
MONGOLIA

INTRODUCTION

MONGOLIA is a lower-middle income country with a gross national income (GNI) of USD 1 630 per capita in 2009 (WDI, 2011). It has a population of 2.7 million, 22% of whom (594 000 people) currently live under the 1.25 dollar-a-day income poverty line (WDI, 2011).

Despite a growing economy boosted by the rapid development of the mining sector, well-defined and targeted development assistance from the donor community is still expected to play a crucial role in the long run as a complementary mechanism for sustainable development in Mongolia. It is hoped aid will focus on the development of human resources and institutional capacity, strengthening governance and supporting vital infrastructure development.

Net official development assistance (ODA) to Mongolia in 2009 totalled USD 417 million (OECD, 2011). Since 2005, net ODA has averaged 9% of GNI and 24% of the central government expense (WDI, 2011). The top five donors provided 72% of Mongolia's core ODA (OECD, forthcoming). ■

SUMMARY OF PROGRESS

PROGRESS ON THE PARIS DECLARATION INDICATORS depends on improvements by both donors and partner governments. Mongolia has registered mixed progress since the previous monitoring surveys. Of thirteen indicators with applicable targets, two have been met, while eleven are unmet. The majority of indicators have registered marginal or no progress, while a number have seen setbacks. An operational development strategy is in place, although below the target score. On alignment, strengthened capacity through co-ordinated support is significantly above target, untied aid is close to target, while there have been setbacks regarding the alignment of aid to national priorities and the predictability of aid.

All harmonisation indicators are significantly below target, however, there has been progress on the use of programme-based approaches (PBAs) and joint missions, while there has been a decline in joint analytic work. A results-oriented framework is in place, although below target, while mutual accountability has been achieved. In the future, the donor community is expected to play an important role, both in providing technical assistance, and through increasing aid effectiveness through sector-wide donor-partner consultative and co-ordinating mechanisms. At the same time, the role of the governments as a leading partner of coordination needs to be highlighted, as donor efforts alone without strategic leadership by government would remain ineffective. ■

TABLE 1:
Baselines and targets
for 2010

	INDICATORS	2005 REFERENCE	2007	2010 ACTUAL	2010 TARGET
1	Operational development strategies	D	C	C	'B' or 'A'
2a	Reliable public financial management (PFM) systems	4.0	4.0	4.0	4.5
2b	Reliable procurement systems	Not available	C	Not available	No Target
3	Aid flows are aligned on national priorities	2%	37%	19%	85%
4	Strengthen capacity by co-ordinated support	18%	66%	81%	50%
5a	Use of country PFM systems	49%	17%	27%	66%
5b	Use of country procurement systems	26%	29%	21%	No Target
6	Strengthen capacity by avoiding parallel PIUs	80	53	52	27
7	Aid is more predictable	47%	34%	30%	74%
8	Aid is untied	86%	66%	82%	More than 86%
9	Use of common arrangements or procedures	29%	6%	32%	66%
10a	Joint missions	3%	7%	10%	40%
10b	Joint country analytic work	35%	32%	21%	66%
11	Results-oriented frameworks	C	C	C	'B' or 'A'
12	Mutual accountability	N	Not available	Y	Y

TABLE 2:
Learning from success
and challenges

	ACHIEVEMENT OR CHALLENGE	LESSON OR PRIORITY ACTION
Ownership	Challenge: Mongolia lacks a medium-term national development strategy.	Priority action: Formulate an explicit medium-term strategy linking to the longer term vision.
Alignment	Achievement: Technical co-operation to Mongolia is largely co-ordinated with country strategies.	Lesson: Government organisations have adopted mid- to long-term human resource development programmes, setting clear strategies for capacity development. These link to the national development strategy approved by parliament in 2007 and will promote co-ordinated technical co-operation.
Harmonisation	Challenge: use of joint missions and analytic work, and the use of programme-based approaches, are low.	Priority action: Government needs to exert leadership in ensuring joint missions and analytic work are co-ordinated jointly, while donors need to adopt a less risk-averse attitude in co-ordinating under government administered programme-based approaches.
Managing for results	Challenge: Mongolia has not measurably improved its results based monitoring framework since 2005.	Priority action: increase the quality of relevant development information and co-ordination of country-level monitoring and evaluation.
Mutual accountability	Achievement: a mutual accountability mechanism is in place.	Lesson: There is an aid policy or strategy agreed between the Mongolian government and donors; There are country-level aid effectiveness targets for both the government and donors, and an assessment towards these targets is undertaken and discussed in a forum for broad-based dialogue.

ABOUT THE SURVEY

This chapter assesses progress against the quantitative indicators provided by the Survey on Monitoring the Paris Declaration, drawing on data provided by the government and donors, the OECD and the World Bank. In addition to this, it draws on qualitative evidence submitted to the OECD by the national government which incorporates feedback from donors and other stakeholders. Stakeholders note that it is possible that in places definitions and concepts were interpreted differently by survey respondents in 2011 compared with previous years. A degree of caution should be taken when analysing the trends shown by some of the indicators.

The 2011 survey responses cover 14 donors and 93% of Mongolia's core ODA. Mongolia has participated in the Paris Declaration Monitoring Survey for the third time in 2011. ■

OWNERSHIP

AID IS MOST EFFECTIVE when it supports a country-owned approach to development. It is less effective when aid policies and approaches are driven by donors. In the context of the Paris Declaration, ownership concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

Indicator 1 assesses the operational value of a country's development strategy. In particular, it looks at the existence of an authoritative country-wide development policy (*i.e.* a unified strategic framework), the extent to which priorities are established, and whether these policies are costed and linked with the budget. All of these features are important to harness domestic resources for development, and to provide a basis for the alignment of aid to development priorities. Each country has provided evidence against these criteria, and this has been translated into a score by the World Bank using the same methodology as in the 2006 and 2008 surveys. A five-point scale runs from A (highest score) to E (lowest score). The Paris Declaration targets 75% of partner countries achieving a score of A or B by 2010.

