

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: ECGF

TA No. and Name 3316-MON: Initial Phase of Public Administration Reform			Amount Approved: US\$ 1,100,000	
			Revised Amount: US\$ 1,092,051 (US\$ 7,949.21 partially cancelled)	
Executing Agency: Cabinet Secretariat		Source of Funding: TASF	TA Amount Undisbursed US\$ 35,964.67	TA Amount Utilized US\$ 1,056,086.33
Date			Completion Date	
Approval 2 Dec. 1999	Signing 19 Jan. 2000	Fielding of Consultants 11 Feb. 2000 (domestic) 21 Jul. 2000 (international)	Original: 31 May 2002	Actual: 31 December 2003
			Closing Date	
			Original: 31 May 2002	Actual: 31 October 2004 (expected)
<p>Description: The Government of Mongolia started to overhaul its public administration system in 1996. ADB, as a principal development partner, responded with a series of technical assistance (TA) grants¹ to facilitate these reform efforts. This TA, as part Loan 1713-MON(SF): Governance Reform Program (GRP), augmented these capacity building efforts by helping the Government introduce performance-based administrative changes within five pilot implementing agencies². In line with ADB's country operational strategy for Mongolia, it assisted the Cabinet Secretariat (the EA) in disseminating information and technical support to the implementing agencies and supervised their performance adjustments.</p>				
<p>Objectives and Scope: The objectives of the TA were to: (i) implement output-based budgeting, medium-term planning and accrual accounting and financial reporting practices in five pilot central Government agencies; (ii) prepare those agencies for the delegation of authority; (iii) assist the local government working groups under the Cabinet Secretariat (CS) to design an implementation strategy for the extension of the reforms to their levels; (iv) help design a strategy to implement the requirements of the Public Sector Management and Finance Law (PSMFL) on a holistic level; and (v) assist the Government in program performance monitoring and assessing the social impact of the reforms for the pilot and second phase.</p> <p>The TA's scope comprised: (i) preparing financial reports on the pilot entities to facilitate of moving from cash to accrual accounting systems; (ii) defining the pilot entities' outputs and preparing appropriation estimates for them on such bases; (iii) assisting the pilot agencies in developing strategic business and medium-term development plans, including functional reviews, and personnel and administrative operations; (iv) helping the implementing agencies to prepare rolling three-year forecast financial statements for the five pilot agencies; (v) assisting the pilot agencies in practicing one-year performance contracting management for senior staff, and providing technical support for solving any personnel problems; (vi) providing legal support for the reforms; (vii) replicating the experiences of the pilot agencies to other selected Government entities; (viii) supporting the local government implementation working group under the CS and the Ministry of Finance and Economy (MOFE) with information on the actual working arrangement between the pilot agencies at the central and local levels; (ix) helping the agencies to prepare client surveys and benchmark studies, monitor progress, social impact and financial needs of the reforms; and (x) providing technical inputs for the public awareness campaigns on governance reforms. A minor change in scope was approved by Director, ECGF on 21 February 2002 to conduct a comprehensive overview of the state of governance in Mongolia. This assessment was to strengthen the capacity of the Government to address the various dimensions of public sector administration, management and governance. The resulting study would feed into formulating an appropriate design for the consequent phases of governance reforms in Mongolia.</p>				
<p>Evaluation of Inputs: The initial terms of reference (TOR) of the international consultants corresponded to the TA's objectives and scope, thus, the profile of the chosen consulting firm was well suited to the outputs expected from this project. Under the TA, they were originally required to render 16 person-months of work but did not complete the contract due to: (i) the closure of the firm as a result of the departure of the company's president; and (ii) the delay in PSMFL's adoption by the Parliament which affected the consideration of other substantial legislation and led to significant uncertainties in the consultants' schedules. As a result, two tasks under their TOR (i.e., providing inputs for a study on the reforms' social and poverty impact and supporting the CS in preparing legal policy guidelines on the said reforms) were not properly pursued. These unexpected circumstances prompted them to voluntarily pre-terminate their contract, thus, providing a total of 11.93 person-months including home office time. The remaining term was utilized only after the passage of the PSMFL in 27 June 2002 and the Public Sector Management Expert and the Public Sector Governance/Administrative Reforms Expert were hired for a total of 7.2 person-months. Revised, complementary TORs were defined for each specialist. Additionally, the TA's uncommitted funds were used to conduct a comprehensive governance assessment on Mongolia since the objectives of this activity (and the basis for this expert's TOR) were closely linked with those of this TA. A Public Administration/Civil Service Reform Specialist for 1.5 person-months (on an intermittent basis) was recruited for this purpose, exceeding 4.63 person-months (29%) from the intended working schedule for international consultants. In summary, the performance of the consulting firm was only partly satisfactory due to the aforementioned extraneous factors but the individual consultants' services were highly satisfactory due to their comprehensive approach to the assignments/TORs given to them.</p> <p>The performance of the team of domestic consultants (who were initially recruited for 164 person-months) was highly satisfactory. The majority of the team had adequate background and experience to deliver the outputs because they were involved in ADB's TAs on public sector governance reforms (see footnote 1). The domestic experts also worked closely with the Joint Parliament and Government Working Group on the development of amendments to the PSMFL. After the Law's enactment, the TORs of the Program Director and the Entity Coordinators had to be modified to adapt to the evolving needs of the GRP. Due to the team's significance in the progressive implementation of public administration reforms, the consultants cumulatively rendered a total of 258.68 person-months of work, exceeding by 94.68 person-months (58%) from the intended level of effort for domestic consultants.</p>				

¹ TA 2769-MON: *Institutional Strengthening of Local Government*, for \$550,000, approved on 14 March 1997; TA 2868-MON: *Initial Phase of Civil Service Reforms*, for \$150,000, approved on 15 September 1997; and TA 2931-MON: *Program Preparation of Governance Reforms*, for \$967,300, approved on 10 December 1997.

