



# 2006 Survey on Monitoring The Paris Declaration

## Country Chapters

### MONGOLIA

**T**he 2006 Survey on Monitoring the Paris Declaration was undertaken in 34 countries that receive aid. The results of the survey are presented in two volumes. **Volume 1** provides an overview of key findings across 34 countries. **Volume 2** presents the baseline and key findings in each of the 34 countries that have taken part in the survey. This chapter is based primarily on the data and findings communicated by government and donors to the OECD through the Paris Declaration monitoring process. A more detailed description of this process, how this chapter was drafted and what sources were used is included in Volume 1, Chapter 2.

Both Volume 1 (Overview) and Volume 2 (Country Chapters) of the 2006 Survey on Monitoring the Paris Declaration can be downloaded at the OECD website:

[www.oecd.org/dac/effectiveness/monitoring](http://www.oecd.org/dac/effectiveness/monitoring)

A second round of monitoring will be organised in the first quarter of 2008 and will be an important contribution to the Accra High-Level Forum on Aid Effectiveness in September 2008.

## 22 MONGOLIA

MONGOLIA HAS A POPULATION OF 2.5 MILLION PEOPLE, and an average annual income of USD 743 per person (gross national income per capita, 2005). In 1998, the year of the most recent survey, 27% of the population fell below the dollar-a-day international poverty line, with 75% falling below the two-dollars-a-day threshold.

In 2005, net official development assistance (ODA) was USD 262 million, up from USD 208 million in 2002. As a percentage of gross national income, net ODA in 2005 amounted to 17%. Mongolia has endorsed the Paris Declaration on Aid Effectiveness. Fourteen donors responded to the 2006 survey; together, they account for at least 85% of ODA to Mongolia.

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Low	Relationship between planning and budgeting remains weak.	Complete the National Development Strategy.
Alignment	Moderate	Little aid is recorded in the national budget.	Improve recording of aid in the budget.
Harmonisation	Low	Minimal proportion of donor missions are co-ordinated.	Encourage harmonisation.
Managing for results	Moderate	Limited public access to information, especially on poverty data.	Build a country-level monitoring and evaluation system.
Mutual accountability	Low	Lack of a single platform for mutual reviews of progress.	Establish a mechanism for joint assessment of progress in implementing commitments on aid effectiveness.

OVERVIEW  
Box 22.1  
Challenges  
and priority  
actions

### OWNERSHIP

OWNERSHIP IS CRUCIAL TO AID EFFECTIVENESS and good development results, and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this is not a simple undertaking, especially in countries that rely heavily on aid to finance their development. Nor, of course, can it be measured by a single indicator. Indicator 1 provides an entry point to the issue of ownership, focusing in particular on whether a country has an operational development strategy, with which donors can align their development assistance.

INDICATOR 1

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## OPERATIONALISING DEVELOPMENT STRATEGIES

Along with 31% of the countries included in the World Bank's 2005 Comprehensive Development Framework (CDF) Progress Report, Mongolia received a rating of D for its development strategies. This assessment is made on the basis of a range of criteria: the adoption of a long-term vision, with medium-term strategy derived from that vision; country-specific development targets with holistic, balanced and well-sequenced strategy; and capacity and resources for implementation.

With help from the UNDP, the government is now drawing up a National Development Strategy to 2020. An earlier initiative, the Mongolian Action Plan, was adopted in 1998, but has had little impact as a result of frequent government changes. The country's medium-term strategy, the Economic Growth Support and Poverty Reduction Strategy, sets out the government's policies until 2006, building on the policy directions embraced by the previous government (in office until June 2004). The new government has adopted an Action Plan for 2004-08, and prepared Guidelines for Economic and Social Development for 2005 and 2006.

In terms of sectoral plans, the government is completing an infrastructure strategy and a new education master plan. Staff are updating plans for health, transport, environment, rural development, energy, and information and communications technology. These plans are the backbone of the government Action Plan, and will guide the National Development Strategy. As the World Bank's desk review notes, local government strategies and plans have been formulated systematically every 2-3 years and incorporated into the government Action Plan.

The World Bank's Aid Effectiveness Review reports that the National Development Strategy will include development goals that are linked to the Millennium Development Goals, just as the Economic Growth Support and Poverty Reduction Strategy did.