Mongolia was assessed a C on the operationality of its national development strategies, maintaining the same score as in 2007. Mongolia's current national development strategy (NDS) is the MDG-based Comprehensive National Development Strategy of Mongolia covering the period 2007-21. It is implemented via government action plans and yearly economic and social guidelines. The priorities and their timing and sequencing are set forth in the latter, but no medium-term strategy has been formulated. The budget is linked to the NDS through action plans and the economic and social development guidelines.

The NDS envisages two phases: first, to achieve the Millennium Development Goals and expand the economy between 2007 and 2015; and second, to transition to a knowledge-based economy during the period 2016-21. A government action plan (four years) and yearly economic and social development guidelines are linked with these dual objectives and are focused on timing, sequencing, and institutional responsibilities. The links are weak, however, as a result of the absence of an explicit medium-term strategy linking to these longer-term objectives. Policy makers and line ministries use the NDS to develop action plans, yearly economic and social development guidelines, sector ministry master plans, and national programmes.

The NDS framework has identified six priority areas, implementation of which is monitored. The strategy is linked to both MDGs and cross-cutting issues. Targets are sequenced in accordance with the phases of the NDS. Five of the thirty-four envisaged outcomes of the NDS are directly linked to the MDGs. Cross-cutting issues are linked to them via one or more of the six priority areas.

Mongolia has a medium-term fiscal framework (MTFF), adopted every year on a rolling basis covering the period of next three years by approving the framework for the succeeding year and projecting it for the latter two. The country does not have a medium term expenditure framework (MTEF). The socio-economic

INDICATOR 1

Do countries have operational development strategies?

guidelines reflect sector strategy priorities and policies that are then linked to annual and medium-term budgets. The NDS is costed, each line ministry prepares a sectoral strategic plan and its costs, in line with the NDS and the government action plan. Line ministries then submit proposals to the National Development and Innovation Committee (NDIC). The NDIC consolidates all proposals and prepares a draft of medium-term socio-economic development guidelines in which all the national strategic objectives are set and activities costed. The socio-economic guidelines are the primary means to link the NDS to the MTF. In the MTF, annual budget ceilings are set, which must be observed when the annual budget is prepared. Since 2008, the government has been shifting to a performance-oriented programme budgeting approach. In this approach, each line ministry sets sectoral strategic priorities and objectives in compliance with the NDS, determining appropriate interventions to achieve these objectives. These policies are subsequently considered in the budget fund allocation.

There has been broad-based participation of parliament, civil society, local government in the formulation and monitoring of the NDS. A working group comprised of ministers, advisors, political parties, academics, researchers, civil society and the private sector was established. The working group was mandated to prepare an MDG-based national development strategy which would serve as the basis for the formulation of medium-term programmes, sectoral strategies and co-operation programmes with the donor community. Moreover, the public was given the opportunity to actively participate in the process of preparing the country's long-term vision through consultative meetings. Monitoring and evaluation has been also implemented by the central and local state administrative institutions with the participation of relevant professional and research organisations and NGOs in accordance with the integrated plan. The evaluation has been conducted with strong support and active participation of the central and municipal administrations, international organisations, experts, researchers, NGOs and the UNDP. ■

ALIGNMENT

AID THAT IS DONOR DRIVEN AND FRAGMENTED is less effective. For aid to be effective, it must make use of national development strategies and use and help strengthen capacity in national systems, such as those for procurement and public financial management. The Paris Declaration envisions donors basing their support fully on partner countries' aims and objectives. Indicators 2 through 8 of the Paris Declaration assess several different dimensions of alignment.

Out of seven alignment indicators with applicable targets, one has been met (strengthened capacity through co-ordinated support) while 6 are below target. Untied aid is close to target, while there have been setbacks on the alignment of aid to national priorities and the predictability of aid, with both indicators significantly below target. The reliability of country public financial management (PFM) systems and the number of parallel project implementation units (PIUs) has been more or less static since 2007, while there has been a marginal increase in the use of country PFM systems (although significantly below target), alongside a decrease in the use of country procurement systems.

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. Do these systems either adhere to good practices or are there plans for reform? If countries have reliable systems, donors are encouraged to use them for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

Indicator 2a of the Paris Declaration assesses whether PFM systems meet broadly accepted good practices or whether credible reform programmes are in place. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong).

INDICATOR 2
Building reliable
country systems

INDICATOR 2a
How reliable are
country public financial
management systems?

To score highly, a country needs to perform well against all three of the following criteria: a comprehensive and credible budget linked to policy priorities; an effective financial management system to ensure that the budget is implemented as intended in a controlled and predictable way; and timely and accurate accounting and fiscal reporting, including timely and audited public accounts with effective arrangements for follow up. Meeting the global 2010 target requires half of partner countries to move up at least one measure (*i.e.* 0.5 points) between 2005 and 2010.

