PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: AB4615

Project Name	MONSTAT: Strengthening the National Statistical System of Mongolia
Region	EAST ASIA AND PACIFIC
Sector	General public administration sector (80%);Central government administration (20%)
Project ID	P113160
Borrower(s)	MONGOLIA
Implementing Agency	National Statistical Office of Mongolia
Environment Category	[ ] A [ ] B [X] C [ ] FI [ ] TBD (to be determined)
Date PID Prepared	March 9, 2009
Date of Appraisal Authorization	March 27, 2009
Date of Board Approval	May 21, 2009

1.   Country and Sector 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.

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.

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.

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.

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 agencies[1], 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 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.

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.

The proposed project to implement the NSDS is in line in with the major pillars of the current CAS and has been included in it as part of supporting the government to implement "second

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

[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.

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 CAS 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.

2.   Objectives

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 a well functioning national statistical system that will significantly improve 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 physical and 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 in 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, complication 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.

The long-term vision for the Mongolian statistical system is to produce, disseminate and make accessible 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 discriminating judgments about the data that they 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.

3.   Rationale for Bank Involvement

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 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.

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 Report clearly states that statistical capacity building will be given prominence during IDA15, especially in by mainstreaming a comprehensive discussion on country statistical systems in CASs and following up with relevant instruments, in line with partner country priorities and in collaboration with other donors[3].

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

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[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

such projects. This gives the Bank a comparative advantage. Further, the Bank has knowledge of and significant experience in the Mongolian statistical system hence can play a leading role to strengthen donor efforts in improving statistical capacity in Mongolia.

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.

4.   Description

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. 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. 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 on 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 then 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.

5.   Financing

Source:	($m.)
BORROWER/RECIPIENT	0
International Development Association (IDA)	2
Korea Trust Fund	.7
Trust Fund for Statistical Capacity Building	.4
Total	3.1

6.   Implementation

IDA has formed partnerships with donors and development partners to help the National Statistics 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.

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.

7.   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. The project is built on the foundations that have been laid with the grant the Bank has extended to NSO and there is strong ownership of it. The Government agreed on providing around X percent of the total project cost, which demonstrates its ownership of the project. Further, the Government has also 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).

8.   Lessons Learned from Past Operations in the Country/Sector

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 Board[4] 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.

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[4] 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.

9.   Safeguard Policies (including public consultation)

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]

10.   List of Factual Technical Documents

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

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