necessary to review the regional office structure and make adjustments where needed. This could take some time to achieve, but coupled with the introduction of an integrated processing system and more training of regional staff it could be accomplished. The volume and quality of data collected will be maintained throughout the reorganization. The following activities will be carried out:

- Propose and analyze geographical structures with fewer offices but without change of regional office functions.
- Select the most appropriate geographical and functional structure.
- Implement this structure.

B. Strengthening the statistical infrastructure

In broad terms, the aim is to enhance key elements of the statistical infrastructure – registers, classifications, standards and methods. More specifically, the Business Register will be enhanced through better identification of inactive enterprises and improved coverage of large and complex enterprises. Registers of Populations and housing will be designed and implemented. Key national classifications will be brought into alignment with the international versions and a data element dictionary and a glossary will be created. Questionnaire design expertise will be expanded and design standards will be formulated and applied. Sampling skills will be enhanced and selected full coverage enterprise surveys will become sample surveys. Seasonal adjustment and time series analysis methods will be introduced.

More precisely, the following actions are envisaged to be financed under this component: (i) improvement and updating of statistical registers; (ii) further development and improvement of classifications and other standards; (iii) further development and improvement of sampling methods; (iv) improvement of skills in seasonal adjustment; (v) improvement of skills in

evaluating and improving data quality; (vi) improving questionnaire design procedures and developing Master Questionnaire.

B1. Improvement and updating of statistical registers

Statistical registries (business, population, housing and agriculture) constitute the basic instrument for the surveys of the economy including enterprises and individual proprietors. According to the Law on Statistics “the authorities who register legal bodies shall report necessary information and changes and revisions in the record of state registration for legal bodies to the National Statistical Office.” This gives the NSO the overall responsibility of establishing and maintaining these registers.

NSO maintains a business register, which has been developed in stages. In the aftermath of widespread privatization beginning in 1994, NSO created a register of enterprises, based on data from the tax office. NSO assigned identification numbers to the enterprises, numbers that are now used by the tax office. In 1998, NSO carried out an establishment census with technical and financial assistance from Eurostat. NSO then used the results to add establishments to the business register. From 1999, NSO began to conduct a quarterly business register survey with enumerator visits covering candidates for addition to the register plus a quarter of the existing units, rotated in such a way that all existing units are covered once a year. The *aimag* offices enter the data and send it to NSO, the register is updated at headquarters; and the updated register is sent to each *aimag* every quarter. NSO relies on a variety of sources to identify legal entities for addition to the register: the Central Tax Administration is the main source, but the Ministry of Justice is also used for non-government organizations, the Ministry of Education for schools, and the Ministry of Finance for budgetary units of government. A survey of large establishments in 2004 served to update the register, as did the 2006 census of establishments. Nearly all legal entities were already registered, but a few additional establishments were discovered by the census.

The register includes only legal units that have formally registered with a government agency. Informal businesses are not included. The register is hierarchical, showing the subordination of each establishment to a legal entity. The most recent data show 30,867 active legal units (including enterprises and nonprofit organizations) as well as 33,476 establishments. NSO has experimented with converting to a “kind of activity” unit, consistent with Eurostat practice, but has found this difficult to implement the profiling for this and still maintains the register in terms of enterprises and establishments. This sub-component will include the following activities:

- Prepare an annual publication on register data. Publish data on the size distribution of local statistical units (and employment) by *aimag* and branch. Publish data as well on business “demography”, covering the births and deaths of enterprises and local units, broken down by branch, size and *aimag*.
- Participation in the International Roundtable on Business Survey Frames.
- Build an integrated database system linking the register to databases for obligatory enterprise reports, with technical assistance to help develop specifications for the linkage.
- Work with the Ministry of Justice and the tax office to upgrade the data for non-government organizations (NGO’s).
- Develop a procedure for updating the activity status and ISIC code of the NGO’s.
- Prepare a methodology to standardize terminology in questionnaires and reports.

- Develop and implement more efficient procedures for register updating through better and closer cooperation with the Tax Administration.
- Improve the register by including turnover as an additional characteristic.
- Investigate profiling procedures used by advanced NSO for determination of appropriate reporting procedures for big and complex enterprises.
- Conduct profiling of big and complex enterprises using these procedures.

In many countries the Population Register is the main source of current demographic statistics in place of current estimates that are based on aggregate census results updated with statistics on births, deaths and migrations. Ultimately the census of population may be replaced by the population register supplemented by a suite of surveys to fill data gaps.

Currently the population register is being maintained by the State Civil Registration Center (CRC), a state owned company, and NSO has no access to the database. This sub-component will support the access to CRC database and will provide necessary tools for establishing secure links.

Another important register is the Housing (dwelling) Register. The aim is to create and maintain a statistical Housing Register. In addition to being a source of statistics about dwellings, a fully up to date housing register will provide the information required to construct frames for household surveys. The following activities will be supported.

- Define the Housing Register creation and maintenance procedures and prepare the system specifications.
- Negotiate arrangements for securing data from the identified administrative sources.
- Build and test the Housing Register procedures and system.
- Load and commission the Housing Register.
- Modify the household survey programs to use the Housing Register as a source of frame data.

Currently the NSO does not have an Agriculture Register. Establishing one will help designing sample surveys in agriculture and will significantly reduce the cost of data collection. The aim is to create and maintain agriculture register.

- Define the Agriculture Register creation and maintenance procedures and prepare the system specifications.
- Build and test the Agriculture Register procedures and system.
- Obtain data from the identified administrative sources.
- Load and commission the Agriculture Register.
- Modify the agricultural survey programs to use the Agriculture Register as a source of frame data.

B2. Further development and improvement of classifications and other standards

Harmonization of national classifications with international standards is a requirement to ensure improved quality of the national statistics system and especially to provide comparability with international statistics. The use of standard classifications is vital for interpretation and integration of data. The improvement of classifications has two major aspects: support and development. Support for a classification covers training of users in the meaning and use of the classification and building a suite of resolutions to ambiguities in the classification in response to

requests from users. Development covers creation and introduction of new classifications as well as the revision of existing classifications to ensure that they remain in line with the international classifications. Newly developed or revised classifications have to be accompanied by support for the survey areas in switching from the previous versions.

Given the broad range of national classifications currently available, the major development effort over the next few years will be in their revision. In particular, it will include work on the national versions of the Classification of Economic Activities (NACE) and the corresponding Classification of Products by Activity (CPA).

Keeping track of the definitions of the data elements used in the various data sets collected and disseminated is important for integration purposes but has been mostly neglected at the NSO. There is presently no comprehensive glossary of statistical terminology within the NSO. To ensure clarity a multilingual glossary will be developed as a component of the metadata repository.

The project will include the following activities.

- Review and revise classifications to be in line with the latest versions of international standards and support survey areas in implementing the revised versions.
- Develop procedures for identifying, storing and accessing data element definitions.
- Develop procedures for identifying, storing and accessing statistical terms in a multilingual glossary.
- Train subject matter areas and other users in the use of the resulting data element dictionary and glossary.
- Convert to ISIC 4.
- Improve the five-way sectoral classification for SNA.
- Develop a Classification for the Purposes of Nonprofit Institutions serving Households.
- Develop a Classification of the Functions of Government for use in national accounts.

B3. Further development and improvement of sampling methods

The advantages of a sample survey over a full coverage survey are the reduced costs and respondent burden and the increased potential for intensive follow up of non-respondents and for editing of anomalous or missing values.

NSO staff have already learned some sampling skills from various training programs, but the problems remain. The major problem is the lack of experience in designing samples for Mongolia. Thus, primary aim of this sub-component is to introduce sampling in place of full coverage surveys wherever feasible. The following activities will be conducted:

- Review the opportunities for sampling taking into account planned improvements in the Statistical Register;
- Train the staff (especially at the regional level) in sampling methods;
- Review the current suite of economic surveys to determine which can be conducted on a sample basis without serious data loss to users;
- Review the existing full-count surveys and redevelop each of these surveys as a sample survey;
- Improve the sampling in household survey taking into consideration the development of Housing Register and the specific traditions of the population.

B4. Improvement of skills in seasonal adjustment

In the international practice, statistical results are usually presented to public as a time series because this sort of presentation is the best for forecasting and other types of analysis. Time series of statistical results should be as long as possible. But to produce the long time series, it is necessary (i) to provide methodological consistency of results over the time period; (ii) to estimate the discrete indicators rather than cumulative data; (iii) to provide the seasonal adjustment for the sub-annual statistics; (iv) to implement the regular revision of previous results when/if more accurate results are estimated; (v) to use adequate deflation technique and indexes.

Although long monthly time series are available for some variables, NSO has no experience with seasonal adjustment. Seasonal adjustment is greatly needed for production and prices of fresh produce, which vary sharply by season. Seasonal adjustment is especially needed to prepare data for use in quarterly national accounts. To improve the underlying sub-annual data, NSO needs to convert all sub-annual data preparation to discrete periods (months, quarters) instead of publishing cumulative estimates, as has often been the case. This sub-component will include the following activities:

- Create time series of discrete indicators and revise past results, if necessary;
- Change questionnaires to collect discrete rather than cumulative data (in line with B6);
- Implement a seasonal adjustment technique (such as X-12 ARIMA) for the sub-annual discrete estimates in all key sectors and activities (GDP, output by activity, etc);
- Improve current deflation technique and indexes;
- Present the new time series to the public and explain their advantages.

B5. Improvement of skills in evaluating and improving data quality

Data quality audits are needed as a basis for improving data quality. Some of the information compiled during a quality audit can also serve to inform users about the strengths and limitations of particular data sets. NSO has little experience in dealing with data quality issues. No attention has yet been paid to the problem of non-response and how to adjust for it. Validation procedures are minimal and rudimentary.

In advanced countries, basic techniques for quality control for professional work (including statistics) often include self-audit and peer review. These approaches are effective because the specialists themselves have the most complete information for evaluating their own work, whereas outsiders have much less information and are largely dependent on information provided by the specialists. Peer review is successful insofar as it evokes a substantial degree of trust and openness on the part of the specialists being reviewed, who will soon have the opportunity to review the work of other specialists, their peers. Review by outside experts is also effective to the extent that the outside expert has long experience and a deep understanding of the problems faced by the specialists.

A working group will be formed, perhaps including a staff member with strong management skills to assist in the “change management” that will be involved in facilitating the introduction of procedures for self- and peer review. The project will include the following activities

- Develop a quality model – comprising quality concepts and definitions, including the so-called *output quality characteristics*, relevance, accuracy, timeliness, accessibility, interpretability, and coherence.

