



# Technical Assistance Report

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Project Number: 40679  
July 2007

## Mongolia: Mainstreaming Managing for Development Results in Investment Planning and Public Funds Management (Cofinanced by the Japan Special Fund)

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 29 June 2007)

Currency Unit	–	togrog (MNT)
MNT1.00	=	\$0.00086
\$1.00	=	MNT1,164

## ABBREVIATIONS

ADB	–	Asian Development Bank
ALM	–	assets and liabilities management
CoP	–	community of practice
CPS	–	country partnership strategy
CSP	–	country strategy and program
CSPU	–	country strategy and program update
DMC	–	developing member country
EA	–	executing agency
EARD	–	East Asia Department
GRP	–	Governance Reform Program
MDG	–	millennium development goal
MfDR	–	managing for development results
MOF	–	Ministry of Finance
MTEF	–	medium-term expenditure framework
NDS	–	National Development Strategy
PSMFL	–	Public Sector Management and Finance Law
PSOD	–	Private Sector Operations Department
RETA	–	regional technical assistance
TA	–	technical assistance
TOR	–	terms of reference

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Targeting Classification</b>	–	General intervention
<b>Sector</b>	–	Law, economic management, and public policy
<b>Subsector</b>	–	Public finance and expenditure management
<b>Themes</b>	–	Sustainable economic growth, governance, capacity development
<b>Subthemes</b>	–	Promoting macroeconomic stability, public governance, organizational development

## NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

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## I. INTRODUCTION

1. Mongolia has been formulating since 2006 a comprehensive National Development Strategy (NDS)—based on the millennium development goals (MDGs)—which will lay down major development objectives and implementation strategies over the next 15 years in a broad range of sectors and areas, including human development, environment, and a public investment program. The Ministry of Finance (MOF) has taken the lead in developing the NDS and will coordinate the sector strategies and priorities in implementing the NDS, which calls for harmonized investment planning and well-sequenced and monitored implementation. Managing for development results (MfDR) is considered a useful tool to guide the planning, preparing, and monitoring of investment plans in MOF's consultations with sector ministries.<sup>1</sup>

2. During the Country Program Confirmation Mission for 2007, the Government of Mongolia requested the Asian Development Bank (ADB) to help with harmonizing results-based investment planning. In response ADB and the Government agreed to expand the scope of an earlier planned technical assistance (TA) for institutional strengthening of MfDR,<sup>2</sup> to mainstream the MfDR approach in investment planning and public/social funds management.<sup>3</sup> The proposed TA is included in ADB's nonlending program for Mongolia in 2007.<sup>4</sup> The Fact-Finding Mission fielded on 20–30 April 2007 reached understanding with the Government on the impact, outcome, outputs, implementation arrangements, cost, financing arrangements, and terms of reference for the proposed TA. The TA framework is in Appendix 1.<sup>5</sup>

## II. ISSUES

3. Since the Monterrey Conference on Financing for Development in 2002 and the Marrakech Round Table on MfDR in 2004, MfDR has evolved into a major and widely adopted management approach to improve planning, monitoring, and evaluating operations so as to achieve and sustain intended development results. As a means of conducting business, MfDR seeks to clarify objectives, monitor outputs and outcomes based on indicators, and make use of monitoring information to improve learning and decision making. ADB's commitment to MfDR has focused on three pillars, namely, results orientation at the level of developing member countries (DMCs), at the institutional level in ADB, and through global partnership.

4. Mongolia was one of the first DMCs for which ADB formulated a results-based country strategy and program.<sup>6</sup> ADB has provided MfDR-related assistance to Mongolia under two

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<sup>1</sup> The National Development Strategy (NDS) had been prepared and was presented in the technical working meeting between the Government of Mongolia and external partners in February 2007. An intense stakeholder consultation is ongoing, and the NDS is expected to be submitted to Parliament in autumn 2007 for approval. As the proposed technical assistance (TA) for MfDR (for approval at end-July 2007) aims to assist with results-based and harmonized investment planning under the NDS, the implementation times for the TA and NDS match each other well.

<sup>2</sup> ADB. 2006. *Country Strategy and Program Update (2007–2009) for Mongolia*. Manila (Sec.M78-06).