In terms of capacity and resources for implementation, the government appreciates the need to strengthen the relationship between planning and budgeting. Since 2003, the country has had a three-year rolling Medium-Term Expenditure Framework, but as the World Bank's Aid Effectiveness Review points out, sectoral policies are not yet fully linked to the budget. Encouragingly, some progress has been made in allocating more resources to priority sectors including health and education.

The Economic Growth Support and Poverty Reduction Strategy is helping to strengthen the government's role in co-ordinating external assistance, led by the Ministry of Finance. In terms of wider ownership and participation, mechanisms were established in 2004 to help draw up a proposal to the Millennium Challenge Account, but their relationship to the Economic Growth Support and Poverty Reduction Strategy is unclear. Encouragingly, mechanisms for civil-society participation are emerging, while parliamentary engagement has – as a result of the change of government – been patchy. If Mongolia's rating is to make the leap from a D to the 2010 target of a B or above, the government will need to do much more to set out the long-term vision, ensure that medium-term strategies are in place to implement it, and solidify the relationship between planning and budgeting.

## ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies and plans. Indicators 2 to 8 of the Paris Declaration seek to assess the degree of alignment attained by looking at a number of dimensions of alignment. Mongolia's steady progress in building reliable country systems is impressive, but on various other dimensions – including alignment as measured by Indicator 3 – there is much room for improvement.

### BUILDING RELIABLE COUNTRY SYSTEMS

Mongolia's systems for public financial management (PFM) receive a rating of 4.0 under the World Bank's Country Policy and Institutional Assessment framework. This puts them on par with the average of 4.0 for all International Development Association borrowers, and is an encouraging sign.

INDICATOR 2a

The World Bank's Aid Effectiveness Review for 2006 highlights progress in tightening expenditure discipline, citing the government's introduction of a Treasury Single Account in 2001, Parliament's approval of a Public Sector and Finance Management Law in 2004, and the government's establishment of a Government Financial Management Information System. These and other initiatives seem to be putting the country on track to improve its PFM systems, and suggest that the 2010 target of a rating of 4.5 is within reach.

Procurement systems, while unrated, are reported by the World Bank's Aid Effectiveness Review as "problematic". A new Procurement Act, effective from February 2006, is expected to improve matters, as it devolves responsibilities to executing ministries, departments and agencies, leaving the Ministry of Finance responsible for oversight. Mongolia is going to participate in an exercise conducted by OECD/DAC and was selected as a pilot country to conduct a full self-assessment on the national procurement system. Mongolia is expected to have a more comprehensive assessment of its procurement system within the year.

INDICATOR 2b

In terms of corruption, Mongolia ranks 85th out of 159 countries in Transparency International's 2005 Corruption Perceptions Index. The government is promising to improve transparency and reduce corruption, notably by introducing an Anti-Corruption Law and an Anti-Money Laundering Law.

### ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Indicator 3 seeks to assess the degree to which aid flows are aligned with national priorities, using the proportion of aid which is recorded in the budget as a proxy.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements.

#### Are government budget estimates comprehensive and realistic?

INDICATOR 3  
Table 22.1

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* c=a/b (%) c=b/a
Asian Dev. Bank	0	30	0%
Czech Republic	0	2	0%
EBRD	0	0	
European Commission	0	3	0%
Germany	0	13	0%
IMF	0	0	
Japan	4	36	10%
Korea	0	7	0%
Netherlands	0	0	
Sweden	0	3	0%
Switzerland	0	0	0%
United Kingdom	0	0	
United Nations	0	8	0%
United States	0	0	
World Bank	0	46	0%
<b>Total</b>	<b>4</b>	<b>149</b>	<b>2%</b>

\* Baseline ratio is  $c = a / b$  except where government's budget estimates are greater than disbursements ( $c = b / a$ ).

The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Mongolia is 2%.

The World Bank's Aid Effectiveness Review for 2006 suggests that external partners' strategies are aligned with national development plans. But, if Mongolia is to make any headway towards the 2010 target for Indicator 3 of 85%, the task ahead is very large.

#### CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Under the Paris Declaration, donors are committed to providing a greater proportion of their technical assistance in a manner which is co-ordinated with country programmes. For Mongolia, the baseline survey reports that only 18% of technical assistance is co-ordinated with country programmes.

INDICATOR 4  
Table 22.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Asian Dev. Bank	4	4	100%
Czech Republic	0	2	0%
EBRD	0	9	0%
European Commission	0	3	0%
Germany	0	6	0%
IMF	0	0	0%
Japan	0	13	0%
Korea	0	3	0%
Netherlands	3	3	100%
Sweden	0	3	0%
Switzerland	0	0	23%
United Kingdom	0	0	--
United Nations	4	5	71%
United States	0	9	0%
World Bank	1	8	17%
<b>Total</b>	<b>13</b>	<b>69</b>	<b>18%</b>

All of the Asian Development Bank's and the Netherlands' technical assistance is co-ordinated with country programmes, but these are something of an exception. Indeed, the World Bank's Aid Effectiveness Review expresses concern that, although external partners are moving towards aligning support for capacity building with country priorities, a coherent capacity-building programme is not yet in place. If the 2010 target of 50% is to be reached in Mongolia, the government needs to start by developing a coherent capacity-building strategy, consistent with national priorities, so that donors can align their efforts effectively.

#### USING COUNTRY SYSTEMS

The Paris Declaration encourages donors to make increasing use of country systems for public financial management and for procurement, where these are of sufficient quality to merit their use.

The baseline survey for Mongolia reports that the use of PFM systems, averaged across the three components, stands at 49%. For procurement, 26% of aid makes use of country systems.

As the score of 4.0 for Indicator 2 confirms, Mongolia has made impressive gains in strengthening its PFM systems. However, this has not as yet been reflected in terms of the use that aid makes of the country's PFM systems: most of the external assistance is still received in the form of project support, which does not make use of country systems. That said, donors are open to stepping up use of country systems, both for PFM and procurement. They have already taken the first steps towards providing budget support. If (and when) further steps are taken, they will be looking to Mongolia's PFM and procurement systems.

With a rating of 4.0 for its PFM systems, the 2010 target is that 66% of aid makes use of the country's PFM systems (averaged across the three components). On procurement, no target is set.

## How much aid for the government sectors uses country systems?

INDICATOR 5  
Table 22.3

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e / a
Asian Dev. Bank	30	30	30	30	100%	30	100%
Czech Republic	2	0	0	0	4%	0	0%
EBRD	0	0	0	0	--	0	--
European Commission	3	0	0	0	0%	0	0%
Germany	13	0	0	0	0%	0	0%
IMF	0	0	0	0	--	0	--
Japan	36	25	25	25	70%	3	9%
Korea	7	7	7	7	100%	0	1%
Netherlands	0	0	0	0	--	0	--
Sweden	3	0	0	0	0%	0	0%
Switzerland	0	0	0	0	0%	0	0%
United Kingdom	0	0	0	0	--	0	--
United Nations	8	0	0	0	1%	0	0%
United States	0	0	0	0	--	0	--
World Bank	46	16	16	0	23%	5	10%
<b>Total</b>	<b>149</b>	<b>78</b>	<b>78</b>	<b>63</b>	<b>49%</b>	<b>38</b>	<b>26%</b>

## AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone.

In Mongolia, the majority of projects and programmes financed by external partners make use of parallel PIUs. Only in exceptional cases are partners limiting the use of parallel PIUs by making them responsible for more than one programme or project. There are signs of a gradual shift towards budget support that will lead to a phasing out of parallel PIUs and greater use of the government's existing structures.

The baseline survey records a total of 80 parallel PIUs, with the vast majority of these having been established by multilateral agencies. The target for 2010 – a two-thirds reduction in the number of parallel PIUs – is to reduce the number to no more than 27.