- Develop a quality policy - providing leadership, a framework for definition of quality objectives, a commitment to satisfying user needs, continual improvement, and reengineering where major changes to existing processes are required.
- Develop a quality manual – documenting concepts, policies, procedures and responsibilities.
- Develop quality tools - quality and performance indicators and measurement systems, quality control systems, self administered quality checklists, and a program of quality reviews.
- Train staff in quality awareness, principles and procedures.
- Implement the quality policy – including continual quality improvement and a quality evaluation program.

A basic problem inhibiting improvements in data quality is that the field staff is still very close to the administrative functions of local government, as a result of which they find it difficult to separate their own statistical duties from the administrative duties of general government. To deal with this problem, NSO will need to provide training and guidance to local officials.

B6. Improving questionnaire design procedures and developing Master Questionnaire

Questionnaire design has a significant impact on response rates, probability of misreporting, ease of data capture and incidence of capture errors. It involves knowing how respondents keep their records (accounting practices), how they interpret questions (cognitive research), and how the data are to be captured.

Another important issue in questionnaire design is the consistency. In many cases, surveys conducted in different periods for a specific topic are not consistent and comparable due to use of different questionnaires. To avoid such problems a questionnaire bank or a Master questionnaire with modules for all relevant sectors will be prepared. This will ensure consistency across surveys that will facilitate comprehension, legibility of answers, ease of editing and ease of data entry. The development of master questionnaire requires extensive coordination among all relevant statistical agencies of the national statistical system.

A questionnaire design unit will be established to design the Master Questionnaire with modules for all relevant sectors and to ensure consistency. Centralized design of the master questionnaire and their monitoring is very important for integration. As a rule, corresponding sections of statistical agency will be responsible for the content of the master questionnaire and work in cooperation with functional divisions, especially with those working with the methodology, survey structure and data processing. In designing the master questionnaire, it is important to ensure that all necessary requirements regarding the integration of indicators, efficiency of data entry and processing are satisfied. Further, it should be designed in a language easily understandable by respondents, thus minimizing mistakes in their answers.

This sub-component will support the following activities:

- Create a questionnaire design unit, dedicated to the development of questionnaire design standards.
- Develop questionnaire design guidelines for all type of questionnaires (paper, electronic, face to face interviews and computer assisted telephone interviews).
- Provide training in the use of questionnaire design standards to survey areas;
- Develop and implement procedures for review for all new or recently redesigned questionnaires for conformance to the standards prior to their use;

- Develop and oversee a program for review and revision of all existing questionnaires;
- Develop the Master Questionnaire and necessary guidelines on the use of it.

C. Upgrading statistical operations (improving individual subject matter programs and methodologies as well as the existing data outputs)

The aim is to enhance all individual surveys and administrative data collections through re-engineering and/or continual improvement, taking advantage of new infrastructure and further incorporating international standards and best practices. This component will address the adaptation of internationally accepted standards and methodologies in data collection, compilation, and validation by NSO and other relevant agencies. It will also support a thorough review and inspection of existing data outputs. It is essential to re-examine the coverage and content of data outputs and the corresponding data inputs in each subject matter area. Starting with the revised SNA93 data requirements as the core, the content of economic statistics program should be reviewed and rationalized with the aim of reducing the amount of detail collected. This will be done by identifying and eliminating any indicators that seem inappropriate for a market economy and no longer needed, or that are not published. This will not only release NSO resources for other activities but also reduce respondent burden. It will also support further development of sectoral statistics.

Activities of this component will be supported through a combination of consulting, training and capacity building.

C1. Full implementation of SNA

This sub-component will aim to produce national accounts that are timely, reliable and in line with internationally accepted methodologies. The proposed actions are:

- Complete the 2010 Supply and Use Tables (SUT), investigate and analyze discrepancies in it, and document the research and findings involved in balancing the SUT.
- Improve the techniques involved in preparing QNA,
- Improve the estimates, and extend the estimates to the expenditure approach as more source data becomes available.
- Start benchmarking the quarterly national accounts on the basis of the 2010 SUT.
- Improve the estimation of gross fixed capital formation.
- Prepare measures of Gross National Income and Gross National Disposable Income.
- Improve current-price measures of GDP by expenditure and prepare constant-price measures after identifying data gaps and compiling the required source data.
- Provide enhanced documentation on national accounts methods and data sources to the general public.
- Study the revised SNA methodology due for release in 2009 and consider which parts are suitable for early implementation in Mongolia.
- Study the methods for estimating the size of the non-observed economy.
- Prepare improved estimates of the size of the non-observed economy in Mongolia.
- Set a standard release schedule for annual and quarterly GDP, announce it on the Web, and adhere to it.
- Publish an annual report on national accounts, including long time series for both annual and quarterly accounts, showing more detail than can be shown in the Statistical Yearbook, and providing ample documentation regarding methods and source data.

- Attend workshops and do study tours to learn about environmental accounting (“Green GDP”) as practiced in other countries. Study the possibilities for such accounting in Mongolia, and itemize the kinds of source data that will be required for such accounts.
- Improve the coordination with balance of payments (BOP).
- Improvement of the assessment of gross national income (GNI), including labor migration and remittances;
- Develop a methodology and establish leading indicators for the country;
- Provide support and training to BOM in the area of BOP, trade in services, international investment positions statistics.

C2. Price statistics (including PPI, CPI and other relevant indices)

The aims of this sub-component are:

- Improve the calculation of Consumer Price Index (CPI), by enlarging the basket of goods covered and by upgrading methodology.
- Introduce a customized program for the calculation of CPI by location and for the nation.
- Introduce quality adjustments for goods.
- Adjust for the understatement in the weights for tobacco and alcohol.
- Correct for seasonal fluctuations in prices and volumes of certain goods.
- Improve the calculation of the Producer Price Index (PPI) by enlarging the basket of goods covered and by upgrading methodology and prepare PPI for major sectors.
- Improve the construction cost index.
- Improve the methodology for estimating the housing price index.

C3. 2010 Census preparation

This sub-component will focus on the main preparatory tasks identified in the framework of the run-up to the 2010 Census and will address the following tasks:

- Census Mapping.
- Preparation of Census training plan and program.
- Training of trainers
- Training of managers, supervisors, and enumerators
- Providing equipment and software and training for the preparation of census.

D. IT Infrastructure and Equipment

Good infrastructure and enhanced IT system are essential for efficient and effective delivery of statistical products and services in the country. Therefore, the project team has paid special attention to the establishment of well functioning IT infrastructure for the national statistical system. Although the current situation is more advanced than expected, an upgrading of the IT equipment and skills is needed to achieve improved efficiency and quality.

Currently 31 regional statistical offices are exchanging information with the NSO central office through Internet. At the central office the LAN is running with 70 workstations and all servers including web server, database and network servers connected into one segment. The servers are operating under MS Windows Server 2003 and MS SQL Server 2005. The NSO connected to the local Internet Service Provider through 128 Kbps fiber optic line. The NSO has corporate website <http://www.nso.mn>.

Enhanced IT infrastructure and equipment are needed to implement the reforms envisaged in this Project. This component will support NSO's strategic goal of improving efficiency and effectiveness in data collection, analysis, and dissemination processes through the use of information technology. To achieve this goal a detailed IT plan will be prepared, which includes such key elements as functional requirements, technology architecture, and system maintenance and support plan. It will also encompass a diagnostic review of IT solutions and IT competences in all data producing agencies including the NSO (central and regional offices), statistical units in line ministries and statistical units in Customs and Tax Offices. In addition, the consultancy service will support the preparation of bid documents that will ensure the effective implementation of business process changes introduced in the Project.

The proposed IT plan will help creating an IT network for the statistical system that will efficiently and effectively link the central office with the regional offices. It will also provide a unified information/data space to carry out all information flows and other services necessary for the entire national statistical system. The implementation of the IT plan will become one of the major components of the proposed project.

Investments in hardware and software will be made as specified in the IT Plan.

D1. Preparation of an IT plan

This sub-component will support the development of a detailed IT plan for the national statistical system that will address a thorough upgrading of the IT solutions and IT competences in all data producing agencies including the NSO (headquarters, and regional offices), statistical units in line ministries and statistical units in state-owned enterprises.

D2. Establishment of an IT network for the national statistical system

This sub-component will support upgrading existing information technology (IT) and other equipment that is essential to carry out existing and project activities and networking equipment:

Information Technology

This component will support NSO's strategic goal of improving survey development, data collection, analysis, and dissemination processes through the use of information technology. In most agencies that collect, process and store data, IT infrastructure (hardware, software, networking and peripheral equipment) are outdated and will need to be replaced. The objective is to support the national statistical system in:

- developing a detailed program for improving the IT infrastructure,
- ensuring improved efficiency and quality of statistical processing, accessibility and availability of databases for handling the preparation of tables;
- providing a major upgrading of the IT infrastructure combined with increased skills in the use of IT tools throughout the organization;
- putting in place adequate mechanisms for data protection and backup of data;
- Organizing training courses both for IT specialists and non-IT specialists.

Networking equipment

A thorough upgrading of the IT infrastructure and IT competences is needed to improve efficiency and ensure staff learn the new technologies and adapt to the new methods. Several investments in IT, licensed software, and technical assistance will be provided to data producing

agencies including the NSO (headquarters, and regional offices), statistical units in line ministries and statistical units in state-owned enterprises. The procurement of equipment will include:

- high performance servers to support the data processing processes and provide additional data storage capacity;
- installation of a local area network (LAN) at headquarters, workstations, printers and related peripheral equipment, internet switch, UPS and spare parts;
- installation of LANs in aimag offices, UPS, and disk backup media;
- upgraded methods for faster and more reliable data transfer and communication between the central and regional offices, where feasible by email connection, and otherwise by fax, CD and diskette;
- provision of new software systems and limited custom application software; and
- Modern printing equipment, including risographs and sheet cutters for central and local statistical offices.

E. Project Management

NSO will be the main executing agency of the project and will be responsible for its management. To effectively carry out the implementation and daily project administrative work a financial management specialist and a procurement specialist will be hired by the executing agency. Specifically, this group will ensure compliance with the procurement, disbursement and financial management policies and procedures.