<sup>3</sup> The scope of the initially planned TA mainly focused on developing MfDR systems and capacity building. Its deepening and broadening include assistance to selected line ministries with the use of MfDR approaches in identifying, formulating, implementing, and monitoring investment projects; provision of related advisory services and analytical support; and application of MfDR to social security funds and other public funds.

<sup>4</sup> *Memorandum of Understanding between ADB and the Government of Mongolia on the ADB Country Program 2007* (signed on 20 December 2006).

<sup>5</sup> The TA first appeared in *ADB Business Opportunities* on 7 May 2007.

<sup>6</sup> ADB. 2005. *Country Strategy and Program (2006–2008) for Mongolia*. Manila. Cf. also ADB. 2006. *MfDR in ADB: Revised Action Plan*. Manila.

regional technical assistance (RETA) projects.<sup>7</sup> The RETAs helped Mongolia improve understanding and results orientation of sector management processes for two sectors<sup>8</sup> in a decentralized context.

5. One of the lessons learned from those RETAs was that processes for MfDR cannot be achieved overnight. While awareness of MfDR is increasing in Mongolia and its application has started through a sectorwide approach to help with the decentralization of education and health services, the use of MfDR for investment planning and implementation is still fragmented due to lack of a systematic results framework, and related systems and procedures. The institutional and human capacity in this regard at MOF and other concerned line ministries and agencies needs strengthening. However, there would be no single and overarching results framework that could capture results chains and depict cause-and-effect relationships across all sectors and at all levels. Thus, special consideration and design features should be allowed for different line ministries, taking into account their own characteristics and varied skills in public sector financial management.

6. In addition to investment planning and monitoring by sector ministries, the Government has requested ADB's assistance to introduce MfDR for managing social security funds and other public funds including the Mongolian Development Fund, which has accumulated surplus fiscal revenues. The issue comes under the broad frame of public sector financial management, for which ADB has been providing ongoing support to the Government, notably through two ADF program loans (and an associated TA loan and advisory TAs) for the Governance Reform Program (GRP I<sup>9</sup> and GRP II<sup>10</sup>). GRP I helped establish a public sector financial management and accountability system through the adoption of the Public Sector Management and Finance Law (PSMFL), while GRP II focused on improving the capacity of key public sector services to carry out PSMFL-related measures and implement a wide range of reforms. The TA loan attached to GRP II is still ongoing, with focus on capacity building to support implementation of policy measures under GRP II, including strengthening of public sector accounting and auditing, and introduction of new public management in line with the PSMFL. Therefore, introducing MfDR in public/social funds management and addressing the Government's emerging priority on funds management will continue ADB's assistance in this sector.

7. Private Sector Operations Department (PSOD) staff joined with the East Asia Department (EARD) to field the Reconnaissance Mission from 9 to 13 February 2007 to explore ways of providing assistance to Mongolia on public/social funds management. This initiative has been subsequently processed as a component of the proposed TA, given its focus on MfDR, and will be implemented by PSOD in concert with EARD.

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<sup>7</sup> ADB. 2003. *Technical Assistance for Strengthening Results-Based Management for Sector Agencies*. Manila (R6-03). Cf. also ADB. 2004. *Technical Assistance for Decentralization in Social Sectors*. Manila (R356-04).

<sup>8</sup> Education and health.

<sup>9</sup> ADB. 1999. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Mongolia for the Governance Reform Program*. Manila (Loan 1713-MON[SF], for \$25 million equivalent).

<sup>10</sup> ADB. 2003. *Report and Recommendation of the President to the Board of Directors on a Proposed Program Cluster of Loans and a Technical Assistance Loan to Mongolia for the Second Phase of the Governance Reform Program*. Manila (Loan 2010-MON [SF] for \$13.5 million equivalent and Loan 2011-MON for \$2 million equivalent).

### III. THE PROPOSED TECHNICAL ASSISTANCE

#### A. Impact and Outcome

8. The impact of the proposed TA will be results-based and harmonized investment planning under the NDS and management of public/social funds by the Government. The impact will be achieved by strengthening the institutional and human capacity of MOF and concerned line ministries for applying MfDR, mainstreaming results-based processes and approaches in preparing and managing investment projects and in managing public/social funds, and aligning public/social funds management with best international practice on assets and liabilities management (ALM).

