

IMPROVING THE ENVIRONMENTAL MANAGEMENT IN MONGOLIA

Improving Policy Formulation

114. The 2001 CEA referred to an element of planning fatigue in Mongolia following the hectic pace that marked the process in the second half of the 1990s (para. 115 is a reminder of what the principal outcomes were). The assessment noted repetitiveness and a major role of donor expectations in setting the planning agenda. It spoke of the dominance of sectoral (“one-agency”) -rather than cross-sectoral or problem-solving-approaches to action plan formulation and cautioned ADB against supporting the preparation of new action or master plans that have a narrow sectoral basis.

115. Now, three years later, time may be opportune to look at another aspect of the process, namely the policy content of various strategic and planning documents. The term “policy” is used here to mean reasoned advocacy of one set of actions rather than possible alternatives, based on a simultaneous or prior evaluation of these alternatives (preferably using the tools of economics, known to have certain advantages in this type of effort). “Policy” having been defined, notable in Mongolia’s approach to environmental management so far is its *paucity* or downright absence. This is most striking on the environmental side of things in the flagship MAP-21 report but it is equally noticeable in virtually all documents attempting to set the approach to natural resource use (forestry⁶¹, water but also land degradation). Long lists of the many things than need to be done is the usual content and dominant style of the vast majority of government strategic documents⁶².

Box 8: Policy development: From analysis to guidance (The case of rural development)

Translating policy analysis into a plan of action is not automatic or easy. An interesting and comprehensive policy analysis, backed by GTZ, World Bank and other donors, culminated in 2002 in Rural Development Strategy. (Among other things, the Strategy became an attachment to the latest Poverty Reduction Strategy of Government of Mongolia). The Strategy was then extensively discussed by the Government and most donors active in rural development. Some criticisms were offered and expectations raised. Several months later, the Government unveiled a new policy on food and agriculture (Resolution of State *Ikh Hural* #29 of 15 June 2003) and livestock (Resolution #160 of 24 June 2003) that bear only a tenuous relationship with the *Strategy*. The Resolutions contains something for everybody, leave unresolved some of the fundamental issues of the sector (i.e. direction of livestock sector development) and chart poorly explained paths (e.g. degrees of self-sufficiency in grain production). The presentation ranges from the rhetorical (“improve the technology of packing”) to the Soviet-style (“boost the sturdiness of Mongolian livestock”, “increase vegetable self-sufficiency to 7%” etc.). The experience suggests that existence of acceptable policy analysis, good donor-government exchange of views, and strong Government “ownership” may still be insufficient to produced guidance of hoped-for quality.

116. It is not that there are no individuals in Mongolia skilled in this type of analysis. Some of the work on rural development by the Centre of Policy Research (MSU), for instance, is an indication of the existing possibilities⁶³. Rather, the problem is the weak link between work that can be considered analytical, policy-driven, and the final form of government documents. The

⁶¹ To give the example of forestry, the two recent documents that fit that description are the 2001 National Program on Forestry, Attachment to Gov. Resolution No 248, and the 2003 Report on National Forest Policy of Mongolia, MNE.

⁶² It can be argued that a plan, an embodiment of policy, need no longer contain reasoned justification and simply be a statement of what needs to be done. That would be so if that reasoned justification were available. The problem with many action plans in Mongolia is that it is not.

⁶³ Sustainable Development Centre of the Mongolian State University of Science and Technology also comes to mind.

causes seem to be multiple including poor policy and legislative drafting skills among existing staff or those asked to be involved, a need to act in circumstances where the policy brief is weak, and political considerations. The experience of rural development policy, an area of major environmental importance, is a convenient illustration (See Box 8).

117. The second area of concern is fatigue on the *donors'* side resulting in irregular, unstructured and generally insufficient feedback on the results of a limited number of ongoing analytical efforts. Absence of technical peer review is noticeable in most projects supporting global environmental concerns where Mongolian scientists and other specialists have responded enthusiastically, generating models and datasets, but these results have fallen on bureaucratic—rather than technical and policy—ears of the financial sponsors (GEF, UNDP). “Happily modeling along” is seriously incomplete as an approach to issues such as land degradation. There are a number of instances where a hard technical and policy review (and clamor for a clear policy statement and its justification where these elements were not present) by Mongolia’s development partners would have avoided belated and costly attempts to “turn a moving ship”. The Government’s regional policy (Medium Term Strategy on Regional Development 2001-2010, adopted in June 2003⁶⁴) is probably the most significant among available illustrations [see PDP Australia (2004)]. In another example involving, once again, MAP-21 (and its evaluation by UNDP⁶⁵), the failure of NCSD’s sponsors to clearly distinguish between MAP-21’s information and policy-setting roles has contributed to the present feeling of a missed opportunity.