Annex 5: Project Costs

MONGOLIA: MONSTAT: Strengthening the National Statistical System of Mongolia

Project Cost By Component and/or Activity					
Component	Component Name	IDA	Korean TF	TFSCB	TOTAL
A	Improving policy, regulatory, and institutional framework and the organizational structure of the statistical system,				
A1	The review and improvement of existing institutional framework;	\$60,000	\$60,000	\$20,000	\$140,000
A2	Improving the relationship between data users and producers;	\$60,000	\$30,000	\$10,000	\$100,000
A3	Improving the data dissemination function and procedures;	\$80,000	\$20,000	\$20,000	\$120,000
A4	Strengthening human resource capacity;	\$60,000	\$30,000	\$20,000	\$110,000
A5	Review and improvement of organizational structure of the national statistical system.	\$60,000	\$20,000	\$20,000	\$100,000
	Sub total	\$320,000	\$160,000	\$90,000	\$570,000
B	Strengthening the statistical infrastructure,				
B1	Improvement and updating of statistical registers	\$110,000	\$40,000	\$20,000	\$170,000
B2	Further development and improvement of classifications and other standards	\$60,000	\$50,000	\$10,000	\$120,000
B3	Further development and improvement of sampling methods	\$60,000	\$40,000	\$20,000	\$120,000
B4	Improvement of skills in seasonal adjustment	\$60,000	\$40,000	\$20,000	\$120,000
B5	Improvement of skills in evaluating and improving data quality	\$80,000	\$30,000	\$20,000	\$130,000
B6	Improving questionnaire design procedures and developing Master Questionnaire.	\$80,000	\$40,000	\$20,000	\$140,000
	Sub total	\$450,000	\$240,000	\$110,000	\$800,000
C	Upgrading statistical operations (improving individual subject matter programs and methodologies as well as the existing data outputs),				
C1	Full implementation of SNA;	\$100,000	\$60,000	\$10,000	\$170,000
C2	Price statistics (including PPI, CPI and other relevant indices) and BOP statistics;	\$80,000	\$60,000	\$10,000	\$150,000
C3	2010 Census preparation;	\$150,000	\$60,000	\$90,000	\$300,000
	Sub total	\$330,000	\$180,000	\$110,000	\$620,000
D	IT Infrastructure and Equipment				
D1	Preparation of an IT plan	\$70,000	\$20,000	\$10,000	\$100,000
D2	Procurement of computers and other equipment and establishment of an IT network	\$650,000	\$100,000	\$80,000	\$830,000
	Sub total	\$720,000	\$120,000	\$90,000	\$930,000
E	Project Management.				
E1	Consultants (Procurement and FM specialists, ad hoc advisory services, translation)	\$60,000			\$60,000
E2	Audit Services	\$20,000			\$20,000
E3	Goods (office equipment, software, furniture	\$5,000			\$5,000

	etc.)				
E4	Office Operating and Maintenance costs	\$15,000			\$15,000
	Sub total	\$100,000			\$100,000
	Unallocated	\$80,000			\$80,000
	Total Project Cost	\$2,000,000	\$700,000	\$400,000	\$3,100,000

The project cost in this table does not include in-kind contributions from TICA (estimated around \$700,000).

Annex 6: Implementation Arrangements

MONGOLIA: MONSTAT: Strengthening the National Statistical System of Mongolia

Given the fact that the project is aimed at improving the statistical system of the country it is necessary to obtain appropriate level of commitment and support of various government agencies and ministries. In order to ensure this, the National Statistical Council (NSC) will take the oversight responsibility and monitor the project implementation. The NSC consists of seven members from Parliament (State Great Hural), government, scientific research institutions and NSO headed by the current Chairman of NSO. The members of NSC are appointed by the Parliament. It will meet twice a year and perform the following key functions regarding the project implementation:

- Ensure efficient interdepartmental (inter-ministerial) interaction and resolve interdepartmental (inter-ministerial) issues;
- Exercise monitoring and evaluation of project progress on a semi-annual basis and propose improvement recommendations where needed.

NSO will be the main executing agency of the project and will be responsible for its overall management and implementation. To effectively carry out the implementation and daily project administrative work, there will be a Project Coordination Team (PCT), headed by a qualified and experienced Project Coordinator, consisting of NSO staff that will be assisted by a financial management specialist and a procurement specialist (and an assistant) to be hired by the NSO. Specifically, this team will coordinate project activities, manage reporting and auditing activities and ensure compliance with the procurement, disbursement and financial management policies and procedures. PCT will report to the chairman of NSO or other delegated person and will fulfill the following key functions:

- Interact with the Bank and other donors;
- Interact with relevant government bodies at central and local levels on project implementation issues;
- Interact with relevant NSO departments both at the central and local levels on project implementation issues;
- Manage a program of monitoring and evaluation for the project;
- Prepare draft progress reports for review and finalization by the NSO and further submission to the Project Steering Committee;
- Ensure communication and publication of the project results, in particular at the NSO web-site.

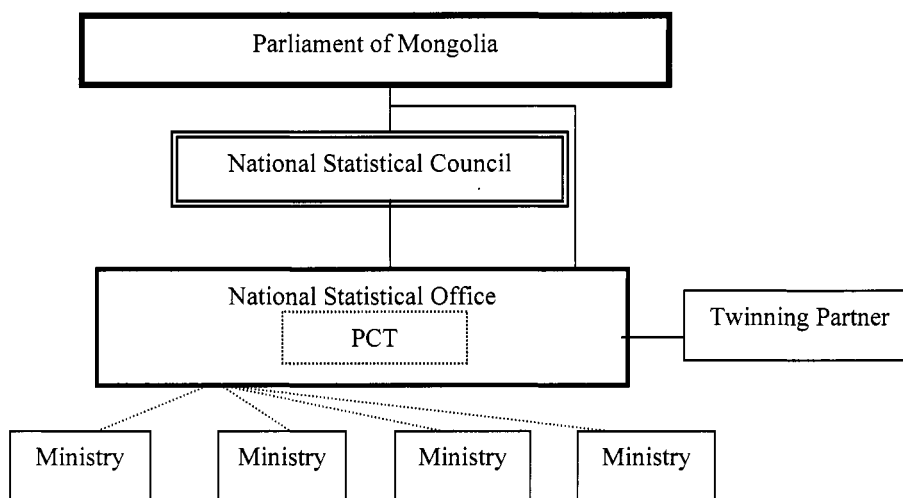
All other aspects of the project would be implemented by relevant NSO staff with the assistance of local and international consultants. Please also refer to Figure 1 below for project implementation arrangements.

It is important to note that the project coordination team will not be a PIU as it is the case in many other projects, instead a seamless approach of not having a PIU will be adopted. The PCT will be using the existing financial management and procurement system of NSO and will be assisting relevant NSO staff in implementing the project. This is in line with the directions provided in the Paris declaration and the Bank's policy on project implementation arrangements.

A project operation manual will be prepared to set the framework of rules by which the project coordination team will manage the project, under the World Bank regulations for financial management and procurement. The manual will also include written job descriptions for each member of the team that clearly define responsibilities, lines of supervision, and limits of authority. An appropriate training program which will include World Bank financial and procurement management procedures will be designed for staff and will start prior to project effectiveness to ensure that the project team is active and ready to operate at project effectiveness. The allocation of responsibilities should enable the appropriate separation of duties to ensure proper accountability. The team will produce all necessary reports on financial and procurement activities as requested by the World Bank and described in the manual of procedures.

The project will support salaries of the procurement and financial management specialists; consulting services for monitoring and evaluation studies, audits, project reviews and the production of the Procedure and Project Implementation Manuals; and furniture and equipment for the team.

Figure 1. Proposed Implementation Set-Up.



Annex 7: Financial Management and Disbursement Arrangements

MONGOLIA: MONSTAT: Strengthening the National Statistical System of Mongolia

Executive Summary

1. The Financial Management team has conducted an assessment of the adequacy of project financial management system for Strengthening National Statistical System of Mongolia Project (the project). The assessment, based on guidelines issued by Financial Management Sector Board on November 3, 2005, has concluded that the project meets the minimum Bank financial management requirements, as stipulated in BP/OP 10.02, subject to the satisfactory resolution of the issues listed in paragraph #10. In the FM team's opinion, the project will have financial management arrangement acceptable to the Bank and, as part of the overall arrangements that the borrower has in place for implementing the operation, provide reasonable assurance that the proceeds of the IDA credit and grants will be used for the purposes for which they are provided. Financial management risk is the risk that World Bank credit and grant proceeds will not be used for the purposes intended and is a combination of country, sector and project specific risk factors. Taking into account the risk mitigation measures proposed under the project, a "moderate" FM risk rating was assigned to the project at the pre-appraisal stage.

2. Funding sources for the project include IDA credit, Korean Trust Fund, Trust Fund for Statistical Capacity Building (TFSCB). The IDA Credit and grant proceeds will flow from the Bank into project Designated Accounts (DAs). The DAs will be established at a commercial bank acceptable to the Bank and managed by the NSO (National Statistical Office).

Country Issues

3. Based on the Country Financial Accountability Assessment (CFAA) of November 2002, Accounting and Auditing ROSC of 2008, and our current experience and understanding of the country, we found the overall fiduciary environment is weak and public sector financial accountability system does not function well, and corporate governance remains inadequate in Mongolia. Given the existing weaknesses in the financial accountability framework, a ring-fenced control should be maintained for Bank financed projects until the systemic weaknesses have been adequately addressed. The Bank and Government of Mongolia (GOM) is currently working together to integrate the Bank financed projects into the Government Financial Management Information System (GFMIS) which would eliminate the need to ring-fence the FM arrangements for Bank projects. However, this is still at planning stage and the timing of this roll-out is still underdetermined. Therefore, this assessment is still prepared under current conditions and the use of ring-fenced controls still applies for the project. Once projects are rolled into GFMIS, thus using country systems, this project's FM arrangement will be revised accordingly

Summary of Project Description

4. The main objective of the project is to improve efficiency and effectiveness of the national statistical system to enable it to provide relevant, timely and reliable data for evidence-based policy making in support of Government's MDG-based National Development Strategy (NDS) and the process of economic development.

5. The project consists of the following 5 components: (a) improving policy, regulatory, and institutional framework and the organizational structure of the statistical system; (b)

strengthening the statistical infrastructure; (c) upgrading statistical operations (improving individual subject matter programs and methodologies as well as the existing data out-puts); (d) IT infrastructure and equipment; and (e) project management. The estimated cost of the project is USD 3,100,000. For the detailed project description, please refer to the Annex 4 – Detailed Project Description in the PAD.

External Auditing

6. The Bank requires that project financial statements be audited in accordance with standards acceptable to the Bank. In-line with other Bank financed projects in Mongolia, the GOM will appoint an independent external auditor, acceptable to the Bank, to conduct annual audits of the project accounts in accordance with International Standards on Auditing, under terms of reference satisfactory to the Bank. The audit will be financed from the IDA proceeds. The auditors will: (a) express an opinion on the annual financial statements; (b) determine whether the Designated Accounts have (i) been correctly accounted for, and (ii) been used in accordance with the financing agreements; and (c) determine the adequacy of supporting documents and controls surrounding the use of Statement of Expenditures (SOEs) as a basis for disbursement. The auditors will also furnish a separate Management Letter, which will: (a) identify any material weakness in accounting and internal control as well as asset management; (b) report on the degree of compliance of financial covenants of the Financing Agreement, Grant Agreement and Subsidiary Agreement; and (c) communicate matters that have come to the attention of the auditors which might have a significant impact on the implementation of the project.