#### B. Methodology and Key Activities

9. While helping mainstream MfDR in investment planning and management of public/social funds, the proposed TA will also ensure it will itself be results-oriented. To this end, the TA will focus on areas where ADB is well-placed as an international financial institution to provide specific value added (i.e., on investment planning under the NDS) or where ADB may continue its previous assistance so as to build on experience in the same sector (i.e., public funds management). Effective coordination will be ensured with other aid agencies and ADB's ongoing initiatives in Mongolia, to avoid overlapping and to pursue complementarity and mutual reinforcing of related programs. The design and formulation of a comprehensive MfDR system will be based on analytical support and assessment of current regulations, procedures, systems, and practice in relation to MfDR. Sector context and characteristics of different line ministries will be taken into account. MfDR will be pilot-tested by applying it first to selected line ministries.

10. The proposed TA will also be guided by the general thrusts and methodologies as advocated by ADB's revised action plan for MfDR,<sup>11</sup> including (i) focusing on selected and achievable outcomes; (ii) using the country partnership strategy (CPS) as the primary entry point for MfDR capacity development;<sup>12</sup> (iii) integrating MfDR innovations with operations; (iv) institutionalizing good practices to contribute to a results-oriented culture through the progressive introduction of guidelines, systems, and tools; and (v) supporting the community of practice (CoP) for MfDR.<sup>13</sup>

11. The proposed TA will have five interrelated components.

- (i) **Mainstreaming at MOF the MfDR approach in investment planning and monitoring under the NDS.** This component will comprise (a) systematic assessment of the current results management capacity of MOF, focusing on linkages between plans, budgets, and action; institutional structure; clarity of objectives and performance standards; feedback to decision-making mechanisms; performance accountability systems; and commitment, leadership, and ownership to

<sup>11</sup> ADB. 2006. *MfDR in ADB: Revised Action Plan*. Manila (IN241-06).

<sup>12</sup> The CPS results framework for Mongolia will have at the country outcome level exactly the same indicators as the national indicators. The systems that the TA put in place to monitor the NDS will also directly feed back into the monitoring of the CPS. Also, sector road maps will be derived from the results-based sector strategies that the TA will help design.

<sup>13</sup> International experience would also be helpful in the design of MfDR systems. For instance, the Organization Performance Indicator Framework (OPIF) used by the Government of the Philippines could be a useful reference. ADB helped develop the operating manual for implementing OPIF under RETA6096. Cf. ADB. 2003. *Technical Assistance for Supporting the Sector Approach and Results-Based Management in ADB Operations*. Manila (R49-03).

apply MfDR approaches; (b) design of a comprehensive results management system for public investment planning and monitoring, including main directions and guiding principles for MfDR-based investment planning; major results-based approaches to planning, budgeting, and implementation; a set of realistic and measurable indicators for monitoring and evaluation of public investment planning; systems to monitor these indicators; processes for feedback and use of the monitoring information for learning and decision making; and related enhancement or adjustment of institutional setup as appropriate; and (c) development of a change management and implementation plan for application of the MfDR system, and a mechanism for further refining the various elements of the system.

- (ii) **Assistance to selected line ministries with the use of MfDR approaches.** As different line ministries have their own sector characteristics and context as well as varied skills and capacity, the proposed TA will assist selected sector ministries with the design and application of a tailor-made MfDR system along the lines of MOF's MfDR framework, to identify, formulate, implement, and monitor investment projects. This will be conducted first on a pilot basis, focusing on priority sectors for ADB's interventions and taking into account evolving needs of the Government under the NDS.<sup>14</sup> As with MOF, past and ongoing initiatives will be examined in relation to results management, capacity and readiness assessments, as well as planning for change management. The pilot test will be closely monitored to fully understand the challenges of applying MfDR in line ministries, and the lessons learned will be used for expansion to other line ministries.
- (iii) **Provision of related advisory services and analytical support.** The proposed TA is expected to provide advisory services<sup>15</sup> and undertake assessments and analytical studies as appropriate, which will guide investment planning, fill knowledge gaps in project identification and design, explore innovative investment approaches, and update information and analysis required for aligning public investment planning to MfDR objectives. The advisory services and analytical support will also help harmonize the investments of government agencies and external partners in support of the NDS, and coordinate other results-related initiatives on national and sector levels.
- (iv) **Capacity development for MOF and selected line ministries to use MfDR approaches in investment planning and monitoring.** This component will include (a) developing MfDR manuals and guidelines in both the English and Mongolian languages, which will be published and disseminated in the country; (b) training government officials on the concept of MfDR approaches, related project appraisal and management techniques, and application of the designed MfDR system; (c) conducting MfDR workshops with government officials and concerned stakeholders; and (d) supporting the establishment of a CoP for MfDR in Mongolia and