In 2010 Mongolia was assessed a score of 4.0 regarding the reliability of its public financial management systems, maintaining the score of previous assessments. However, PFM reforms are being implemented. For example, the parliament adopted the Fiscal Responsibility Law in 2010 in order to guide sound macroeconomic management following projected increases in natural resource revenue. With IMF and World Bank assistance, the government also aims to adopt a modern integrated budget law this year. This will provide a framework for budget planning with a medium-term and programmatic orientation, treasury and debt management, and fiscal transparency. It also aims to cover gaps in the existing legal framework (consisting of the General Budget Law and the Public Sector Management and Finance Law). Additionally, a new draft law has been formulated to reform financial management at the local government level.

Indicator 2b was first measured in 2008 by 17 countries. The process is one of self-assessment, using the Methodology for the Assessment of National Procurement Systems developed by the OECD-DAC Task Force on Procurement. The methodology includes baseline indicators to compare a country's systems to internationally-accepted good practice, as well as a new set of indicators. These indicators assess overall performance of the system, compliance with national legislation and standards and whether there is a reform programme in place to promote improved practices. The results are expressed as grades on a four-point scale running from A (the highest) to D (the lowest). The 2010 target is for a third of partner countries to move up at least one measure (*i.e.* from D to C, C to B or B to A) although not all countries will perform an assessment.

INDICATOR 2b
How reliable are country
procurement systems?

Mongolia's country procurement systems were not assessed in 2008, nor in 2010. However, procurement reforms have recently been introduced. Procurement procedures have been decentralised such that each ministry and department, as well as the regional and local authorities, will be responsible for their own procurement. In 2010 new amendments on the current procurement law were revised. The amendments aim to address the efficiency and effectiveness of public sector procurement and streamline government approval procedures, expedite project implementation and help improve project quality. The procurement rules and regulations will assist all the ministries and executing agencies in carrying out their functions to monitor and control public sector procurement.

Comprehensive and transparent reporting on aid, and its use, helps ensure that donors align aid flows with national development priorities. When aid directed to the government sector is fully and accurately reflected in the national budget it indicates that aid programmes are well connected with country policies and processes. This also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

INDICATOR 3
Aligning aid flows
on national priorities

As a proxy for alignment, indicator 3 measures the percentage of aid disbursed by donors for the government sector that is included in the annual budget for the same fiscal year. The indicator reflects two components: the degree to which aid is aligned with government priorities, and the extent to which aid is captured in government's budget preparation process. Budget estimates can be higher or lower than disbursements by donors and are treated similarly for the purpose of measuring indicator 3 despite the different causes.

The 2010 target is to halve the proportion of aid flows that are not currently reported on government budgets, with at least 85% of aid reflected in the budget.

TABLE 3:
Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows in 2010 (USD m) a	Aid disbursed by donors for government sector in 2010 (USD m) b	2005		2007		2010 *		Total aid disbursed through other donors (USD m)
			(for reference)	(for reference)	(%) c = a / b	(%) c = b / a			
Asian Dev. Bank	15	39	0%	--		39%		0	
Australia	0	3	--	--		0%		0	
Czech Republic	0	0	0%	--		--		0	
EBRD	--	--		--		--		0	
EU Institutions	0	8	0%	--		0%		6	
GAVI Alliance	0	1	--	--		0%		0	
Germany	8	17	0%	--		46%		0	
Global Fund	0	6	--	--		0%		0	
IFAD	2	1	--		100%		66%	0	
IMF	--	--		--		--		0	
Japan	6	56	10%	35%		11%		12	
Korea	10	25	0%	41%		40%		0	
Luxembourg	0	2	--	--		0%		0	
Netherlands	0	0		--		--		0	
Sweden	--	--	0%	--		--		0	
Switzerland	0	0	0%	--		0%		0	
Turkey	0	1	--	--		0%		0	
United Kingdom	0	1		--		0%		0	
United Nations	0	18	0%	--		0%		0	
United States	0	29		--		0%		0	
World Bank	17	99	0%	62%		17%		0	
Average donor ratio			1%	59%		14%			
Total	58	305	2%	37%		19%		19	

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

Nineteen percent of aid to Mongolia was accurately estimated on the budget in 2010, significantly below the 85% target and a large setback from 37% in 2007. Of major donors to Mongolia in this regard, the Asian Development Bank, Germany and the Republic of Korea scored highest at approximately 40%, followed by the World Bank (Mongolia's largest donor) at 17%, and Japan at 11%. The main reasons for discrepancies include unplanned extensions in project timeframes; delays caused by procedural issues in procurement; and in many of the cases limited provision of information, or lack of it, on planned and actual disbursements by a number of donors. In some cases it may be that donors provide their information through line ministries and that the information is not forwarded and thus not consolidated at the Ministry of Finance. From a donor perspective, more guidance is expected to be provided by the Ministry of Finance on reporting requirements, in the form of yearly circulars and questionnaires. Here, joint discussion on plausible solutions (in terms of planning and reporting requirements) both for the donors and the recipient is needed.

INDICATOR 7
Providing more predictable aid

For many countries, aid is a vital source of revenue and resources. Being able to predict aid disbursements – both in terms of how much aid will be delivered and when – is important to enable countries to manage public finances and undertake realistic planning for development. The Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable manner according to agreed schedules.

Indicator 7 examines the in-year predictability of aid for the government sector by measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in their accounting system as having been disbursed. Indicator 7 therefore assesses two aspects of predictability. The first is the ability of donors to disburse aid according to schedule. The second is the ability of government to record disbursements for the government sector as received in its accounting system. Indicator 7 is designed to encourage progress

in relation to both, with the aim of halving the proportion of aid not disbursed (and not captured in the government's accounting system) within the fiscal year for which it was scheduled by 2010. The ultimate goal is to improve not only the predictability of disbursements, but also the accuracy with which they are recorded in government systems – an important element to support ownership, accountability and transparency.