7. The annual audit report of project financial statements will be due to the Bank within 6 months after the end of each calendar year. This requirement is stipulated in the financing agreement. The responsible agency and timing are summarized as follows:

Audit Reports	Submitted by	Due date
Audited consolidated project financial statements	National Statistical Office	June 30 of each calendar year

Risk Assessment and Mitigation

8. In order to satisfy the Bank’s minimum financial management requirements, a summary of risk assessment and proposed mitigating measures for the project are identified as following:

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Risk Rating After Mitigating Measures	Condition of Negotiations, Board or Effectiveness
Inherent Risk				
• Country level	High	Maintain ring-fenced controls for the project	Substantial	
• Entity Level	Moderate	Nation Statistics Office (NSO), which has long term experience with designing, managing and	Moderate	

		implementing the donor funded projects, will be the main executing agency of the project and will be responsible for its overall management and implementation. In addition, to effectively carry out the implementation and daily project administrative work, a Project Coordination Team (PCT) of up to 5 persons is to be established.		
• Project Level	Substantial	Detailed Financial Management Manual will specify sufficient internal controls to be in place to monitor the project from financial management perspective.	Substantial	
Control Risk				
• Budgeting	Moderate	Project annual plan, which is consistent with the timing of project activities will be prepared, reviewed and monitored by NSO under the oversight of the National Statistical Council.	Moderate	
• Accounting	Substantial	<ul style="list-style-type: none"> a) A Financial Management Manual (FMM) will be developed for Bank review, which includes the project accounting procedures. b) A capable financial officer will be recruited with proper qualification and experience. c) Relevant financial management training will be provided to the newly recruited financial officer. d) Appropriate accounting software will be installed and utilized for the project. 	Moderate	<p>The FMM is a condition of effectiveness.</p> <p>Recruitment and training of financial officer is a condition of effectiveness.</p>
• Internal Control	Substantial	<p>The internal control will be specifically designed for the project and documented in the project FMM , which will at least include but not be limited to the following:</p> <ul style="list-style-type: none"> a) Regular bank reconciliation and periodic cash count; b) Proper authorization and approval procedures for payment request; c) Appropriate segregation of duties; 	Moderate	

		d) Bank's no objection for significant project activities; and e) Annual audits by external independent audit firm		
• Funds Flow	Moderate	a) The flow of funds is straightforward to support the project smooth implementation; and b) The review and approval procedures will be documented in the FMM to make the reviewing and funds delivery process more efficiently	Moderate	
• Financial Reporting	Substantial	The Chief Accountant of NSO will take overall responsibility over project's financial management arrangements. However, NSO will hire a financial officer who will be responsible for the project related technical financial issues. a) The project financial reports with proper format and content will be adopted by the project; and b) Quarterly Interim Financial Reports (IFRs) will be prepared and submitted to the Bank for review on regular basis as specified in the legal agreements	Moderate	
• Auditing	Moderate	An external independent auditing firm will be appointed, accepted to the Bank with proper terms of reference.	Moderate	
Overall	Substantial		Moderate	

Therefore, the overall FM risk-rating assigned to this project is Moderate, provided the proposed mitigating measures are carried out. The FM team will closely monitor the effectiveness of the measures and project FM risk during project implementation.

Strengths

9. NSO has extensive previous experience in implementing several Bank financed projects such as Strengthening the Institutional Statistical System Project (TF28427), Technical Assistance project (MOG-2321), Living Standards Assessment (P067767), Strengthening Institutional Capacity of the NSO (TF-27587), Strengthening National Statistical System in Mongolia (TF-57815) and Rural Investment Climate Survey.

Weaknesses and Action Plan

10. NSO does not have experience in implementing the comprehensive World Bank project, as the proposed new project, with significant and multiple financial resources involved. The table below identifies the key weaknesses and the corresponding action plans proposed:

Significant Weaknesses	Resolution	Responsible Agency	Completion Date
Inadequate financial management procedures for the project	A financial management manual (FMM) describing the detailed financial management procedures will be prepared.	NSO/PCT	Before management approval
Lack of proper financial reporting procedures	Interim Financial Reports (IFRs) format and content submitted to the Bank for review	NSO/PCT	Before management approval
Inadequate financial staff	(1) Recruiting qualified financial officer; and (2) providing FM and disbursement training to the staff	NSO NSO and World Bank	Before management approval Before project effectiveness

Implementing Entity

11. National Statistical Council (NSC) will take the oversight responsibility and monitor the project implementation. Under the oversight of NSC, NSO will be the project implementing agency.

12. The NSC will meet twice a year and perform the following key functions regarding the project implementation:

- Ensure efficient interdepartmental (inter-ministerial) interaction and resolve interdepartmental (inter-ministerial) issues;
- Exercise monitoring and evaluation of project progress on a semi-annual basis and propose improvement recommendations where needed.

13. NSO will be responsible for (i) developing and updating the Annual Plan, (ii) ensuring that project activities are implemented according to the legal documents, procurement plan and Project Operations Manual, (iii) reporting on project progress to the Government and the World Bank, (iv) ensuring that procurement of goods and services is done in a timely manner and in accordance with World Bank guidelines, (v) managing project funds and maintaining accounts, including the Designated accounts, (vi) getting the accounts audited, (vii) ensuring adequate budget provisions for the project, (viii) facilitating the work of consultants and reviewing their outputs.

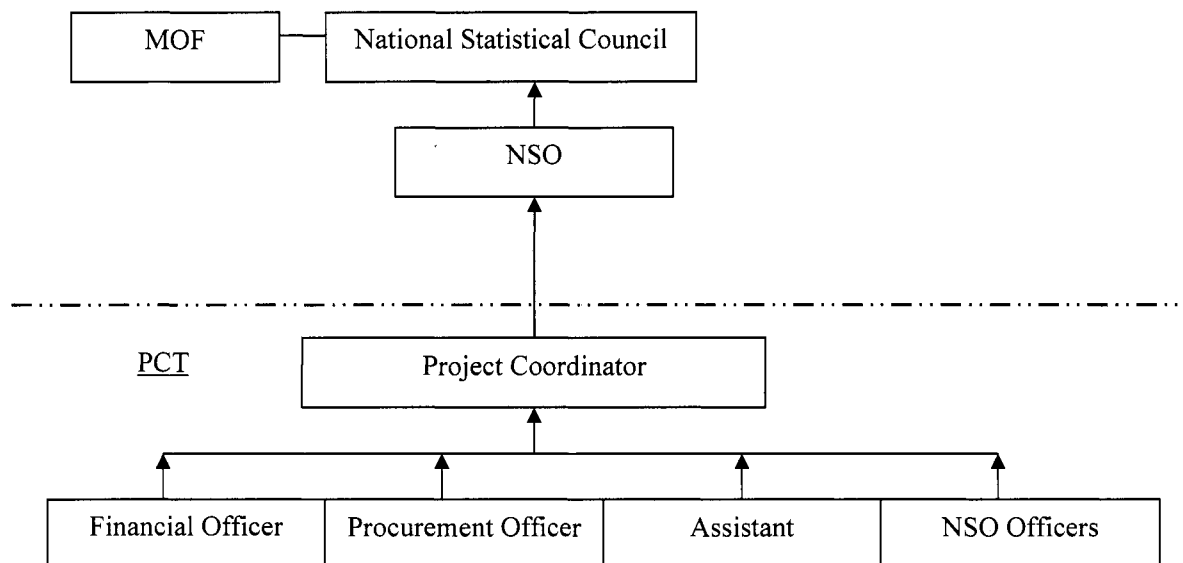
14. Within NSO, a Project Coordination Team (PCT) will be established to day-to-day project implementation and management work. The PCT will report to the Chairman of NSO or other delegated person. The PCT is at least composed of:

(a) a project coordinator appointed by NSO, will be responsible for the overall management of project activities and compliance with its objectives, and for ensuring proper coordination among the various government agencies;

(b) a financial officer who will be recruited in full time and responsible for budget preparation and follow-up, project financial management including the management of the Designated Account, disbursement, project accounting and financial reporting;

(c) a procurement officer who will be recruited in full time and responsible for carrying out procurement activities consistent with procedures approved by IDA, for managing ongoing contracts, and reporting on the progress of procurement activities and deliverables under contract.

15. The detailed project organization chart is illustrated below:



16. The PCT will be responsible for overall coordination of the fiduciary aspects of the project including financial management, accounting, and auditing. In particular, it will be at least responsible for, but not limited to the following:

- Designing and establishing sound accounting system including assigning chart of accounts;
- Maintaining up-to-date accounting records and ledgers as well as asset management;
- Preparing project financing plan on a monthly, quarterly and annual basis;
- Conducting variance analysis on project financial position and take further actions;
- Recording transactions for all project activities;
- Managing and maintaining Designated Account and its reimbursement;
- Preparing monthly bank reconciliation statements in a timely manner;
- Preparing SOEs, withdrawal applications and supplier records;
- Ensuring that proper internal control system is in place to achieve accountability at all level;

- Preparing quarterly Project Financial Monitoring Reports as a part of Project Progress Reporting and submitting them to the Bank;
- Preparing annual financial statements in accordance with consistently applied accounting standards acceptable to the Bank;
- Submitting audit reports; and
- Properly filing and maintaining all accounting forms and supporting documents

Budgeting

17. NSO will prepare an annual plan and budget which will identify the detailed project activities to be undertaken and the role of different parties in implementation. The annual plan and budget will be submitted to the National Statistical Council for approval, and thereafter to the Bank for no objection.

18. PCT is required to conduct regular variance analysis during project implementation to investigate reasons for differences between planned (budget) and actual expenditure and take necessary actions to make sure the project can be implemented as planned.