<sup>14</sup> Ministries will be identified on the basis of three main criteria: (i) presence of ongoing ADB-financed investment projects, (ii) level of ownership of the ministries for the MfDR approach, and (iii) the degree to which MfDR approaches are likely to be effective in the specific sectors. In light of the above criteria, the initial assessment is that education, health, transport, and natural resources management are likely to be the primary sectors receiving assistance. Other ministries could be identified after further discussion and development.

<sup>15</sup> The advice will be provided using the working groups established by the Government as the primary platform. Specifically, advisors will be appointed to the working groups in consultation with the Government, and the advisors will draw up the specific areas in which advice is needed and at the same time suggest programs for related capacity building so that advice is translated into long-term capacity development and is not just a one-time input.

strengthening its operations. The proposed TA will also design and implement capacity-building initiatives to improve project preparation and monitoring, sector analysis, strategic planning, and other capacity within MOF and concerned line ministries in relation to public investment planning and monitoring under the NDS, and to advisory services and analytical support provided in component (iii).

- (v) **Use of MfDR approaches in managing social security funds and other public funds.** This component will comprise (a) assisting the Government with funds management by establishing a results-based optimal portfolio management strategy (including how these funds are managed, i.e., in-house, outside contracting, or a combination of the two); strengthening capacities of staff; assessing the need for and helping operationalize computer systems to manage the funds; and designing an effective internal control and monitoring system; and (b) conducting an assessment of the capital markets with focus on the constraints on entry and adequate operations of public/social funds in the capital markets, and giving concrete proposals to address these constraints, particularly through development of a long-term bonds market.

### C. Cost and Financing

12. The cost of the proposed TA is estimated at \$2.12 million equivalent. The proposed TA will be financed on a grant basis by the Japan Special Fund, funded by the Government of Japan, in an amount equivalent to \$1.5 million and by ADB's TA funding program in the amount of \$300,000. The Government will provide \$320,000 equivalent to finance the local currency cost to cover counterpart staff, office facilities, administrative support, facilitation for meetings, and other expenses. The detailed cost estimates and a financing plan are in Appendix 2.

### D. Implementation Arrangements

13. The proposed TA will be implemented over 24 months, from August 2007 to July 2009. MOF will be the Executing Agency and will be responsible for preparing the NDS, coordinating the NDS working groups, and harmonizing the funding agencies. In this capacity, MOF will be the direct government counterpart for the proposed TA and will be primarily responsible for the harmonization activities. MOF will assign a Vice-Minister or State Secretary as project director, who will coordinate overall implementation of the proposed TA within MOF and with line ministries. A department in MOF will be designated to assist the project director with day-to-day project implementation, and with coordination with ADB and other aid agencies, as well as oversight of the international and national consultants to be hired. The line ministries selected will each become the Implementing Agency (IA) for the specific subcomponent.<sup>16</sup>

14. On ADB's side, the Mongolia Resident Mission will take charge of TA administration. PSOD will take the lead for funds management-related assistance (para. 11 [v]). The sectors/ministries for which MfDR capacity development and advisory services are to be provided will be decided during project implementation, following sector priorities set forth in Medium-Term Strategy II, 2006–2008 (MTS II) and Mongolia's country strategy and program (CSP)/CSP update (CSPU), and in consultation with the concerned government agencies and EARD sector divisions as appropriate (please see major criteria in footnote 14).

<sup>16</sup> A subcomponent consists of a group of key activities in a given sector or area under components (ii), (iii), (iv), and/or (v). Assignment of subcomponents to any IA for implementation needs to be mutually agreed upon by MOF and ADB.

15. The proposed TA will require 36 person-months of international and 94 person-months of national consulting services. The international consultants (person-months are in parentheses) will be a results-based investment planning and monitoring specialist (6), sector specialists (total of 24), and a funds management specialist (6). National consultants with background in the above areas will support the international consultants in planned activities under the proposed TA. Since consulting services will cover a broad range of areas and sectors,<sup>17</sup> some of which are to be determined during project implementation, and considering that most assignments will be small and on intermittent basis,<sup>18</sup> hiring individual consultants is considered appropriate. The consultants will be engaged in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). The equipment budgeted under the proposed TA consists of a strictly limited number of computers and capacity building-related equipment<sup>19</sup> that will be procured by ADB in accordance with its *Procurement Guidelines* (2007, as amended from time to time). The equipment will be transferred to MOF upon completion of the TA. The consultants will work under the supervision of ADB in close coordination with the Government. The outline terms of reference for consultants are in Appendix 3.