	Disbursements recorded by government in 2010 (USD m) a	Aid scheduled by donors for disbursement in 2010 (USD m) b	2005		2007		2010*		For reference: Aid disbursed by donors for government sector in 2010 (USD m) d	For reference: % of scheduled aid disbursements reported as disbursed by donors in 2010**	
			(for reference)	(for reference)	(for reference)	(for reference)	c = a / b (%)	c = b / a (%)		e = d / b (%)	e = b / d (%)
Asian Dev. Bank	25	57	80%	--	--	43%		39	67%		
Australia	0	3	--	--	--	0%		3	100%		
Czech Republic	0	0	0%	--	--	--		0	--		
EBRD	--	--	--	--	--	--		--	--		
EU Institutions	0	6	0%	--	--	0%		8		81%	
GAVI Alliance	0	1	--	--	--	0%		1	92%		
Germany	8	0	38%	--	--	0%		17		0%	
Global Fund	0	6	--	--	--	0%		6		97%	
IFAD	3	2	--	77%	--	62%		1	72%		
IMF	--	--	--	--	--	--		--	--		
Japan	6	56	70%	20%	--	11%		56	100%		
Korea	8	0	0%	--	--	0%		25		0%	
Luxembourg	0	2	--	--	--	0%		2	77%		
Netherlands	0	0	--	--	--	--		0	--		
Sweden	--	--	0%	--	--	--		--	--		
Switzerland	0	0	0%	--	--	0%		0	56%		
Turkey	0	1	--	--	--	0%		1	73%		
United Kingdom	0	0	--	--	--	--		1		0%	
United Nations	0	20	0%	--	--	0%		18	86%		
United States	0	54	--	--	--	0%		29	54%		
World Bank	45	105	31%	51%	--	43%		99	94%		
Average donor ratio			22%	49%	--	11%				66%	
Total	96	315	47%	34%	--	30%		305		97%	

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

** Ratio is e=d/b except where disbursements recorded by donors are greater than aid scheduled for disbursement (e=b/d).

In 2010, 30% of aid scheduled for disbursement in Mongolia was recorded as disbursed in government accounting systems, a slight setback from 2007 and significantly below the 2010 target of 74%. Only four donors to Mongolia had any aid recorded in public accounts. Among major donors in this regard, the Asian Development Bank and World Bank both scored 43%, followed by Japan (11%). On the other hand, donors reported that 97% of estimated aid to the government was disbursed. The significant discrepancy between plan and disbursement points is due to a lack of sufficient information on planning and disbursement of grant aid and technical assistance, although financial planning for projects and programmes financed with loan (repayable funds) is duly recorded in the budget system. Partners, both providers and recipients, should collaborate on finding plausible solutions for providing and exchanging the necessary data and information regarding the financial aspects of grant and technical assistance. The Ministry of Finance is making efforts to improve the accounting capacity of implementing organisations, setting requirements to account for finances on a regular basis. The Ministry of Minerals and Energy has made progress in this regard through preparing reports on all donor financed projects in the sector on a semi-annual and annual basis.

TABLE 4:
Are disbursements on schedule and recorded by government?

Regarding the Accra Agenda for Action (AAA) commitments to provide rolling three-to-five year expenditure and/or implementation plans, some major donors – both bilateral and multilateral (*e.g.* World Bank, the Asian Development Bank, United Nations, Germany) – have mid-term strategic programmes which are discussed with the government. In other cases, (*e.g.* Japan, Sweden) there are general policy documents covering broad mid-term priorities, while individual projects and programmes are discussed and approved on an ongoing or a case-by-case basis. For some donors, (*e.g.* People's Republic of China, Republic of Korea) there is no such policy framework and policy is set under general bilateral foreign policy frameworks subject to ongoing negotiations.

INDICATOR 4
Co-ordinating support
to strengthen capacity

Capacity constraints present significant challenges to development and poverty reduction efforts and their sustainability. These relate both to aid management capacities (the ability of the government to capture, co-ordinate and utilise aid flows more effectively) and also to broader capacities for the design and implementation of policies and service delivery.

Under the Paris Declaration donors committed to providing technical co-operation that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Successful capacity development is led by the partner country.

Indicator 4 focuses on the extent to which donor technical co-operation (an important input into capacity development) is country-led and well co-ordinated. It captures the extent to which technical co-operation is aligned with objectives articulated by country authorities, whether country authorities have control over this assistance, and whether arrangements are in place to co-ordinate support provided by different donors. The Paris Declaration target is for 50% of technical co-operation flows to be implemented through co-ordinated programmes that are consistent with national development strategies by 2010.

TABLE 5:
How much technical
co-operation is
co-ordinated with
country programmes?