² Bunch I agencies: General Department of National Taxation, State Audit Board, State Service Board, National Statistics Office, Customs General Administration.

ADB's management of the TA was satisfactory. Aside from the inception and review missions, there was continuous reporting and discussion of issues via electronic mail with the international and domestic consultants. Coordination extended by the Mongolian Resident Mission enabled ADB to respond to concerns in a timely and efficient manner.

The EA's performance, in general, was satisfactory. A fully supportive environment for public administration reform existed notwithstanding the changes in Government structure (i.e., a new political party, the Mongolian People's Revolutionary Party, secured the majority of seats in Parliament) and in EA senior personnel at the onset of TA implementation in July 2000. Appropriate counterpart fund support was progressively given to the local consulting team.

The completion of this TA was protracted, as it had to be extended four times for a cumulative total of 19 months. The need to extend the contracts of the individual team members and of the Public Sector Governance/Administrative Reforms Expert resulted from the delays of the PSMFL's passage by Parliament. The Government requested additional time so that these experts could continue supporting the second Governance Reform Program for 2003 approval and providing advice to various ministries on strategic planning, output specification, and costing. The TA was kept open pending submission by the consultants of the required documents such as the Certificate of Full Payment. The TA will be financially closed when these have been turned over to the Controller's Department.

Evaluation of Outputs: Throughout the TA's implementation period, various training sessions had been undertaken mostly by the local consulting team (with guidance from the international experts) on financial, accounting, and human resource management aspects of public administration reform. Apart from the PSMFL awareness seminars given to members of the Parliament, Ministers and other civil servants, other notable workshops on performance management, accounting policy conversion and accrual systems and public sector accounting standards were conducted.

The workshops contributed to the institutional strengthening of the intended agencies which would benefit from PSMFL.

The two study tours conducted in Australia and Singapore by, respectively, the members of Parliament (16-27 March 2001), and CS and MOFE staff (2-12 September 2001), reinforced the on-site capacity building carried out at the key reform agencies which provided them the methodology in modern public administration. The participants found the overseas field trips as successful.

Several reports were prepared under the TA. Inception and progress reports were submitted by the consulting firm and by the team of domestic experts while the individual advisers presented comprehensive Final Reports based on their expertise. The reports were viewed by the Government as highly relevant and the salient parts had already been translated to Mongolian for widespread implementation.

Overall Assessment and Rating: The TA is rated as successful. Its original and revised designs were relevant, internally consistent, and complemented the other similar TAs³ of ADB's GRP. The initial phase of the reforms has been accomplished; senior management of the pilot agencies have accepted and supported the new public administration agenda set out in the PSMFL. Guidelines documenting (i) proper preparation of output specifications and SBPs, (ii) internationally-acceptable budget and financial management policies and accounting principles; and (iii) appropriate personnel management actions were submitted to the MOFE in October 2002. With the law fully in place (it took effect on 1 January 2003), the detailed recommendations given in the Management/Administrative Reforms and Governance Assessment reports will facilitate and sustain the Government's efforts to build a sound and dynamic market-based economy.

Major Lessons Learned: ADB should be mindful of the primacy of legislative enactment on the implementation and timing of its projects. It should be ensured first that before widespread government actions (such as public sector reforms involving the budget, strategic planning and public administration) are undertaken, the related legal and regulatory framework to support the said reforms should already be in place. The 14-month delay in PSMFL's adoption (it was presumed the law would be enacted by April 2001) created uncertainties over the TA's future because Government officials were reluctant to move or execute a new system without the recognized regulatory backing. The momentum of the reforms' implementation was sustained only by the dedication and commitment of the local consulting team to successfully build the capacities of the agencies under the governance program.

Recommendations and Follow-Up Actions: Parliament Resolution No. 42 was released on 4 July 2002 to accelerate the changes embodied within PSMFL. While this can be viewed as a laudable endorsement by the Government, it is a risky ambition if measures to ensure the quality of the reforms' execution are not also undertaken. ADB should continue providing the MOFE, the head of the Government Working Group on GRP, the appropriate level of strategic advice and assistance to implement the overall governance reforms successfully. It is contemplated that MOFE will become the central monitoring and coordination station for the budgetary deliverables (i.e., outcomes and outputs within the cost parameters) of all other ministries. Currently, it relies on the domestic consulting team for the expertise on these matters. In order for the implementation of the governance reforms to progress, MOFE must be able to plan independently and coordinate effectively the GRP.

A package of program and TA loans for the Second Phase of the Governance Reform Program was approved on 14 October 2003. A related advisory TA, 3920-MON: Strengthening Public Sector Administration and Financial Management, was approved on 5 September 2002. A project preparatory TA (PPTA) is programmed for processing in 2006 for the third phase of the GRP. It is recommended that the findings in the Country Governance Assessment be utilized in reviewing the conditions of the program loan, in the implementation of the TA loan and grant, and in the refinement of the concept for the PPTA.

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³ TA 3317-MON: Public Expenditure Management, for \$496,000, approved on 2 December 1999; TA 3318-MON: Study of Central-Local Government Aspects of Reform Implementation, for \$235,000, approved on 2 December 1999.