#### IV. THE PRESIDENT'S RECOMMENDATION

16. The President recommends that the Board approve the provision of technical assistance not exceeding the equivalent of \$1,800,000 on a grant basis to the Government of Mongolia for Mainstreaming Managing for Development Results in Investment Planning and Public Funds Management.

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<sup>17</sup> Including (i) results-based investment planning and monitoring; (ii) analysis, assessment, and other analytical work for investment in various sectors; (iii) funds management/capital market; and (iv) project coordination and training.

<sup>18</sup> Except that the project coordinator, who is a national consultant, will be retained during the whole project implementation period. More details are in Appendix 3.

<sup>19</sup> Such as LCD projector, PCs, printers, and photocopy machine.

## DESIGN AND MONITORING FRAMEWORK

<b>Design Summary</b>	<b>Performance Targets/Indicators</b>	<b>Data Sources/Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<p><b>Impact</b> Results-based and harmonized investment planning under the NSD and public funds management by the Government of Mongolia</p>	<ul style="list-style-type: none"> <li>• At least three sector investment plans are prepared and integrated with MTBF by the end of CPS period (end of 2013).</li> <li>• Government public/social funds play an integrated role in Mongolian capital market development by 2013.</li> </ul>	<ul style="list-style-type: none"> <li>• Government technical meetings</li> <li>• Cabinet announcement of MTBF</li> <li>• ADB CPS completion report</li> </ul>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• The Government continues to be committed to a strategic approach for investment planning.</li> <li>• Aid agency coordination is effective.</li> <li>• A legal framework is introduced on public/social funds.</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Election promises introduce priorities different from strategic planning.</li> <li>• External financial shock occurs.</li> </ul>
<p><b>Outcome</b> MOF and concerned line ministries/agencies make use of MfDR in investment planning and public/social funds management.</p>	<ul style="list-style-type: none"> <li>• At least 3 ministries have capability to independently apply MfDR for investment planning and monitoring by end of 2008.</li> <li>• Mongolia has capability to suitably manage public/social funds by end of 2008.</li> </ul>	<ul style="list-style-type: none"> <li>• ADB staff review missions</li> <li>• PPMS; PCR of TA</li> </ul>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Government has strong political support for MfDR.</li> <li>• Adequate budget comes from the Government and institutional reform for MfDR is timely.</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Approval and endorsement process is lengthy.</li> <li>• Turnover of staff in Government increases.</li> </ul>
<p><b>Outputs</b> 1. MfDR-based public investment planning systems are developed and operational at MOF and concerned line ministries/agencies.  2. Institutional arrangements are made and human capacity is developed in MOF and selected line</p>	<ul style="list-style-type: none"> <li>• Systems, procedures, guidelines, and manuals are available and put to use in MOF by end of 2008.</li> <li>• Systems, procedures, guidelines, and manuals are</li> </ul>	<ul style="list-style-type: none"> <li>• ADB staff review missions</li> <li>• Consultants and ADB reports</li> <li>• Feedback from stakeholders</li> </ul>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Cooperation and coordination among Government agencies and consultants are good.</li> <li>• Expectations of Government and consultants for TA implementation match.</li> </ul>