	Co-ordinated technical co-operation (USD m)	Total technical co- operation (USD m)	2005 (for reference)	2007 (for reference)	2010 (%) c = a / b
	a	b			
Asian Dev. Bank	4	4	100%	--	100%
Australia	0	0	--	--	0%
Czech Republic	0	4	0%	100%	0%
EBRD	--	--	0%	--	--
EU Institutions	0	1	0%	--	0%
GAVI Alliance	0	0	--	--	--
Germany	14	14	0%	--	100%
Global Fund	0	0	--	--	--
IFAD	0	0	--	100%	--
IMF	--	--	0%	--	--
Japan	10	10	0%	100%	100%
Korea	0	6	0%	96%	0%
Luxembourg	0	0	--	--	100%
Netherlands	1	4	100%	--	13%
Sweden	--	--	0%	--	--
Switzerland	0	0	23%	100%	0%
Turkey	0	0	--	100%	0%
United Kingdom	0	0	--	--	--
United Nations	7	8	71%	100%	87%
United States	16	16	0%	--	100%
World Bank	21	21	17%	0%	99%
Total	73	90	18%	66%	81%

Eighty-one percent of technical co-operation to Mongolia was co-ordinated with country programmes in 2010, a steady rise from 2007 figures and significantly above the 50% target. Of major donors to Mongolia in this regard, the World Bank, United States, Japan and Germany co-ordinated almost all of their technical co-operation, followed by the United Nations at 87%. The Republic of Korea, EU Institutions and the Czech Republic largely did not co-ordinate any technical co-operation. The main challenge to co-ordinated capacity development is that most technical co-operation is supply-driven. For example, in the case of the IMF, Japan, and Korea, training programmes are fixed over the medium or long-term. Generally speaking, donors need to be more flexible with their training programmes, and develop country focused programmes to address specific capacity development issues. In order to promote co-ordinated technical co-operation, the Parliament of Mongolia approved a Comprehensive National Development Strategy in 2007, and Government organisations have accordingly adopted mid- to long-term human resource development programmes, setting clear strategies for capacity development.

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the government's long-term capacity to develop, implement and account for its policies to both its citizens and its parliament. The Paris Declaration commits donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. Indicator 5 is directly linked to Indicator 2 on the quality of Public Financial Management (PFM) and procurement systems.

INDICATOR 5

Using country systems

TABLE 6:
How much aid for the government sector uses country systems?

	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	2005 (for reference) e	2007 (for reference) f	2010 (%) g avg(b,c,d) / a	Proc. systems (USD m) e	2005 (for reference) f	2007 (for reference) g	2010 (%) h e / a
Asian Dev. Bank	39	0	39	34	100%	--	63%	0	100%	--	0%
Australia	3	0	0	0	--	--	0%	0	--	--	0%
Czech Republic	0	0	0	0	4%	--	--	0	0%	--	--
EBRD	--	--	--	--	--	--	--	--	--	--	--
EU Institutions	8	0	0	0	0%	--	0%	0	0%	--	0%
GAVI Alliance	1	0	0	0	--	--	0%	0	--	--	0%
Germany	17	4	4	4	0%	--	23%	4	0%	--	22%
Global Fund	6	0	0	0	--	--	0%	6	--	31%	100%
IFAD	1	0	0	0	--	--	0%	0	--	100%	0%
IMF	--	--	--	--	--	--	--	--	--	--	--
Japan	56	10	10	10	70%	29%	17%	10	9%	29%	17%
Korea	25	0	0	0	100%	41%	0%	0	1%	--	0%
Luxembourg	2	0	0	0	--	--	0%	0	--	--	0%
Netherlands	0	0	0	0	--	--	--	0	--	--	--
Sweden	--	--	--	--	0%	--	--	--	0%	--	--
Switzerland	0	0	0	0	0%	0%	0%	0	0%	0%	0%
Turkey	1	0	1	0	--	--	33%	1	--	--	100%
United Kingdom	1	0	0	0	--	--	0%	0	--	--	0%
United Nations	18	1	1	1	1%	8%	7%	1	0%	0%	3%
United States	29	0	0	0	--	--	0%	0	--	--	0%
World Bank	99	42	42	42	23%	0%	42%	42	10%	51%	42%
Total	305	57	96	91	49%	17%	27%	63	26%	29%	21%

INDICATOR 5a

Use of country public financial management systems

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding for the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting and auditing) as a proportion of total aid disbursed for the government sector. The 2010 target is set relative to indicator 2a on the quality of PFM systems. For partner countries with a score of 5 or above on indicator 2a scale the target is for a two-thirds reduction in the proportion of aid to the public sector not using the partner country's PFM systems. For partner countries with a score between 3.5 and 4.5 on Indicator 2a, the target is a one-third reduction in the proportion of aid to the public sector not using partner country's PFM systems. There is no target for countries scoring less than 3.5.

Twenty-seven percent of donors channelled aid through Mongolia's PFM systems in 2010, a marginal increase from 2007, but significantly below the 66% target. Most major donors to Mongolia at least made some use of country PFM systems, with the Asian Development Bank (ADB) at 63%, followed by the World Bank (42%), Germany (23%) and Japan (17%). In order to increase the use of country systems, the government, in co-operation with the World Bank, is piloting three Bank financed projects to be included in the Government Financial Management System. If the piloting phase is successful, all Bank financed projects will follow, after which ADB financed projects will be integrated into the Government Financial Management System. This initiative is based on incorporating reporting standards of the World Bank and Asian Development Bank, which are detailed and regular.

INDICATOR 5b

Use of country procurement systems

Indicator 5b follows a similar graduated target to indicator 5a which is set relative to Indicator 2b on the quality of procurement systems. For partner countries with a procurement score of 'A', a two-thirds reduction in the proportion of aid for the public sector not using the country's procurement systems and for partner countries with a procurement score of 'B' to reduce the gap by one-third.

Twenty-one percent of aid utilised Mongolia's procurement systems in 2010, a slight decrease from 2007. Of major donors to Mongolia, the World Bank registered 48%, Global Fund 100%, Germany 22% and Japan 17%. The Asian Development Bank, United Nations, United States and the Republic of Korea almost completely circumvent country procurement systems. Under Mongolian procurement law, in the absence of donor specifications for the use of international procurement procedures, preferential access can be given to Mongolian-owned and/or operated firms or firms which use the largest proportion of locally sourced inputs and labour.