118. Not everything is bleak on the policy side, however. Current efforts by MFA (the same ministry criticized in Box 8) to shape policy in a less visible but eminently sensible way, namely by unifying approaches to vital elements of rural development such as waterwell rehabilitation⁶⁶ -- for long marked by differences of approach by different donors--, is a strongly positive direction⁶⁷.

119. The conclusions that suggest themselves are several: (1) Rather than saying more, the approach to managing Mongolia’s natural and environmental resources needs to be presented, and justified, differently. Greater concern with efficiency should be an integral part of such policy and planning statements. Water, forest and land degradation are the three areas where analysis, rather than long lists, are needed most. (2) A period of stock-taking and peer review is needed in GEF-funded activities, especially those relating to climate change and land degradation, i.e. those that have most heavily relied on modeling until now, (3) Calls for better policy formulation ought to continue, persistent but also humble, for, as the example of rural development shows, no single formula guarantees policy and planning success even if its elements may well be known.

Better Governance and Environmental Management Capacity

120. The text has brought out several elements of improved environmental governance in Mongolia in the last three years. They include (1) the separation of policy making and implementation from compliance and enforcement (2) “tightening “ of environment-related legislation and filling of remaining gaps (3) clearer demarcation of implementation from other

⁶⁴ The policy is structured around the Millennium Road proposal and the creation of five economic and administrative regions (West, Khangai, Central, Eastern and Ulaanbaatar) and growth poles.

⁶⁵ See Enkhbat et al (2003)

⁶⁶ Water Point Rehabilitation Working Group (WPRWG)

⁶⁷ Whether there is something like “small harmonization” of policies (e.g. on waterwells) coexisting with “big dissonance” of donor views and positions of matters such as domestic self-sufficiency in grains cannot be excluded.

tasks within MNE.

121. Improved governance works best when accompanied by suitable distribution of available administrative and human resources. Here, the results are mixed. The creation of a unified SIA has led to major savings at a national level made possible by combined (rather than separate) inspections of facilities but it has also exposed the weakness of environmental presence in the field. Environmental inspectors alone are not enough to address the needs of environmental management at the local level outside SPAs. On the MNE's side, the local capacity to manage the environment continues to be weak the weakness hidden by the continuing flow of donor funding.

122. At the central level, the Government's decision in 2002 to make MNE the implementing agency for all GEF-funded projects has placed on MNE a substantial coordinating burden since many GEF-supported activities are crosscutting in nature. It is certainly possible to speak of an institutional overload at MNE. Ultimately the problem may well be one of sheer numbers: in a country of only 2.5 million people, adopting administrative patterns that demand separate attention to different technical problems (whether GEF or any other) may be simply too demanding. If there are "350 Mongolians per public agency" there are probably no more than 100 Mongolians per environmental concern. The administrative cost implications of that are huge.

123. On the legislative side, developments in the last three years have been a mixture of the positive and continuing weaknesses. On the positive side, several amendments (e.g. those of the Hunting Law that extend the Law's applicability from the field only to the market chain) are clearly "spot on". At the same time, as new legislation is adopted, occasional new conflicts have also arisen, for instance those among Land Law, Buffer Zone Law and Mineral Resources Law. Other weaknesses on the legislative side go back further in time⁶⁸. They include poor drafting marked by absence of the statement of many laws' rationale and insufficient separation of details (e.g. tariff rates) from the text of the laws. As argued above (para 0) the disappointment with some final legislative products (e.g. in agriculture, livestock, regional development) may well be the result of drafting weaknesses that may in turn hide the flaws in the process itself (lawyers or administrators alone preparing the text instead of working jointly with technicians).⁶⁹ Important to remember, nevertheless, is that environmental law-making a continuous process. Things are never fully "in place" in most countries. Other, Mongolia-specific, factors include (1) legal training that remains inadequate. Among other things, there is no environmental law curriculum in Mongolia for the time being, and (2) the gulf between law making in Ulaanbaatar and laws' applicability in the field. Most local officials admit that they rarely refer to environmental laws considering them inapplicable within existing budget constraints.

Mainstreaming⁷⁰

124. Mongolia was among the first countries in Asia to officially attempt to integrate environmental concerns into the economic and political mainstream. The establishment of the National Council for Sustainable Development in 1996 pre-dates similar efforts only now starting, e.g. in parts of Central Asia. Mongolia is also interesting in its search for different

⁶⁸ J. Wingard, *personal communication*

⁶⁹ At the same time, it is important to acknowledge cases where documents have been of high quality. This is the case, for example, of the minerals or new water legislation. Elsewhere (e.g. artisanal mining), early drafts indicate substantial improvements

⁷⁰ By now, the terms "mainstreaming", "integration", and "cross-cutting" (approach) have become hard-to-escape clichés. In the text, we try to avoid being drawn into controversies concerning the differences among them.