<b>Design Summary</b>	<b>Performance Targets/Indicators</b>	<b>Data Sources/Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<p>ministries to use MfDR approaches in investment planning and monitoring.</p> <p>3. Knowledge gaps are suitably filled and investment planning is supported by related advisory services and analytical work.</p> <p>4. Results-based optimal portfolio management strategy is established for public/social funds, with strengthened capacities of staff and progress in bonds market development.</p>	<p>available and put to use in selected line ministries by July 2009.</p> <ul style="list-style-type: none"> <li>• At least 3 sector assessments and 6 analytical studies are delivered by July 2009.</li> <li>• Staff and institutional structure to apply MfDR are adequate.</li> <li>• Funds management strategies, structure, and systems are approved by the Government by end of 2008.</li> </ul>		<p><b>Risk</b></p> <ul style="list-style-type: none"> <li>• 2008 parliamentary election disrupts normal activities of ministries.</li> </ul>
<p><b>Activities with Milestones</b></p> <ol style="list-style-type: none"> <li>1.1 Systematically assess the existing framework, policies, and procedures on results management in MOF by October 2007</li> <li>1.2 Design for MOF a comprehensive results management system and related institutional setup for public investment planning and monitoring by December 2007</li> <li>1.3 Develop a change management and implementation plan for application of the MfDR system, and mechanism for further refinement of various elements of the system by December 2007</li> <li>2.1 Assist selected line ministries with the design and application of a tailor-made MfDR system along the lines of MOF's MfDR framework throughout TA implementation</li> <li>2.2. Pilot-test the MfDR in line ministries and closely monitor its implementation by April 2008</li> <li>2.3. Use the lessons learned for expanding the MfDR to other line ministries until end of TA implementation</li> <li>3.1 Undertake MfDR-related assessments and analytical studies throughout TA implementation</li> <li>4.1 Produce MfDR manuals, methodology papers, and guidelines for MOF and portfolio line ministries at least 2 weeks before the beginning of the training workshops</li> <li>4.2 Prepare training plans for capacity building for MfDR at least 2 weeks before the beginning of the training workshops</li> <li>4.3 Train government officials on the concept of MfDR approaches and on the application of the designed MfDR systems by February 2008 for MOF and throughout TA implementation for other line ministries</li> <li>4.4 Conduct MfDR workshops with government officials and concerned stakeholders throughout TA implementation as appropriate</li> </ol>			<p><b>Inputs</b></p> <ul style="list-style-type: none"> <li>• ADB: \$1.8 million (consisting of \$1.5 million from JSF and \$0.3 million from TASF)</li> <li>• Government contribution (in kind): \$320,000</li> </ul>

<b>Activities with Milestones</b>	
<p>4.5 Support establishment of a community of practice for MfDR in Mongolia and strengthen its operations throughout TA implementation</p> <p>4.6 Design and implement capacity building initiatives as appropriate to improve project preparation and monitoring, sector analysis, strategic planning, and other capacity within MOF and concerned line ministries in relation to public investment planning and monitoring under the NDS and to advisory services and analytical support provided under component (iii) throughout TA implementation</p> <p>5.1 Devise the structure for an agency to manage the Government's public/social funds by January 2008</p> <p>5.2 Draw up the mandate, structure, corporate governance, functions, and measurement and monitoring systems of the agency charged with management of the Government's public/social funds in line with international best practice by March 2008</p> <p>5.3 Draw up a results-based optimal funds management strategy for the agency to match the funds' ALM and risk management requirements by March 2008</p> <p>5.4 Develop an operational business plan for the funds management agency, including a plan for capacity development and systems development, internal controls, and monitoring by April 2008</p> <p>5.5 Devise a training program and conduct training workshops for government officials to achieve the required skills complement during the first half of 2008</p> <p>5.6 Conduct an assessment of the capital markets with focus on the constraints on entry and adequate operations of public/social funds in the capital markets, and give concrete proposals to address those constraints, particularly through development of a long-term bonds market by March 2008</p>	

ADB = Asian Development Bank, ALM = assets and liabilities management, CPS = country partnership strategy, JSF = Japan Special Fund, MfDR = managing for development results, MTBF = medium-term budget framework, NDS = National Development Strategy, PCR = project completion report, PPMS = project performance management system, TA = technical assistance, TASF = Technical Assistance Special Fund.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

<b>Item</b>	<b>Total Cost</b>
<b>A. Asian Development Bank (ADB) Financing (Japan Special Fund)<sup>a</sup></b>	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	596.9
ii. National Consultants	109.9
b. International and Local Travel	64.7
c. Reports and Communications, and Translation	81.9
2. Equipment	27.0
3. Training, Seminars, and Conferences	
a. Facilitator/Interpreter/Resource Persons	48.0
b. Training Program	399.2
4. Miscellaneous Administration and Support Costs	22.4
5. Contingencies	150.0
<b>Subtotal (A)</b>	<b>1,500.0</b>
<b>B. ADB Financing<sup>b</sup></b>	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	167.5
ii. National Consultants	10.5
b. International and Local Travel	18.6
c. Reports and Communications, and Translation	12.0
2. Equipment	6.5
3. Training, Seminars, and Conferences	
a. Facilitator/Interpreter/Resource Persons	10.8
b. Training Program	42.4
4. Miscellaneous Administration and Support Costs	1.7
5. Contingencies	30.0
<b>Subtotal (B)</b>	<b>300.0</b>
<b>C. Government Financing</b>	
1. Office Accommodation and Transport	83.0
2. Counterpart Staff	191.0
3. Reports, Local Communication and Other Support Services	46.0
<b>Subtotal (C)</b>	<b>320.0</b>
<b>Total</b>	<b>2,120.0</b>