Funds flow and Disbursement Arrangements

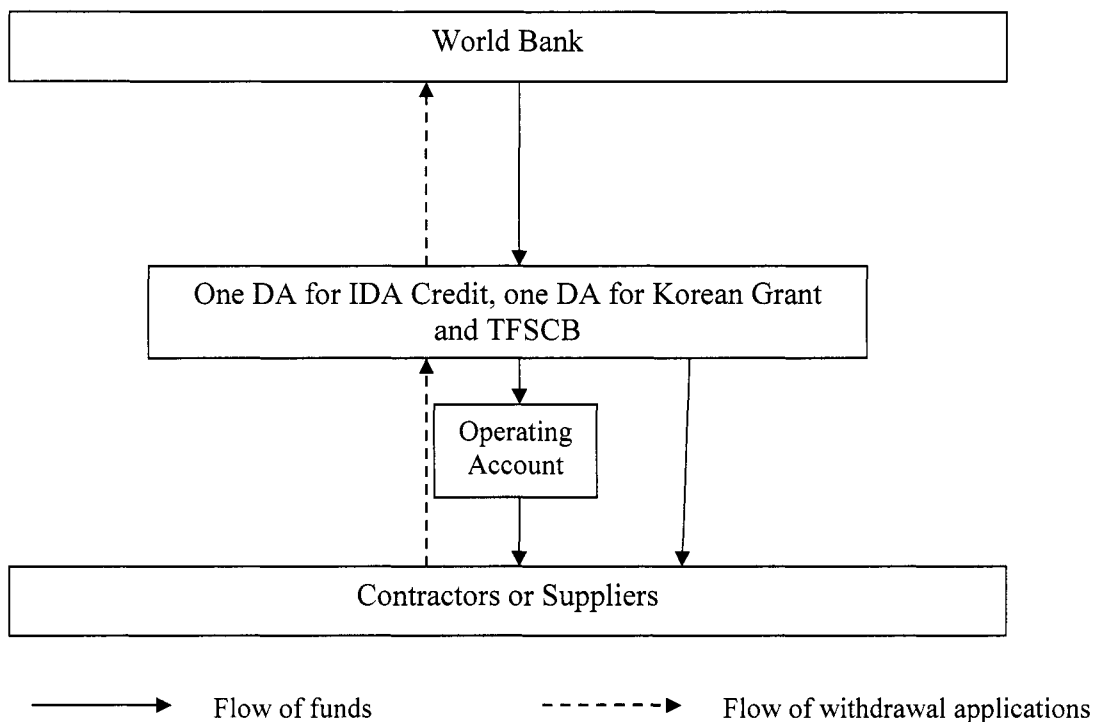
19. The PCT will maintain and manage two USD designated account (DA) at a commercial bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set off, seizure and attachments. One DA is for IDA credit, one DA is for Korean grant and TFSCB. The IDA credit and other grant proceeds will flow from the Bank to the DA, and will be disbursed against all eligible project expenditures. The ceiling of the designated account will be discussed and agreed between the Bank and the borrower during the project negotiation and specified in the Bank's Disbursement Letter. As noted in paragraph 3 above, Bank financed projects will possibly move into the Treasury Single Account system within the Government Financial Management Information System (GFMIS). Once this happens, the DA arrangement for this project will be revised accordingly.

20. Further advance will be made from the DA to an operating account to be opened at a commercial bank acceptable to the Bank and managed by the PCT. The operational account will be used to finance small expenditures related to incremental operating costs. It will be maintained in Mongolian Tugrik, and the maximum ceiling of the operational account will be limited to equivalent to US\$20,000. Uses of the advances should be reported and reconciled with the designated account on a monthly basis. The OA outstanding balance will be reported as a separate item in the DA reconciliation statement that is submitted together with the withdrawal applications to the Bank.

To transfer the funds from the DA to the OA, the PCT will send the quarterly budget (with monthly allocation) for incremental operating costs to the MOF for its review and approval. Lump sum disbursement for the incremental operating costs will be disbursed from the DA to OA on monthly basis based on the approved budget. Both the Project Coordinator of PCT and Chief Accountant of NSO should approve all payments from OA to contractors, suppliers and beneficiaries.

21. The PCT will prepare the withdrawal applications which will be signed and approved by authorized representatives from MOF and NSO. The Chief Accountant of NSO will ensure the completeness and accuracy of all withdrawal applications and will append her/his signature as part of the internal control procedures.

22. The flow of funds and withdrawal applications is as follows:



23. Four Disbursement methods: reimbursement, advance, direct payment and special commitments will all be available to the project. The SOE limits will be set up in line with procurement post review threshold, as follows: (i) all contracts for goods estimated to cost the equivalent of USD 100,000 or less; (ii) consultant contracts estimated to cost USD 100,000 (firm) / USD 50,000 (individual) or less

24. The proceeds of the credit and grant would be disbursed against eligible expenditures as specified in the legal agreements as shown in the table below. The category (1) that is co-financed by all three sources and disbursement will be made sequentially from TFSCB, Korean Grant and IDA Credit. The category (2) will solely financed by IDA Credit.

Expenditure Category	IDA Credit		Korean Grant		TFSCB	
	Amt in USD	Financing %	Amt in USD	Financing %	Amt in USD	Financing %
(1) Goods and Consultants' Services for Parts A through D of the Project	1,820,000	58.7	700,000	22.6	400,000	12.9
(2) Goods, Consultants' Services and Incremental Operating Costs for Part E of the Project	100,000	5.8				
(3) Unallocated	80,000					
Total	2,000,000	64.5	700,000	22.6	400,000	12.9

25. The PCT will retain disbursement supporting documents till one year after the receipt of the last project audit report. These documents will be made available for review by the auditors and the Bank supervision missions. If the auditors or the Bank find any disbursements are not justified by supporting documentation or are made for ineligible expenditures, the Bank may withhold further deposits to the Designated Account or suspend project disbursement until the Borrower has: (a) provided the accepted supporting documents; (b) refunded the amount involved to the Bank; or (b) submitted evidence of other eligible expenditures that offset the ineligible expenditures.

Staffing and Training

26. Adequate project accounting staff with educational background and work experience commensurate with the work they are expected to perform is one of the factors critical to the successful implementation of project financial management. The NSO proposes to hire a capable financial officer with advanced education degree in finance and working experience, who will be responsible for maintaining the financial management system of the proposed project. The recruitment should be completed prior to submission of the Project for management approval.

27. The financial officer to be recruited will be responsible for related day-to-day technical financial issues. To ensure the financial officer to be recruited will have good understanding of the Bank's policy and requirements as well as project specific financial management procedures and guidance, the Bank will provide FM training to the newly recruited financial officer before the project effectiveness.

Accounting Policies and Procedures

28. The administration, accounting and reporting of the project will be set up in accordance with Bank requirements. The Bank requires borrowers to prepare financial statements in accordance with acceptable accounting standards. The Bank does not mandate a format of annual financial statements. However, where a borrower prepares financial statements on a modified cash basis, the Bank encourages the adoption of formats laid out in the International Public Sector Accounting Standards (IPSAS), Financial Reporting under the Modified Cash Basis of Accounting in order to monitor and fully reflect the non-cash transactions and payables. The PCT will adopt the cash basis of accounting for its preparation of the financial statements. Consistent with IPSAS requirements, the financial statements will include the following:

- Consolidated balance sheet of the project
- Statement of sources and uses of fund by project components
- Statement of implementation of financing agreement, TFSCB grant agreement and Korean grant agreement
- Statement of designated account for IDA credit
- Statement of designated account for Korean grant and TFSCB
- Notes to the financial statements

The accounting and reporting of the project will be set up in accordance with Bank requirements and financial statements are prepared in accordance with acceptable accounting standards. The Bank does not mandate a format of annual financial statements; however, cash basis of

accounting will be used. Accounts and records for the project will be maintained by PCT which will operate and maintain a financial management system (FMS) capable of generating Interim Financial Reports (IFRs) in accordance with formats to be agreed with the World Bank.

29. As PCT will centrally manage and handle the project financial management, they will be responsible for recording the project accounts, preparing project financial statements and retaining all documentation supporting disbursements as well as processing the withdrawal applications during the life of the project.

30. To strengthen financial management capacity and maintain consistent quality of accounting work, the task team has requested the project financial management manual (FMM) used by the proposed project. The FMM will provide detailed guidelines on financial management, internal controls, accounting procedures, funds flow arrangement, withdrawal application procedures, asset management, reporting and auditing arrangement. The FM team will review and provide feedback to the PCT once the draft is received and the FMM will be finalized prior to submission of the Project for management approval. This FMM should be periodically updated based on significant changes in project implementation and financial management practices

Internal Control and Internal Auditing

31. The project coordinator should regularly monitor the financial reporting process to ensure the financial officer could fulfill his/her responsibilities in accordance with adopted procedures and guidances.

32. In order to mitigate the risks in the area of internal control, regular oversight by the National Statistical Council, the Bank's periodic supervision and yearly external audits will serve as the mechanism to ensure that financial management controls are functioning appropriately. In addition, proper authorization for payment request, segregation of duties and other internal control mechanisms will be defined and documented in the FMM. The procedures in the FMM must be fully and adequately complied with.

Financial Reporting Arrangements

33. The PCT will prepare Interim Financial Reports (IFRs) for the project in accordance with agreed formats as part of project progress report. The IFRs will be used for project monitoring and supervision.

34. The IFRs will include, but not be limited to: (a) Consolidated Balance Sheet of the Project; (b) Sources and Uses of Funds by Project Components and Expenditure Categories; (c) Statement of Designated Account for IDA credit; and (d) Statement of Designated Account for TFSCB grant and Korean Trust Fund Grant. The PCT will submit quarterly IFRs to the Bank starting with the first quarter ended in which disbursements will commence and quarterly thereafter, no later than 45 days after the end of each relevant quarter.

Information System

35. The existing computerized accounting software used by NSO is not designed or developed based on the project specified features, therefore, the Bank recommended that a new accounting software be obtained that would be compatible with the structure and needs of the

project. The FM team will closely work with the PCT in procuring sufficient new accounting software.

Financial Covenants

36. No specific financial covenants are applicable to the project except for those standard financial covenants like project audit and interim financial reports.

Supervision Plan

37. The supervision strategy for this project is based on its FM risk rating, which will be evaluated on regular basis by the FM team and in consultation with relevant task team leader.

Annex 8: Procurement Arrangements

MONGOLIA: MONSTAT: Strengthening the National Statistical System of Mongolia

A. General

Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement Under IBRD Loans and IDA Credits" dated May 2004 (Revised October 2006); and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (Revised October 2006), and the provisions stipulated in the Legal Agreement. The various items under different expenditure categories are described in general below. For each contract to be financed by the Credit, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Procurement of Works: No civil works would be required and financed under the Project.

Procurement of Goods: A total of US\$ 0.84 million worth of goods would be procured under this project, such as IT equipment and computers, office equipment and etc. The procurement will be done using Bank's Standard Bidding Documents for all ICB procurement.