INDICATOR 6

Avoiding parallel implementation structures

When providing development assistance, some donors establish dedicated project management units or implementation units (PIUs) – to support development projects or programmes. A PIU is said to be "parallel" when it is created by the donor and operates outside existing country institutional and administrative structures. In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity development efforts, distort salaries and weaken accountability for development.

To make aid more effective, the Paris Declaration encourages donors to "avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes." Indicator 6 counts the number of parallel PIUs being used in partner countries. The target is to reduce by two-thirds the number of parallel PIUs in each partner country between 2005 and 2010.

Mongolia recorded 52 parallel PIUs in 2010, failing to meet the 2010 target by a significant margin, with little improvement since 2007. The Czech Republic and the Netherlands account for the significant majority of parallel PIUs, with the United Kingdom and United Nations also registering high numbers. However, it should be noted that the definition provided by the guidance note led to different interpretations by various donors and the resulting data should be interpreted with a degree of caution.

Parallel PIUs in Mongolia are established at the request of the donors (mostly bilateral). While almost all PIUs of credit-funded projects are established within national structures, the same cannot be said with grant financed projects. The Government of Mongolia has internal guidelines regulating the establishment of

PIUs, appointment of staff, their accountability structure, and the role of the relevant internal stakeholders. According to these guidelines, PIUs are to be established within the national structures. While most multilateral partners have integrated their PIUs into national structures, some bilateral partners still lag behind.

	Parallel PIUs		
	2005 (for reference)	2007 (for reference)	2010 (units)
Asian Dev. Bank	27	--	0
Australia	--	--	1
Czech Republic	0	16	19
EBRD	0	--	--
EU Institutions	2	--	1
GAVI Alliance	--	--	0
Germany	15	--	0
Global Fund	--	0	0
IFAD	--	1	1
IMF	0	--	--
Japan	0	0	0
Korea	0	--	0
Luxembourg	--	--	0
Netherlands	0	--	11
Sweden	0	--	--
Switzerland	3	3	3
Turkey	--	--	0
United Kingdom	0	--	7
United Nations	16	18	7
United States	0	--	2
World Bank	17	15	0
Total	80	53	52

TABLE 7:
How many PIUs are parallel to country structures?

Aid is “tied” when restrictions are placed on the countries that goods and services may be purchased from, typically including the donor country and/or another narrowly specified group of countries. Untied aid not only improves value for money and decreases administrative burdens, but also supports the use of local resources, country systems and the harmonisation of donor support provided through pooled or joint aid instruments and approaches.

INDICATOR 8
Untying aid

Data on the extent to which aid is tied are based on voluntary self-reporting by donors that are members of the OECD’s Development Assistance Committee (DAC). The Paris Declaration target is to continue progress towards untying all aid between 2005 and 2010.

In 2010, 82% of aid to Mongolia was untied, a sizable increase from 2007, but a marginal decrease from 2005. Almost all donors untied all their aid, with the exception of Finland (89%), the United States (34%), Austria (25%), Spain (0%), the Republic of Korea (9%), and Italy (2%). In the case of bilateral partners, the procurement terms used in Mongolia depend on the type of aid. With respect to credits, conditions are applied depending on the terms and conditions of the credit (*i.e.* the level of concessionality), whereas grants are mostly tied (especially for bilateral partners), as is technical assistance.

In the case of multilateral partners, the procurement terms of credit projects are usually underpinned by international competitive bidding. The same applies for some grant projects. In some cases, the donor (*e.g.* ADB) agrees to apply local procurement legislation, but also considers open international competitive bidding. A few bilateral partners providing credits use local procurement systems. In the case of export credit schemes, concessional loans are consistently tied. ■

TABLE 8:
How much bilateral aid
is untied?

	Total bilateral aid as reported to the DAC in 2009	Untied aid	2005 (for reference)	2007 (for reference)	Share of untied aid
Australia	4.6	4.6	--	--	100%
Austria	0.2	0.0	0%	88%	25%
Belgium	0.1	0.1	100%	0%	100%
Canada	0.0	0.0	--	100%	--
Denmark	0.0	0.0	--	100%	--
Finland	0.9	0.8	--	--	89%
France	0.2	0.2	86%	24%	100%
Germany	6.8	6.8	57%	100%	100%
Ireland	0.0	0.0	100%	--	--
Italy	8.0	0.2	0%	0%	2%
Japan	159.6	159.6	100%	100%	100%
Korea	11.2	1.0	--	0%	9%
Luxembourg	1.2	1.2	100%	100%	100%
Netherlands	0.1	0.1	81%	100%	100%
New Zealand	0.2	0.2	100%	100%	100%
Norway	0.5	0.5	100%	100%	100%
Spain	0.0	0.0	0%	100%	0%
Sweden	0.3	0.3	100%	100%	100%
Switzerland	8.1	8.1	100%	100%	100%
United Kingdom	0.5	0.5	100%	100%	100%
United States	35.6	12.0	16%	80%	34%
Total	238	196	86%	66%	82%

Source: OECD Creditor Reporting System.

HARMONISATION

POOR CO-ORDINATION OF AID increases the cost to both donors and partner countries and significantly reduces the real value of aid. Harmonisation of aid delivery procedures and the adoption of common arrangements help reduce duplication of efforts and lower the transaction costs associated with aid management. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and co-ordinate analytic work.

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A good mechanism for aid co-ordination can be described as one that has shared objectives and integrates the various interests of stakeholders. Indicator 9 assesses the degree to which donors work together – and with partner governments and organisations – by measuring the proportion of total ODA disbursed within programme-based approaches (PBAs). In practice, there are many different approaches and modalities which can use PBAs and harmonisation takes place at various levels.