mechanisms of integration. To review them briefly, they include

125. **National Council for Sustainable Development.** The Council of 34 people is chaired by the Prime Minister. The Ministers of Finance and Economy, Nature and Environment and Trade and Industry are deputy chairs. Heads of four crucial Parliamentary Standing Committees (Economic Policy, Budget, Social Policy and Environment and Rural Development) are represented as are other ministries and NGOs. A “dream team” of a sort. NCSD has local “branches” in each aimag and in Ulaanbaatar in the form of Economic, Social and Environmental Committees (ESECs), normally headed by the aimag governor. All ESECs have formulated their own Aimag Action Programs (AAP) within the spirit of the guiding MAP-21 document of NCSD. NCSD’s terms of reference are broad ranging from goal-setting and vertical and horizontal coordination of government activities to partnership facilitation and awareness creation. Impressive in scope and ambitions, NCSD has achieved mixed results: energizing local governments, bombarding government agencies with the sustainable development message but rarely able to defend a particular *version* of sustainable development (rather than its generalized and inoffensive variety)⁷¹.

126. **National Coordinating Committees or Local Program Advisory Committees** under each of international environmental conventions. Most of these deal with issues that are already cross-cutting (climate change, biodiversity etc.) and this normally guides the composition of the National Committees. The drawback in practice has been the tendency to put one or another sectoral minister in charge. This can -but need not- work against a genuine cross-sectoral agreement on policy and result in no more than a superficial consultation about who is doing what. A lingering feeling remains that for a more substantive development and harmonization of policies, a different mechanisms might be needed, perhaps placing the committees under the Prime Minister or revamping the NCSD to become a true policy visionary and coordinating body.

127. National Committees coordinating government activities involving key natural resources such as water and land use as well as other areas of environmental relevance such as public health. National Water Committee, for instance, was established in 1999, originally as a government-implementing unit (not attached to a ministry), more recently placed under the chairmanship of MNE.

128. **Ad hoc inter-agency committees** set up to guide and help co-ordinate specific cross-cutting initiatives (e.g. the National Steering Committee on Prevention of Dust and Sandstorms in support of ADB RETA 6068).

129. The work of all the committees listed above, usually set up by a ministerial decree, has been dominated by MNE and academic institutions. Similar one-ministry-on-top pattern characterizes other national committees active in areas such as public health (MOH leading) or land reform. What is “domination” to some may of course be “strong government ownership” to others. Safer to say is that most committees referred to above (including NCSD) have had insufficient representation by (or interaction with) the civil society and local population. For its part, the National Council for Sustainable Development, in theory a powerful integration mechanism, has turned out to be –almost literally– a paper tiger: Its publications far outstrip its policy influence despite claims to the contrary and despite membership in NCSD by powerful

⁷¹ Interesting to note is that the institutional structure recommended for the implementation of the National Environmental Action Plan foresaw a National Steering Committee to which NCSD would be *sub-ordinated*. As for the National Environmental Action Plan itself, formulated in 1996 and revised in 2000, it has largely disappeared from the radar screen, some of its elements, scaled-down, incorporated into the current Government Work Program.

ministries⁷².

130. There have been other mechanisms in Mongolia:

(i) *Conferences and meetings* organized around specific environment-related topics. The meeting of the Asian Regional Thematic Program Network (TPN 5) under the UN Convention to Combat Desertification in June 2002, for instance, became a tool of cross-sectoral internal consultation and informal endorsement of certain policy directions [see Adyasuren (2002a)]

(ii) *Institutional re-alignment*. Although normally not considered a tool of integration, the merging of different inspection functions in a single SIA is an example the type of institutional change conducive to non-compartmentalized way of doing things.

131. The success in creating integration mechanisms has varied somewhat in Mongolia. While smooth, for instance, in the sphere of public health, the progress has been slower on energy efficiency or climate change. In the second-mentioned example, GEF-funded activities (and therefore those implemented by MNE) remain poorly linked to renewable energy activities funded under ADB's PREGA initiative, domiciled in the Energy Department of the Ministry of Infrastructure⁷³.

132. The strongest support for mainstreaming of environmental concerns typically comes not from the environmental or environment-related ministries themselves but from outside, especially donor-outsiders. This does not necessarily mean that the advantages of an integrated approach to decision making have to be "spoon-fed" to reluctant governments; Instead, weak integration usually reflects fairly mundane reasons such as the structure of incentives or one or another variety of the "agent-principal problem"⁷⁴ Put simply, many in Mongolian government derive little benefit (in terms of budget allocations, career prospects etc.) from being "cross-sectoral soldiers" rather than good "ministry men". The perverse incentive not to integrate may be temporarily counteracted by an infusion of donor funds. In the short-run, both the "donor-mainstreamer" and the environmental agency are rewarded for doing the right thing but unless the donor incentive to mainstream is maintained or the assessment-reward structure changed, the perverse incentive will reassert itself. For mainstreaming to work and become the prevailing model, the performance assessment and reward structure need to be changed.