- (iv) **International Competitive Bidding (ICB).** Any contract for goods estimated to cost more than US\$100,000 equivalent would be procured under ICB procedures specified in the Procurement Guidelines.
- (v) **Shopping.** Any contract for goods estimated to cost the equivalent of US\$100,000 or less per contract would be procured under shopping procedures as specified in Para. 3.5 of the Procurement Guidelines.
- (vi) **Direct Contracting.** Equipment including standard software with proprietary nature and obtained only from one sources or which meet other circumstances as specified in Para. 3.6 of the Procurement Guidelines would be procured on the basis of direct contracting.

Selection of Consultants: A total of about US\$ 2.23 million worth of consultant services would be required under this project. The consulting services would include Twinning Partnership TA, PCT staff multiple contracts and other ad hoc advisory services. Most services would be provided by consulting firms and some would be provided by individual consultants.

- (iii) **Selection of Consulting Firms:** The consulting contracts expected to cost more than US\$100,000 equivalent per contract will use the Quality and Cost Based Selection (QCBS) or Quality Based Selection (QBS) processes in accordance with the relevant provisions of the Consultant Guidelines. For the selection of auditors, Least Cost Selection (LCS) would be used. Consultants may also be selected based on Consultants Qualification Selection (CQS) method and Single-Source Selection (SSS) basis.
- (iv) **Selection of Individual Consultants:** Individual consultants would be selected and awarded in accordance with the provisions of Section V of the Consultants

Guidelines. Individual consultants may also be selected on a sole-source basis, subject to the Bank's prior approval.

Operating Costs: A total of about US\$ 30,000 would be required for the project operational cost. These costs are largely related to office supply, translation and training materials printing, logistic cost for workshops and etc.

B. Assessment of the agency's capacity to implement procurement

NSO will be the main executing agency of the project and will be responsible for its overall management and implementation. To effectively carry out the implementation and daily project administrative work, there will be a Project Coordination Team (PCT), headed by a qualified and experienced Project Coordinator, consisting of NSO staff that will be assisted by a financial management specialist and a procurement specialist (and an assistant) to be hired by the NSO. Specifically, this team will coordinate project activities, manage reporting and auditing activities and ensure compliance with the procurement, disbursement and financial management policies and procedures. Procurement activities would be carried out by NSO through its PCT.

An assessment of the capacity of the implementing agency to implement procurement actions for the project was carried out by the Bank's Ulaanbaatar Office in February 2009. The assessment reviewed NSO's organizational structure and functions, past experience, staff skills, quality and adequacy of supporting and control systems, legal and regulatory framework. The overall project risk for procurement is MODERATE.

C. Procurement Plan

The Borrower has developed the initial 18 months procurement plan for project implementation, which provides the basis for the procurement methods. The procurement plan would be available at the PCT and MOF procurement website and would also be available in the project's database and on the Bank's external website. The plan would be updated in agreement with the project team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

D. Frequency of Procurement Supervision

In addition to the Bank's prior review, the capacity assessment of the Implementing Agency has recommended at least one supervision mission per year to visit the project to carry out ex post review of procurement actions.

1. DETAILS OF THE PROCUREMENT ARRANGEMENT INVOLVING INTERNATIONAL COMPETITION.

1. Goods and Works and non consulting services.

(a) List of contract Packages which will be procured following ICB and Direct contracting:

1	2	3	4	5	6	7	8	9
Ref. No.	Contract (Description)	Estimated Cost	Procurement Method	P-Q	Domestic Preference (yes/no)	Review by Bank (Prior / Post)	Expected Bid-Opening Date	Comments
1	Procurement of computers and other equipment and establishment of IT network	USD 830,000.00	ICB	NA	NA	Prior	September 2009	

(b) ICB Contracts estimated to cost above USD 100,000.00 per contract and all Direct contracting will be subject to prior review by the Bank.

2. Consulting Services.

(a) List of Consulting Assignments with short-list of international firms.

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost	Selection Method	Review by Bank (Prior / Post)	Expected Proposals Submission Date	Comments
1	Twinning Partnership (consulting services include training)	USD 1,990,000.00	CQ ⁸	Prior	June 2009	

(b) Consultancy services estimated to cost above USD 100,000.00 per contract and Single Source selection of consultants (firms) regardless of contract value will be subject to prior review by the Bank.

(c) **Short lists composed entirely of national consultants:** Short lists of consultants for services estimated to cost less than USD 100,000.00 equivalent per contract, may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

⁸ Considering a special nature and approach of Twinning arrangements, it is proposed to use CQ instead of QCBS.

Annex 9: Economic and Financial Analysis

MONGOLIA: MONSTAT: Strengthening the National Statistical System of Mongolia

Economic

The characteristics of this project do not lend themselves to the standard calculation of economic rate of return. As the main objective of this project is to enable national statistical agencies to provide reliable, timely and accurate statistics required for policy making, the benefits from the project can not easily be measured in monetary terms. However, investment in physical infrastructure and human resources associated with this project is expected to generate tangible economic benefits. First, improvements in the efficiency of statistical operations and agencies will result in efficiency gains through wider coverage of higher quality statistical outputs for given levels of resources. Second, improved data availability will enhance the potential for evidence-based decision making, at policy, program and project levels. Third, the project will help address the significant costs of missing or inaccurate data. In addition, the public goods nature of national statistics provides a strong rationale for public involvement in the statistical sector and the financing of statistical operations.

Financial

The project is not amenable to standard financial analysis as national statistical offices have very limited opportunities for significant cost recovery. Therefore, only marginal financial returns are expected from this project. However, there can be several fiscal impacts through the Government's increased ability to generate fiscal savings. First, improvement in fiscal and financial statistics should result in a more efficient budgeting process and public expenditure management. Second, streamlining of statistical operations would produce less labor-intensive statistical operations and potential savings in recurrent costs. Finally, although marginally, there would be an increase in Government revenue generated from data dissemination and through reduction in costs.

Annex 10: Safeguard Policy Issues

MONGOLIA: MONSTAT: Strengthening the National Statistical System of Mongolia

No safeguard policies are triggered by this project.

The safeguard screening category is S2 (no safeguard issues).

The environmental screening category is C (no adverse environmental impact)

Annex 11: Project Preparation and Supervision

MONGOLIA: MONSTAT: Strengthening the National Statistical System of Mongolia

	Planned	Actual
PCN review	09/24/2008	09/24/2008
Initial PID to PIC	10/23/2008	10/23/2008
Initial ISDS to PIC	10/23/2008	10/23/2008
Appraisal	03/30/2009	
Negotiations	04/15/2009	04/23-24/2009
Board/RVP approval	05/21/2009	
Planned date of effectiveness	06/30/2009	
Planned date of mid-term review	06/15/2011	
Planned closing date	12/31/2014	

Key institutions responsible for preparation of the project:

National Statistical Office of Mongolia

Ministry of Finance

Bank of Mongolia

Parliament Standing Committee of Economic Policy

Parliament Standing Committee of Budget

Parliament Standing Committee of Security and Foreign Policy

Bank staff and consultants who worked on the project included:

Name	Origin	Function
Mustafa Dinc	WB-DECDG	Senior Economist/Statistician - TTL
Altantsetseg Shiilegmaa	WB-EASPR	Economist,
Misha Belkindas	WB-DECDG	Manager-Technical Advisor
Seda Pahlavooni	CITPO	Appraisal-IT Expert
Jinan Shi	WB-EAPCO	Senior Procurement Specialist
Haixia Li	WB- EAPCO	Senior FM Specialist
Martin Serrano	WB-LEGES	Counsel
Wen-Jun Tan	WB-LEGES	Counsel
D. Nergui	UNDP	External Reviewer
Genevieve F. Boyreau	WB-EASPR	Peer Reviewer
Neil Fantom	WB-DECDG	Peer Reviewer
Mohammed Omar Hadi	WB-DECDG	Sr. Program Assistant

Bank funds expended to date on project preparation:

Bank resources:

Trust funds:

Total:

Estimated Approval and Supervision costs:

Remaining costs to approval:

Estimated annual supervision cost:

Annex 12: Documents in the Project File

MONGOLIA: MONSTAT: Strengthening the National Statistical System of Mongolia

1. Mongolia: National Strategy for the Development of Statistics, December 2007
2. Project Concept Note
3. Project Information Document
4. Integrated Safeguard Data Sheet
5. Marrakech Action Plan for Statistics, Minutes of the first meeting of the Advisory Board, October 26 and 27, 2005, Washington, D.C. Chaired by Jim Adams, Vice President, Operations and Country Services, World Bank

Annex 13: Statement of Loans and Credits

MONGOLIA: MONSTAT: Strengthening the National Statistical System of Mongolia

Project ID	FY	Purpose	Original Amount in US\$ Millions						Difference between expected and actual disbursements	
			IBRD	IDA	SF	GEF	Cancel.	Undisb.	Orig.	Frm. Rev'd
P108768	2008	MN- Mining Sector Inst Strengthening TA	0.00	9.30	0.00	0.00	0.00	8.45	0.00	0.00
P101446	2008	MN-Enhanced Justice Sec Services	0.00	5.00	0.00	0.00	0.00	4.58	0.00	0.00
P099321	2007	MN-Renewable Energy for Rural Access	0.00	3.50	0.00	0.00	0.00	3.19	1.08	0.00
P096439	2007	MN-Sustainable Livelihoods Project II	0.00	33.00	0.00	0.00	0.00	28.11	5.25	0.00
P098426	2006	MN-Governance Assistance	0.00	14.00	0.00	0.00	0.00	8.24	-0.92	0.00
P096328	2006	MN-Rural Education and Development - READ	0.00	5.00	0.00	0.00	0.00	1.92	-1.35	0.00
P092965	2006	MN-Info & Com Infra Dev	0.00	8.00	0.00	0.00	0.00	6.84	0.96	0.00
P088992	2005	MN-Private Sector Development Credit II	0.00	10.57	0.00	0.00	0.00	4.63	2.93	0.00
P088816	2005	MN-Index-Based Livestock Insurance	0.00	7.75	0.00	0.00	0.00	5.67	4.45	0.00
P074591	2004	MN-UB SERVICES IMPROVMT 2	0.00	18.00	0.00	0.00	0.00	9.95	5.79	0.00
P077778	2003	MN Economic Capacity Tech. Assistance	0.00	7.50	0.00	0.00	0.00	3.08	2.29	1.60
P071023	2002	MN-Financial Capacity Dev. Project	0.00	5.00	0.00	0.00	0.00	1.59	0.59	0.59
P040907	2001	MN-Energy Sector	0.00	30.00	0.00	0.00	0.00	9.31	4.00	12.46
Total:			0.00	156.62	0.00	0.00	0.00	95.56	25.07	14.65

MONGOLIA STATEMENT OF IFC's Held and Disbursed Portfolio In Millions of US Dollars