## How many PIUs are parallel to country structures?

INDICATOR 6  
Table 22.4

	Parallel PIUs (units)
Asian Dev. Bank	27
Czech Republic	0
EBRD	0
European Commission	2
Germany	15
IMF	0
Japan	0
Korea	0
Netherlands	0
Sweden	0
Switzerland	3
United Kingdom	0
United Nations	16
United States	0
World Bank	17
<b>Total</b>	<b>80</b>

INDICATOR 7  
Table 22.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b c=b/a
Asian Dev. Bank	30	38	30	80%
Czech Republic	0	2	2	0%
EBRD	0	0	0	
European Commission	0	5	3	0%
Germany	5	13	13	38%
IMF	0	0	0	
Japan	25	36	36	70%
Korea	0	7	7	0%
Netherlands	0	0	0	
Sweden	0	3	3	0%
Switzerland	0	0	0	0%
United Kingdom	0	0	0	
United Nations	0	9	8	0%
United States	0	0	0	
World Bank	14	44	46	31%
<b>Total</b>	<b>74</b>	<b>158</b>	<b>149</b>	<b>47%</b>

\* Baseline ratio is  $c = a / b$  except where disbursements recorded by government are greater than aid scheduled for disbursement ( $c = b / a$ ).

#### PROVIDING MORE PREDICTABLE AID

If aid is provided in a predictable manner, then recipient countries are better able to plan and make effective use of it. Indicator 7 seeks to assess the in-year predictability of aid, measuring the proportion of planned disbursements (as reported by donors) that are recorded by government in the national accounting system as having been disbursed.

The table above looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Mongolia, donors scheduled USD 158 million for disbursement in 2005 and actually disbursed – according to their own records – slightly less (USD 149 million). The discrepancy varies considerably among donors. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Mongolia, government systems recorded USD 74 million out of the USD 149 million notified as disbursed by donors (50%), indicating that a significant proportion of disbursements were not captured

either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Mongolia, this combined predictability gap amounts to USD 84 million (53% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

## UNTYING AID

According to OECD data covering 52% of 2004 commitments, 85% of aid to Mongolia is untied. There is much room for progress on untying, to which donors are committed.

INDICATOR 8

## HARMONISATION

**DONOR FRAGMENTATION** imposes transaction costs on recipient countries. Indicators 9 and 10 of the baseline survey illustrate various elements of harmonisation. In Mongolia, there is substantial room for progress on harmonisation across the board. In particular, there is room for the government to take a more active role in encouraging and co-ordinating harmonisation.

## USING COMMON ARRANGEMENTS

According to the baseline survey, 29% of aid was programme based. Half of this was direct budget support, and half was sector support. Despite the efforts of some development partners to co-ordinate their support through programme-based approaches, the 2010 target of 66% remains an ambitious goal.

### How much aid is programme based?

INDICATOR 9  
Table 22.6

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
Asian Dev. Bank	9	0	9	30	29%
Czech Republic	0	3	3	3	100%
EBRD	0	0	0	0	--
European Commission	0	0	0	3	0%
Germany	0	1	1	13	9%
IMF	0	0	0	0	--
Japan	0	--	0	36	0%
Korea	0	0	0	7	0%
Netherlands	3	6	9	9	100%
Sweden	0	0	0	3	0%
Switzerland	0	0	0	2	0%
United Kingdom	0	0	0	0	0%
United Nations	1	7	8	8	100%
United States	0	0	0	10	0%
World Bank	13	6	19	46	42%
<b>Total</b>	<b>26</b>	<b>23</b>	<b>50</b>	<b>171</b>	<b>29%</b>



INDICATOR 10a  
Table 22.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Asian Dev. Bank	0	20	0%
Czech Republic	0	8	0%
EBRD	0	2	0%
European Commission	0	0	--
Germany	0	15	0%
IMF	0	7	0%
Japan	0	20	0%
Korea	0	6	0%
Netherlands	2	3	67%
Sweden	0	1	0%
Switzerland	0	8	0%
United Kingdom	0	0	--
United Nations	11	143	8%
United States	1	56	2%
World Bank	5	190	3%
<b>Total (discounted*)</b>	<b>12</b>	<b>479</b>	<b>3%</b>

\* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b  
Table 22.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Asian Dev. Bank	3	3	100%
Czech Republic	0	3	0%
EBRD	0	0	--
European Commission	0	1	0%
Germany	0	1	0%
IMF	0	4	0%
Japan	0	2	0%
Korea	0	0	--
Netherlands	0	1	0%
Sweden	0	1	0%
Switzerland	1	1	100%
United Kingdom	0	0	--
United Nations	20	22	91%
United States	2	18	11%
World Bank	2	3	67%
<b>Total (discounted*)</b>	<b>21</b>	<b>60</b>	<b>35%</b>

\* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

## CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

Donor missions are fairly labour-intensive events for recipient countries. If a greater proportion of donor missions were co-ordinated or conducted jointly, then this would reduce the total number of missions and the consequent burden on host governments.