133. Few thoughts to conclude this brief section: First, cross-sectoral approach to environmental challenges and suitable institutional arrangements can contribute to better policy formulation and performance but cannot be a substitute for poorly conceived elements that demand integration. Second, the majority of cross-sectoral coordination mechanisms in existence in Mongolia lack the flexibility and freshness of a think tank and many existing components (existing policy and program draft, etc.) may not lend themselves to effective "upgrading" through the integration process. It seems that implementing agencies (typically, sectoral agencies) almost have to be given an integrated mandate/program rather than join a cross-sectoral body and hope that integration will somehow happen inside that body. Yet it is

⁷² We hasten to add that NCSD and its activities have played a positive role that, however, turned out to be different from that possibly intended.

⁷³ As noted earlier, the slow pace of integration there has also delayed the designation of the implementation agency for the purposes of CDM under the Kyoto Protocol.

⁷⁴ Those theoretically minded may want to cast the difficulties of mainstreaming in terms of such a model, familiar to economists. [The principal is the "boss" and the agent is somebody the boss is trying to contract with to perform a task. A variety of situations --manager/employee, car owner/mechanic, client/attorney but also "king"/minister and minister/clerk--fit this setting. The difficulty arises because the principal's payoff --here, success in mainstreaming-- is determined by the initially unobservable level of effort of the agent (either the minister or the bureaucrat)].

not clear at present what the best incubator of cross-cutting policies and solutions in Mongolia may be. NCSD has been unable, for instance, to drive a tightly argued and formulated regional policy⁷⁵. Whether donors could and should play this role is debatable.

Greater Efficiency of Donor Assistance

134. The statements made at the 2003 Donor Consultative Group (CG) in Tokyo mention the familiar donor objectives for Mongolia, i.e. identification of shared priorities, policy cohesion, transparency and efficiency in information sharing, harmonization of procedures, and agreement on the allocation of scarce development cooperation resources. Some of the more specific calls made by the donors (“prioritize and establish key policies and programs and their costing to assess what areas can be credibly financed”, “develop informative, publicly available budget documents and a realistic Public Investment Plan”) can be applied with full force to environmental management.

135. Some of the other, more specific, priorities voiced by the CG do have significant environmental repercussions. The most important is more to involve city migrants in economic development, a call with far reaching infrastructural and urban environmental implications and one which is potentially at odds with the vision presented in the Government regional policy. Greater attention to demographic and economic trends is counseled, amounting to another element with an important if indirect environmental dimension whether it is via the growing importance of the urban service sector or changing pattern of rural economic activities led by small-scale mining.

136. Need for a more effective harmonization of donor policies has emerged as a clear priority⁷⁶. This is not new. Ulaanbaatar practice of UN-sponsored donor theme groups as a tool of such harmonization goes back several years. Environmental management has not been the subject of the five theme groups set up. A proposal made in the aftermath of the CG Meeting to establish four donor working groups to improve effectiveness of donor assistance has also bypassed environmental management possibly indicating that the harmonization and consultation needs are greater elsewhere. Two of the proposed working groups are largely sectoral (infrastructure, health), two cross-cutting or “multi-task” (governance, private sector). Once more, environmental management has not been among the candidates. Nevertheless two recent events (the 2002 Rural Development Conference and the 2003 Joint Donor Consultation on Ulaanbaatar City Development) are a testimony to the donor community’s readiness to invest in the harmonization process. Interestingly, greater activism shown by donors has confronted them with the problem that often faces their local client, i.e. shortage of staff and time to attend to integration demands.

137. In Mongolia no less than elsewhere, there is a reasonable appreciation on the donors’ side of the need to reduce unnecessary administrative cost that poorly coordinated donor assistance imposes on the recipients. The list of such cost items includes things such as overloading local bureaucracies with a multitude of confusing and fragmented projects, proliferation of missions, complex review and reporting requirements, failure to widen the scope of programming to sectors or cross-sectoral concerns, insufficient delegation to country-based

⁷⁵ Eastern Region Sustainable Development Program is of doubtful value.

⁷⁶ In the priorities-setting questionnaire distributed to the participants of the 2002 Rural Development Conference [GOM/UNDP(2002), p.15], the highest-ranked priority items for inclusion in the rural development strategy in a list of 19 were No.1: To provide enabling environment for co-operatives to develop and operate (note: “cooperatives” understood as being different from the old ones), No.2: Need for inter-ministry coordination on rural development including mutual understanding of various departments; and No. 3: Need for donor co-ordination. .

staff for policy dialogue, etc. [OECD (2003)]. Despite improved donor coordination in recent years, more remains to be done.⁷⁷