At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* a sector programme or strategy) and establishing a single budgetary framework that captures all resources (both domestic and external). At another level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that two-thirds of aid flows are provided in the context of PBAs.

In 2010, 32% of aid utilised programme based approaches, a sizable increase from 2007 although below the 66% target. Of major donors to Mongolia, the United Nations scores highest at 72%, followed by the United States at 64% and the World Bank at 42%. Japan, Germany, the Republic of Korea and the Asian Development Bank score significantly lower. However, country stakeholders note that the interpretations on what constitutes a programme-based approach differed between survey respondents, possibly leading to an underestimation of the proportion of aid utilising programme-based approaches.

INDICATOR 9 Using common arrangements

	Programme-based approaches			Total aid disbursed (USD m)	2005 (for reference)	2007 (for reference)	2010 (%) e = c / d
	Budget support (USD m)	Other PBAs (USD m)	Total (USD m)				
	a	b	c = a + b				
Asian Dev. Bank	0	0	0	39	29%	--	0%
Australia	0	0	0	8	--	--	0%
Czech Republic	0	4	4	4	100%	--	100%
EBRD	--	--	--	--	--	--	--
EU Institutions	0	0	0	11	0%	--	0%
GAVI Alliance	0	0	0	1	--	--	0%
Germany	0	2	2	17	9%	--	9%
Global Fund	0	6	6	6	--	100%	100%
IFAD	0	0	0	1	--	--	0%
IMF	--	--	--	--	--	--	--
Japan	0	7	7	58	0%	--	12%
Korea	0	0	0	25	0%	--	0%
Luxembourg	0	0	0	2	--	--	0%
Netherlands	9	0	9	9	100%	--	100%
Sweden	--	--	--	--	0%	--	--
Switzerland	0	0	0	10	0%	92%	1%
Turkey	0	0	0	1	--	--	0%
United Kingdom	0	0	0	1	0%	--	24%
United Nations	3	12	16	22	100%	2%	72%
United States	0	29	29	45	0%	--	64%
World Bank	42	0	42	99	42%	0%	42%
Total	54	60	114	357	29%	6%	32%

TABLE 9:
How much aid is programme based?

One of the main challenges to increasing PBAs is the preference of donors to engage in their own specific areas over the long term, without reference to government priorities. Country stakeholders note that this can partly be explained by risk-averse attitudes in delegating authority to the government. In turn, there are constraints regarding the limited capacity of government institutions. The government on several occasions has made efforts to promote programme-based approaches through holding thematic consultative meetings. Pooled arrangements in support of programme based approaches are notably viewed by country stakeholders as a useful mechanism for improving country ownership.

A common complaint of partner countries is that donors make too many demands on their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared. The 2010 target is that 40% of donor missions to the field are conducted jointly.

Mongolia registered a marginal increase in the proportion of jointly co-ordinated missions, from 7% in 2007, to 10% in 2010, although significantly below the 2010 target. Among major donors to Mongolia in this regard, the United Nations registered 44%, while all others recorded fewer than 11%. The United States (the donor with the largest number of missions) failed to co-ordinate any missions at all. In Mongolia, donor missions are largely co-ordinated from the donor side. As the co-ordinating body for development assistance, the Ministry of Finance makes an effort to co-ordinate donor missions, but on an *ad hoc* basis as joint missions are largely not proposed to the authorities in advance.

Country analytic work is the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies. It includes country or sector studies and strategies, country evaluations and discussion papers. The Paris Declaration foresees that donors should conduct analytic work jointly where possible as it helps curb transaction costs for partner authorities, avoids unnecessary duplicative work and helps to foster common understanding. Indicator 10b measures the proportion of country analytic work that is undertaken jointly. The 2010 target is that 66% of country analytic work is carried out jointly.

INDICATOR 10a
Joint missions

INDICATOR 10b
Joint country analytic work

TABLE 10:
How many donor
missions are
co-ordinated?

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2005* (for reference)	2007* (for reference)	2010* (%) c = a / b
Asian Dev. Bank	6	62	0%	--	10%
Australia	0	3	--	--	0%
Czech Republic	0	5	0%	--	0%
EBRD	--	--	0%	--	--
EU Institutions	0	5	--	--	0%
GAVI Alliance	0	1	--	--	0%
Germany	0	8	0%	--	0%
Global Fund	1	1	--	0%	100%
IFAD	0	2	--	0%	0%
IMF	--	--	0%	--	--
Japan	2	2	0%	0%	100%
Korea	0	0	0%	28%	--
Luxembourg	2	2	--	--	100%
Netherlands	1	6	67%	--	17%
Sweden	--	--	0%	--	--
Switzerland	0	4	0%	0%	0%
Turkey	0	0	--	--	--
United Kingdom	0	0	--	--	--
United Nations	25	57	8%	19%	44%
United States	0	71	2%	--	0%
World Bank	7	66	3%	0%	11%
Total	29	295	3%	7%	10%

*The total of coordinated missions has been adjusted to avoid double counting.
A discount factor of 35% is applied.

TABLE 11:
How much country
analytic work is
co-ordinated?