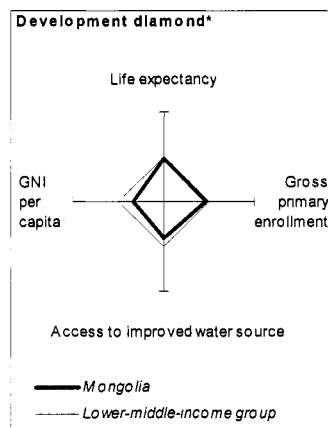
FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
2004	AgBank	0.00	1.17	0.00	0.00	0.00	1.17	0.00	0.00
2001	SEF XACBank	0.30	0.00	0.00	0.00	0.30	0.00	0.00	0.00
2004	TDB	0.00	0.00	4.89	0.00	0.00	0.00	4.89	0.00
Total portfolio:		0.30	1.17	4.89	0.00	0.30	1.17	4.89	0.00

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic.
Total pending commitment:		0.00	0.00	0.00	0.00

Annex 14: Country at a Glance

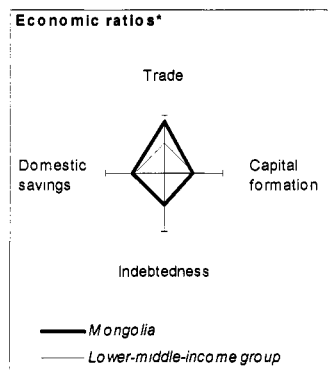
MONGOLIA: MONSTAT: Strengthening the National Statistical System of Mongolia

POVERTY and SOCIAL	Mongolia	East Asia & Pacific	Lower-middle-income
2007			
Population, mid-year (millions)	2.6	194	3,437
GNI per capita (Atlas method, US\$)	1,290	2,180	1,887
GNI (Atlas method, US\$ billions)	3.4	4,174	6,485
Average annual growth, 2001-07			
Population (%)	13	0.8	11
Labor force (%)	2.8	12	15
Most recent estimate (latest year available, 2001-07)			
Poverty (% of population below national poverty line)	36	..	..
Urban population (% of total population)	57	43	42
Life expectancy at birth (years)	67	71	69
Infant mortality (per 1,000 live births)	34	24	41
Child malnutrition (% of children under 5)	5	13	25
Access to an improved water source (% of population)	72	87	88
Literacy (% of population age 15+)	..	91	89
Gross primary enrollment (% of school-age population)	101	10	111
Male	99	111	112
Female	102	109	109



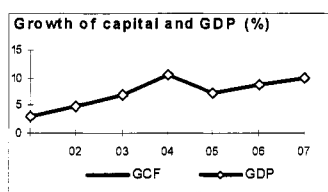
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1987	1997	2006	2007	
GDP (US\$ billions)	3.0	11	32	3.9	
Gross capital formation/GDP	50.8	28.1	35.1	..	
Exports of goods and services/GDP	30.8	59.0	65.3	..	
Gross domestic savings/GDP	9.4	34.0	40.8	..	
Gross national savings/GDP	8.5	37.8	43.9	..	
Current account balance/GDP	-32.9	6.5	6.9	..	
Interest payments/GDP	..	11	0.5	..	
Total debt/GDP	..	57.5	45.3	..	
Total debt service/exports	..	10.0	2.3	..	
Present value of debt/GDP	..	..	318	..
Present value of debt/exports	..	..	47.7	..
	1987-97	1997-07	2006	2007	2007-11
(average annual growth)					
GDP	-14	5.7	8.6	9.9	..
GDP per capita	-2.9	4.5	7.3	8.7	..
Exports of goods and services



STRUCTURE of the ECONOMY

	1987	1997	2006	2007
(% of GDP)				
Agriculture	16.4	39.0	21.9	..
Industry	28.4	27.2	42.3	..
Manufacturing	..	5.9	3.9	..
Services	55.2	33.8	35.9	..
Household final consumption expenditure	64.3	52.3	47.8	..
General gov't final consumption expenditure	26.3	13.7	11.4	..
Imports of goods and services	72.3	53.0	59.7	..
	1987-97	1997-07	2006	2007
(average annual growth)				
Agriculture	11	-2.2	7.5	..
Industry	-4.3	5.9	6.9	..
Manufacturing	..	6.9	13.4	..
Services	-18	7.6	6.1	..
Household final consumption expenditure	..	..	..	..
General gov't final consumption expenditure	..	..	..	..
Gross capital formation	..	..	..	..
Imports of goods and services	..	..	..	..



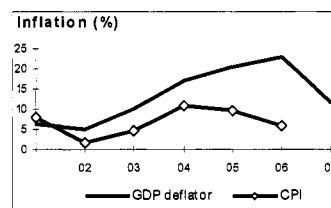
Note: 2007 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

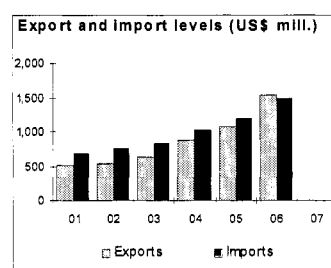
PRICES and GOVERNMENT FINANCE

	1987	1997	20062	007
Domestic prices				
<i>(% change)</i>				
Consumer prices	..	20.7	5.9	..
Implicit GDP deflator	0.8	23.8	23.1	11.7
Government finance				
<i>(% of GDP, includes current grants)</i>				
Current revenue	47.8	25.5	36.6	..
Current budget balance	-5.8	2.3	14.9	..
Overall surplus/deficit	..	-9.1	8.1	..



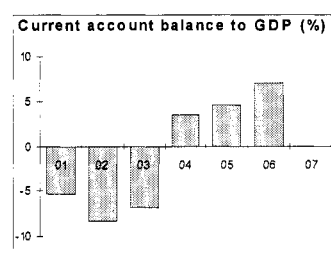
TRADE

	1987	1997	20062	007
<i>(US\$ millions)</i>				
Total exports (fob)	718	569	1,543	..
Copper	..	199	635	..
Non monetized gold	..	117	270	..
Manufactures	..	96	212	..
Total imports (cif)	1,105	538	1,486	..
Food	..	77	180	..
Fuel and energy	..	91	435	..
Capital goods	..	171	420	..
Export price index (2000=100)	198	..
Import price index (2000=100)	180	..
Terms of trade (2000=100)	110	..



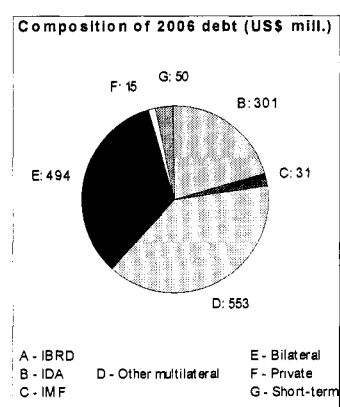
BALANCE of PAYMENTS

	1987	1997	20062	007
<i>(US\$ millions)</i>				
Exports of goods and services	908	621	2,030	..
Imports of goods and services	1,889	593	1,880	..
Resource balance	-981	28	150	..
Net income	-11	-12	-145	..
Net current transfers	..	52	189	..
Current account balance	-993	68	221	..
Financing items (net)	1,027	-147	169	..
Changes in net reserves	-35	79	-389	..
Memo:				
Reserves including gold (US\$ millions)	..	107	822	..
Conversion rate (DEC, local/US\$)	3.0	790.0	1,165.4	1,170.4



EXTERNAL DEBT and RESOURCE FLOWS

	1987	1997	20062	007
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	..	606	1,444	..
IBRD	..	0	0	0
IDA	..	97	301	331
Total debt service	..	63	48	..
IBRD	..	0	0	0
IDA	..	1	5	6
Composition of net resource flows				
Official grants	..	59	79	..
Official creditors	..	105	52	..
Private creditors	..	-16	15	..
Foreign direct investment (net inflows)	..	25	344	..
Portfolio equity (net inflows)	..	0	0	..
World Bank program				
Commitments	..	29	0	20
Disbursements	..	34	13	20
Principal repayments	..	0	2	3
Net flows	..	34	10	16
Interest payments	..	1	2	2
Net transfers	..	33	8	14



Note: This table was produced from the Development Economics LDB database.

9/24/08

Annex 15: Governance and Accountability Issues

MONGOLIA: MONSTAT: Strengthening the National Statistical System of Mongolia

Overview

The project aims to improve efficiency and effectiveness of the National Statistical System to enable it to provide relevant, timely and reliable data for evidence-based policy making in support of Government's poverty reduction strategies and the process of economic development. Though NSO will be the implementing agency, the weak country governance and accountability systems still pose substantial fiduciary risks for the project implementation.

Objective

The objective of this annex is to present mechanisms that will strengthen the control over the project implementation, mitigate the risk of corruption, collusion and fraud and will ensure that project objectives are achieved. The annex identifies potential risks arising from the fragile governance and accountability environment and presents mechanisms to be integrated into the Project Operation Manual (POM) to address these risks.

Strategy

NSO recognizes the inherent risks of project implementation in such a high-risk environment as Mongolia. The project proposes to limit the potential risks related to governance issue in a systematic manner by actively promoting greater transparency, accountability and integrity through proper project design and implementation. These actions can be summarized as follows:

1. **Twinning Arrangement:** It is envisaged that a twinning (partnership) relationship will be established between NSO and one of the well-established statistical offices from developed countries. Under this arrangement, the NSO will prepare detailed TOR acceptable to IDA for each consulting and training activity and sign one contract for all activities that the twinning partner will carry out. It is anticipated that this will cover most of the consulting and training activities that the project will finance. This approach will significantly reduce the transaction time and cost of implementation, as well as the risk of improper management of project funds.
2. **Project Implementation Arrangements:** Under the proposed project implementation set-up, the relevant NSO staff will take all responsibility for the project implementation. Local consultants who are experts in procurement and financial management issues will assist NSO to administer day to day activities of project implementation. This arrangement, where no stand-alone PIU is established and the whole responsibility lies with the relevant government agency will foster efficient, effective and accountable procurement execution, contract management and monitoring of project outcomes. Local consultants will be selected based on merit and provided with the necessary training in the relevant areas of project implementation.
3. **Results-Oriented Monitoring and Evaluation (M&E) Framework:** A results-oriented M&E framework has been developed under the NSDS and was used as the basis for the

project's M&E plan to track progress and demonstrate the impact of project activities and implementation arrangements.