<sup>a</sup> Funded by the Government of Japan.

<sup>b</sup> Funded by ADB's technical assistance funding program.

Source: ADB estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

### A. Introduction

1. A total of 36 person-months of international and 94 person-months of national consulting services will be required for the proposed technical assistance (TA). The services will cover advisory, analytical, and training support for mainstreaming the managing for development results (MfDR) approach in investment planning and public/social funds management by the Ministry of Finance (MOF) and concerned line ministries/agencies.

2. Given the complexity of investment planning and the evolving nature of techniques to monitor MfDR, the terms of reference (TOR) for specific tasks may be subsequently revised or supplemented. In consultation with the Government, more details as appropriate may be added to the TOR attached to the engagement contracts, to ensure that the tasks will be specific, results-oriented, and updated to meet the Government's demands.

### B. Terms of Reference

#### 1. Results-Based Investment Planning and Monitoring Specialist (international, 6 person-months on intermittent basis)<sup>1</sup>

3. The specialist will help MOF develop an MfDR-based public investment planning and monitoring system, and will conduct training workshops for national consultants and government officials. The specialist must have a strong background and expertise in MfDR and transition economies, and working experience in investment planning and monitoring. The responsibilities will include the following.

- (i) Systematically assess the existing framework, policies, and procedures on results management in MOF, focusing on (a) linkages between plans, budgets, and action; (b) institutional structure; (c) clarity of objectives and performance standards; (d) feedback to decision-making mechanisms; (e) performance accountability systems; and (f) commitment, leadership, and ownership to apply MfDR approaches.
- (ii) Coordinate with ongoing MfDR-related initiatives in the Government to identify indicators, benchmarks, etc., that can be used in a results management system.
- (iii) Design a comprehensive results management system for public investment planning and monitoring, including main directions and guiding principles for MfDR-based investment planning; major results-based approaches to planning, budgeting, and implementation; a set of realistic and measurable indicators for monitoring and evaluating public investment planning in the context of Mongolia; systems to monitor these indicators; related enhancement or adjustment of the institutional setup as appropriate; and processes for feedback and use of the monitoring information for learning and decision making.
- (iv) Develop a change management and implementation plan for applying the MfDR system, and mechanism for further refining various elements of the system.
- (v) Produce MfDR manuals, methodology papers, and guidelines for use by MOF.
- (vi) Devise a training program and conduct training workshops for government officials.
- (vii) Design a plan to support the establishment of a community of practice for MfDR in Mongolia and help strengthen its operations.

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<sup>1</sup> To be funded under Section A, Appendix 2.

**2. Sector Specialists/Economists** (international, 24 person-months on intermittent basis)<sup>2</sup>

4. A total of 24 person-months of international consulting services will be engaged to support the design and application of MfDR to concerned line ministries/agencies. The sector specialists/economists may also be commissioned to provide MfDR-related advisory services and/or undertake assessments and other analytical work. Their tasks will include the following.

- (i) Assist selected line ministries with the design and application of a tailor-made MfDR system along the lines of MOF's MfDR framework, to identify, formulate, implement, and monitor investment projects.
- (ii) Pilot-test MfDR in line ministries, closely monitor its implementation, and use the lessons learned for expanding it to other line ministries.
- (iii) Provide advisory services, analysis, and assessments as appropriate, which will (a) guide investment planning, (b) fill knowledge gaps in project identification and design, (c) explore innovative investment approaches (such as ring-fenced financing, and public-private partnership), (d) update information and analysis required for aligning public investment planning to MfDR objectives, and (e) assess the need for related requirements of information and communication technology.
- (iv) Produce MfDR manuals, methodology papers, and guidelines for use by concerned line ministries.
- (v) Devise a training program and conduct training workshops for government officials in the line ministries/agencies concerned.