In Mongolia – with only 3% of 479 missions co-ordinated – there is tremendous room for progress. Indeed, if the target of 40% co-ordinated missions by 2010 is to be reached, then there will need to be some radical changes in donor behaviour. The government can provide the impetus for change by requesting that donors join forces to conduct their missions. The UN is helping Mongolia to develop a new aid management tool that will make it easier to share information on, and co-ordinate, donor missions.

On country analysis, the picture is somewhat better: 35% of country analysis is co-ordinated. Progress here has been driven by the efforts of donors. To reach the target of 66% by 2010, however, the government will have to assume a more central role in improving co-ordination and encouraging information sharing.

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## MANAGING FOR RESULTS

THE PARIS DECLARATION calls for partner countries and donors to work together to manage resources on the basis of desired results and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 looks at one component of this effort: the establishment of a cost-effective results-oriented reporting and assessment system by the country.

Mongolia, along with 42% of the countries assessed, received a rating of C for its reporting and assessment system, as part of the World Bank's 2005 review of the Comprehensive Development Framework. This is encouraging. The rating is based on three criteria: the quality of development information, the degree to which stakeholders have access to it, and, the extent to which there is a co-ordinated monitoring and evaluation of the country's development efforts.

The World Bank's Aid Effectiveness Review for 2006 underlines that the quality and availability of poverty-related data is improving. Most recently, donors have signalled their intention to support the government's national statistical development strategy, launched in March 2006. Information on government policies is reported to be easily available, although data (particularly raw poverty data) remain less accessible to the public. The World Bank reports that the government is laying the foundations for a country-level monitoring and evaluation system. Lastly, in February 2006, the UNDP launched a system-wide project to improve the government's ability to gauge progress towards the Millennium Development Goals, and goals and targets associated with the country's development plans. With a concerted effort on the part of government, and with the co-ordinated support of donors, the 2010 target of a B rating or above, may be within reach.

INDICATOR 11

## MUTUAL ACCOUNTABILITY

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that strengthens public support for national policies and development assistance. This in turn requires governments to improve country accountability systems and donors to be transparent about their own contributions. Indicator 12 seeks to establish whether a country-level mechanism exists, permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

No such mechanism currently exists in Mongolia, although some initial steps towards mutual assessment and accountability have been taken.

First, harmonisation working groups – to involve government and donors – have been set up in relation to a number of sectors and themes. Second, technical meetings of government and partners have been instituted (replacing Consultative Group meetings) to provide a platform for dialogue. And third, the UNDP hosts monthly meetings that provide a platform for information sharing and harmonisation among donors.

Welcome as these initiatives may be, none of them as yet include the mutual assessments of progress made against aid effectiveness commitments which are called for by the Paris Declaration.

INDICATOR 12

## BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Mongolia. The baseline values are based on discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Mongolia under the aegis of the National Co-ordinator (Ochirkhuu Erdembileg).

Table 22.9  
Baselines  
and targets

INDICATORS	2005 BASELINE	2010 TARGET
1 Ownership – Operational PRS	D	B or A
2a Quality of PFM systems	4.0	4.5
2b Quality procurement systems	Not available	Not applicable
3 Aid reported on budget	2%	85%
4 Co-ordinated capacity development	18%	50%
5a Use of country PFM systems (aid flows)	49%	66%
5b Use of country procurement systems (aid flows)	26%	Not applicable
6 Parallel PIUs	80	27
7 In-year predictability	47%	74%
8 Untied aid	85%	More than 85%
9 Use of programme-based approaches	29%	66%
10a Co-ordinated missions	3%	40%
10b Co-ordinated country analytical work	35%	66%
11 Sound performance assessment framework	C	B or A
12 Reviews of mutual accountability	No	Yes

## ACRONYMS

CDF	Comprehensive Development Framework
ODA	official development assistance
PFM	public financial management
PIU	project implementation unit