4. Enhanced disclosure and transparency: A proactive attitude and approach has been adopted relating to transparency and public dissemination of project-related information, including through assistance of the Country Office's Public Information Assistance and use of the Bank's PIC to be soon established in Mongolia. All project related information (such as the information on the twinning partner, suppliers and contractors, progress reports, etc.) will be regularly posted at the NSO website to eliminate unqualified firms and/or individuals from participating in the project activities as consultants or suppliers.
5. Strict Adherence to the Bank's Procurement Guidelines and Procedures: Detailed procurement guidelines will be implemented to promote efficient and timely procurement, and minimize procurement-associated risks. In addition, external presence by civil society and donors at bid opening is strongly encouraged.
6. Strengthened Financial Management Guidelines and Procedures: Detailed procedures for strengthened financial controls, including payment validation procedures, have been designed for all project activities to mitigate fiduciary risks.
7. Complaints Handling Mechanisms: Mechanisms for effective and transparent handling of complaints by the project Steering Committee are included in the Project Operational Manual.
8. Sanctions and Remedies: The project has zero tolerance for corruption, collusion and fraud. Any suspicion of such practices shall warrant immediate investigation with severe penalties for any party found culpable of such practices.

Critical Success Factors

Ownership and Support. The success of the project depends on continued support from NSO and selected line-ministries, such as Ministry of Justice and Ministry of Finance. In light of the twinning arrangement twinning partner's role will also be very important for the successful implementation of the project.

Intensive Supervision. Even strengthened project implementation procedures and guidelines may not be enough to completely eliminate potentially corrupt and fraudulent activities. It is highly conceivable that some vested interests will seek to adapt and discover new methods to maintain their position. Therefore, given the weak capacity environment the task team will pay particular attention to the governance issue in its intensive supervision efforts, which will be reflected in the Implementation Summary Reports and Aide-Memoires.

PART II: MITIGATION MEASURES

Twinning Arrangement

The Marrakech Action Plan for Statistics (MAPS) Advisory Board⁹ recommended greater use of statistical offices of developed countries through a twinning mechanism to help reduce the risk of

⁹ Marrakech Action Plan for Statistics, Minutes of the first meeting of the Advisory Board, October 26 and 27, 2005, Washington, D.C. Chaired by Jim Adams, Vice President, Operations and Country Services, World Bank. Document is in the project file.

implementation of capacity building projects that could be constrained by the lack of expertise and technical assistance.

Following this recommendation the project will help NSO to establish a twinning relationship with one of the well-established statistical offices from developed countries. It is possible to have a twinning arrangement with a consortium formed by two or more statistical offices from developed countries. The twinning partner will carry out most of the consulting and training activities based on the detailed TORs prepared by NSO that are acceptable to IDA. Under such an arrangement, the number of contracts to be signed will be significantly reduced that will, in turn, reduce the risk of any wrongdoing and improper management of project funds. Another important aspect of this approach is that the transaction time and cost of implementation will also be reduced.

Project Implementation Arrangements

Project implementation will be carried out by NSO with assistance in fiduciary and coordination aspects of the Project Coordination Team comprising of local consultants. Overall project supervision and evaluation responsibility will lie with the National Statistical Council. Terms of Reference (TORs) describing the roles and responsibilities for all key project personnel have been prepared by the NSO, agreed with the IDA, and included in the Project Operational Manual (POM). These TORs and POM will form the basis for annual reviews of the project governance and accountability arrangements.

NSO shall prepare appropriate procedures and guidelines related to all project activities such as procurement, financial management and reporting, record keeping, complaints handling and M&E. These guidelines and procedures shall be included in the POM and be periodically reviewed by NSO.

Given the fact that the project is aimed at improving the statistical system of the country it is necessary to obtain appropriate level of commitment and support of various government agencies and ministries. In order to ensure this, the National Statistical Council (NSC) will take the oversight responsibility and monitor the project implementation. The NSC will meet twice a year and perform the following key functions regarding the project implementation:

- Ensure efficient interdepartmental (inter-ministerial) interaction and resolve interdepartmental (inter-ministerial) issues;
- Exercise monitoring and evaluation of project progress on a semi-annual basis and propose improvement recommendations where needed.

NSO will be the main executing agency of the project and will be responsible for its overall management and implementation. If needed, it will be assisted in substantive issues by local and international consultants to be selected on merit basis and in accordance with the Bank's guidelines.

Project Coordination Team (PCT) of up to 5 persons will be in charge of efficiently carrying out the implementation and administrative work. A project coordinator who is an expert in project management, a financial management specialist, a procurement specialist and an assistant will be

hired by the NSO. Specifically, this unit will coordinate day-to-day project activities, manage reporting and auditing activities and ensure compliance with the procurement, disbursement and financial management policies and procedures. PCT will report to the chairman of NSO.

In order to build capacity and reduce governance risks the project will pay particular attention to fiduciary training for NSO and PCT staff. In particular it is envisaged that NSO and PCT procurement staff will undergo in-country training prior to project effectiveness and, if necessary, thereafter abroad in World Bank procurement guidelines and Government procurement regulations to ensure compliance with such processes.

The financial management staff of NSO and PCT will also be trained in-country and, if needed, abroad on financial management and reporting, including the preparation and utilization of World Bank Financial Monitoring Reports (FMRs). The FMR will provide an opportunity to strengthen fiduciary oversight by integrating procurement, implementation and financial management;

Results-Oriented Monitoring and Evaluation (M&E) Framework and Action Plan

The National Statistical Council (NSC) will play an important role in monitoring and evaluation of the project implementation and its expected outputs and outcomes. NSC shall endorse and monitor the implementation of the project and results-oriented M&E indicators.

NSO with technical assistance of the Project Coordination Team (PCT) shall develop, monitor and review the results-oriented M&E indicators and when necessary revise and update them. NSO shall also review M&E reports prepared by PCT, particularly in relation to tracking progress and demonstrating the impact of project activities and implementation arrangements.

NSO will be responsible for the submission of the M&E reports to the Government and the Project Steering Committee.

Enhanced Disclosure and Transparency

PCT will make the below activities publicly available within 20 days through the NSO website:

- All annual procurement plans and schedules, including all updates thereof;
- All short-lists of consultant firms and contractors/suppliers together with the names and dates of all expressions of interests received;
- In the case of pre-qualification, all lists of pre-qualified contractors and suppliers together with the names and dates of proposals received;
- Summaries of all bidding documents as well as all requests for proposals issued in accordance with the procurement provisions of this agreement;

PCT will also make the activities listed below publicly available within 1 month through the NSO website;

- All annual audit reports (financial or otherwise, and including qualified audit reports) and audit management letters prepared in accordance with the financing agreements for this project, and all formal responses and follow-up actions of the government; the disclosure of audit reports will be completed not later than 30 days after receipt of these reports by project management;
- All World Bank mid-term review reports prepared for this purpose, in accordance with the legal agreement;

Strict Adherence to Procurement Guidelines and Procedures

PCT shall:

- Place Specific Procurement Notices (SPN) in local media as outlined in the POM and, where necessary, on the UNDB and DgMarket websites;
- Specify within any SPN/Invitations to Bid, the requirement for all proposals to include clear and detailed specifications and cost breakdowns for all proposals
- NOT impose any restrictions (geographic or otherwise) to limit the participation of consultants/bidders;
- If needed, invite representatives of end-users, NGOs and CSOs to attend bid openings;
- Prepare and maintain reports of bid openings for all contracts subject to prior-review by the World Bank;
- Seek at least three quotations in cases of shopping;
- File and maintain procurement documents in accordance with POM guidelines.
- Ensure that all SPN and information on bid opening are placed on NSO website;
- Maintain, and annually publish on NSO website, a project price data-base of commonly procured items (including office supplies) from previous competitively tendered contracts;
- Ensure Due Diligence and Disclosure by Bidders.
- Explicitly state in all SPNs for all procurements valued at or more than USD100,000 the requirement for all firms to submit as part of their proposal their full particulars including:
 - The postal and email address, telephone and fax numbers, URL of the registered office, and address of the principal place of business if different from the registered office;
 - The names, addresses and telephone and fax numbers of all partners and shareholders who hold a 10 percent or greater share in the firm;
 - The names, addresses and telephone and fax numbers of all principal officers of the firm;
 - A banker's opinion statement of the firm;
- Have the right to reject a firm's proposal if any of the above information is not disclosed;
- Require all individual consultants to disclose a signed statement of any relationship up to the third degree with any grade/level Head of Department official from the agencies involved in project implementation, as the case may be;
- Be responsible for conducting adequate checks and due diligence on any information and/or signed statements provided by firms and individual consultants.

Strengthened Financial Management and Payment Validation

PCT shall require:

- Verification of satisfactory completion of any workshops and training activities prior to reimbursement of any expenses incurred by the participants or the Project;
- Signature of at least 2 authorized individuals outlined in the POM for any withdrawals of funds from the project designated account;
- Minimal document requirements for payment authorization, to be retained at the NSO and attached to the relevant payment voucher for audit purposes, even if not required to be submitted to the treasury payment/field office;
- Formal invoices on company letterheads, with complete contract addresses and tax registration number;
- For individual consultants, copies of ID cards to be appended to invoices;
- For claims for reimbursable expenses as specified in the contract, original third party invoices and receipts (including travel tickets, hotel bills, contracts for rental of office equipment, receipts for operating expenses);
- For goods, warrant cards, evidence of delivery (packing list or transportation documents and acceptance, and certificate of origin if imported);
- For training, workshops and seminars, signed list of attendees and photographs from events.

NSO with assistance of the PCT shall be responsible for:

Preparation and submission of consolidated monthly, quarterly, semi-annual and annual progress and financial report to the Government, NSC members and all stakeholders.

Complaints Handling Mechanisms

All complaints received will be properly registered, reviewed and submitted to the NSC for consideration. NSC will serve as the complaint handling body for the project. Detailed procedures for complaints handling are set out in the POM and will be reviewed on a semi-annual basis. The Project Coordination Team shall periodically review the results of complaints handling mechanism for the project, particularly provisions for follow-up investigations of serious and unresolved complaints by the internal auditors, and/or third party audit to ensure independency and reliability of the system.

Sanctions & Remedies

- Upon decision of the NSC, the NSO requires the concerned ministry/institution to take action, including prosecution, against staff involved in corruption, collusion, nepotism.
- NSO will put in place by project effectiveness a system of blacklisting for companies and individuals that engage in collusion or have produced outputs of unacceptably poor quality.

- Upon decision of the NSC the NSO shall apply a 'one-strike' policy to all contractors and consultants - any case of complicity in corruption, collusion, nepotism and/or fraud will lead to dismissal, disqualification from all further project activities and possible prosecution.
- NSC may drop/discontinue an entire sub-component if it fails to properly deal with issues of corruption, collusion, nepotism, fraud and/or persistent procurement irregularities.