	Co-ordinated donor analytic work* (units) a	Total donor analytic work (units) b	2005* (for reference)	2007* (for reference)	2010* (%) c = a / b
Asian Dev. Bank	3	3	100%	--	100%
Australia	0	1	--	--	0%
Czech Republic	0	2	0%	0%	0%
EBRD	--	--	--	--	--
EU Institutions	0	0	0%	--	--
GAVI Alliance	0	0	--	--	--
Germany	0	23	0%	--	0%
Global Fund	1	4	--	67%	25%
IFAD	0	0	--	--	--
IMF	--	--	0%	--	--
Japan	0	0	0%	0%	--
Korea	0	0	--	--	--
Luxembourg	0	0	--	--	--
Netherlands	0	10	0%	--	0%
Sweden	--	--	0%	--	--
Switzerland	2	2	100%	50%	100%
Turkey	0	0	--	--	--
United Kingdom	0	1	--	--	0%
United Nations	20	47	91%	91%	43%
United States	3	15	11%	--	20%
World Bank	4	10	67%	25%	40%
Total	25	118	35%	32%	21%

*The total of coordinated missions has been adjusted to avoid double counting.
A discount factor of 25% is applied.

Mongolia registered a setback in the proportion of jointly co-ordinated missions, from 32% in 2007, to 21% in 2010. This is significantly below the 2010 target. Periodic (annual and semi-annual) external partner meetings and occasional thematic external partners meetings have taken place with the aim of rationalising and co-ordinating analytic work. However, periodic meetings only provide a generic overview of analytic work. Government leadership is needed to facilitate more in-depth analytic work. Authorities should ensure that the necessary capacity is developed to conduct analytic work, co-ordinate it and set out frameworks for implementation. One option is to establish functional thematic working groups setting out logical frameworks for implementation. ■

MANAGING FOR RESULTS

BOTH DONORS AND PARTNER COUNTRIES should manage resources according to well-defined, desired results, measuring progress toward them and using information on results to improve decision making and performance. Achieving this implies strengthening capacity to undertake such management and emphasising a focus on results. Countries are expected to develop cost-effective and results-oriented reporting and performance assessment frameworks, while donors commit to use them and refrain from requiring separate reporting.

Indicator 11 assesses the quality of a country's results-oriented frameworks. In particular, it considers the quality of the information generated, stakeholder access to information, and the extent to which the information is utilised within a country level monitoring and evaluation system. The government provides evidence against these criteria through the survey, and this is translated by the World Bank into a score running from A (highest score) to E (lowest score).

The Paris Declaration 2010 global target is to reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.

Mongolia was rated a C regarding its results-based monitoring framework, leaving the 2010 target unmet, with no change from 2007. Mongolia's MDG-based long-term national development strategy (NDS) contains a monitoring and evaluation (M&E) framework that calls for evaluation of progress at three points in time: 2010, 2015, and 2020. Monitoring and evaluation will be implemented by the central and local state administrative institutions, with the participation of relevant professional and research organisations and NGOs. Related funds will be allocated in each year's budget, but monitoring will be carried out constantly. Each objective reflected in the policy document will have indicators to evaluate results. The M&E framework is comprehensive sectorally and geographically.

Progress on the strategy is reported annually in a progress report and a separate monitoring report. Coverage of qualitative and quantitative targets in the NDS is comprehensive, although only 26% of the quantitative indicators have baseline data. National data systems underpinning the M&E framework include a population census, household survey, GDP, poverty survey and labour survey, conducted with relatively high frequency. Available data have the quality and reliability to meet M&E requirements. The most significant recent development is the transition in the methods of data monitoring and analysis utilised, from the traditional implementation focus to results-based monitoring and participatory M&E.

The NDS and NDS progress reports are publically available, on the internet, electronically and in hardcopy. Public expenditure data are publically available via internet and in hardcopy, monthly, quarterly, semi-annually and annually. However, availability in the local language is limited. The national M&E system tracks inputs, outputs, and outcomes, and evaluates the means of progress, as well as the ends (results). M&E reports are used to provide management and stakeholders of an ongoing intervention with early indications of compliance with institutional responsibilities, and progress (or lack thereof) in the achievement of results. All this suggests M&E in Mongolia is evolving to a results-based approach. ■

INDICATOR 11

Do countries have results-oriented frameworks?

INDICATOR 12

Mutual accountability

MUTUAL ACCOUNTABILITY

STRONG AND BALANCED MECHANISMS that support accountability are required at all levels for aid to be most effective. Donors and partner country governments should be accountable to their respective publics and to each other for implementing their commitments on aid, its effectiveness, and the results to which it contributes.

Indicator 12 examines whether there is a country-level mechanism for mutual assessment of progress on partnership commitments, including on aid effectiveness. There are three criteria that must all be met: the existence of an aid policy or strategy agreed between the partner country government and donors; specific country-level aid effectiveness targets for both the partner country government and donors; an assessment towards these targets undertaken by both partner and donors in the last two years, and discussed in a forum for broad-based dialogue.

The 2010 target is for all partner countries to have mutual assessment reviews meeting these criteria in place. Mongolia has met this target, and was assessed to have a mutual accountability mechanism in place in 2010, an improvement from 2005. ■

NOTES

The quantitative information presented in this chapter are taken from data provided by national co-ordinators up to 31 July 2011, following the data validation process with stakeholders at the country level. It was not possible to modify or correct any data received after this date.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

REFERENCES

OECD (2011) DAC Statistics <http://stats.oecd.org/Index.aspx>.

OECD (forthcoming), OECD Report on Division of Labour: Addressing Cross-country Fragmentation of Aid on www.oecd.org/document/46/0,3746,en_2649_33721_46022446_1_1_1_1,00.html.

World Development Indicators, The World Bank Group, 2011. Available at <http://data.worldbank.org/indicator>, accessed 23 May 2011.