**3. Funds Management Specialist** (international, 6 person-months on intermittent basis)<sup>3</sup>

5. The specialist ideally should have experience setting up funds management companies preferably with similar requirements. He/she will work in close collaboration with the team designing the legal and regulatory framework for funds management (under a separate ADB-funded TA). The tasks will include the following.

- (i) Devise the structure for an agency to manage the Government's public/social funds, providing a comprehensive analysis of various options such as in-house management versus contracting, and recommendations on the optimal interface with the Government.
- (ii) With the Government agreeing on the funds management structure, draw up the mandate, structure, corporate governance, functions, and measurement and monitoring systems of the agency charged with managing the Government's public/social funds, in line with international best practice.
- (iii) Draw up a results-based optimal funds management strategy for the agency to match the funds' assets and liabilities management (ALM) and risk management requirements.
- (iv) Develop an operational business plan for the funds management agency including a plan for capacity development and systems development, internal controls, and monitoring.
- (v) Devise a training program and conduct training workshops for government officials to achieve the required skills complement.
- (vi) Assess the capital markets with focus on the constraints on entry and adequate operations of public/social funds in the capital markets, and give concrete proposals to

<sup>2</sup> To be funded under Section A, Appendix 2.

<sup>3</sup> To be funded under Section B, Appendix 2.

address those constraints, particularly through development of a long-term bonds market.

#### **4. Project Coordinator (national, 24 person-months)<sup>4</sup>**

6. The project coordinator will have a good knowledge of MfDR, leadership and managerial skills, expertise in capacity development, and extensive experience in dealing with government agencies, funding agency communities, and public and private sectors. The coordinator will lead other national consultants in providing support as appropriate to international consultants and closely coordinate with the Executing Agency (EA). The responsibilities of the project coordinator will include the following.

- (i) Be the focal point for the TA and liaise with the Asian Development Bank (ADB) and the EA on issues related to TA implementation.
- (ii) Supervise and act as leader to the team of national consultants.
- (iii) Coordinate with the EA and ADB on pilot testing in selected line ministries/agencies.
- (iv) Coordinate with the EA and ADB on further expansion of the application of MfDR to other line ministries.
- (v) Ensure effective coordination between government agencies and aid agencies, and avoid overlapping of the work under the TA and that undertaken by other aid agencies.
- (vi) Assist the international consultants in developing the MfDR systems in MOF and line ministries.
- (vii) Organize consultations with other stakeholders over Mongolia's community of practice for MfDR.
- (viii) Organize workshops, training, seminars, and conferences in consultation with the EA/line ministries and international consultants, and with the support of other national consultants.
- (ix) Arrange for translation and publication of MfDR manuals, guidelines, and other assessment and analytical work in consultation with ADB, the EA/line ministries, and the international consultants concerned.
- (x) Report to ADB on progress and achievements in implementing the TA.

#### **5. Monitoring and Evaluation Expert (national, 17 person-months, on intermittent basis)<sup>5</sup>**

7. The consultant will have expertise in developing and implementing MfDR systems, and a background and extensive working experience in investment planning and monitoring, impact assessment, and data analysis and interpretation. The responsibilities will include the following.

- (i) Collect data and provide background on the existing framework, institutions, policies, procedures, and legislation on results management in MOF and concerned line ministries.
- (ii) Assist the international results-based investment planning and monitoring specialist and sector specialists/economists in developing an MfDR-based public investment planning and monitoring system in MOF and other line ministries.
- (iii) Assist with pilot testing and training for implementing the MfDR.
- (iv) Assist in preparing MfDR manuals, methodology papers, and guidelines for use by MOF and concerned line ministries, and ensure proper publication and dissemination in local languages.

<sup>4</sup> To be funded under Section A, Appendix 2.

<sup>5</sup> To be funded under Section A, Appendix 2.

- (v) Assist with the workshops, training, seminars, and conferences for the relevant MfDR systems.

**6. Sector Experts/ Economists** (national, 30 person-months on intermittent basis)<sup>6</sup>

8. National consultants will be engaged for 30 person-months to support the international consultants in MfDR-related advisory services, assessments, and analytical work. The national consultants will have a strong background and extensive working experience in the sectors concerned. Their tasks will include the following.

- (i) Collect data and provide background on the sectors concerned, including existing institutions, policies, and legislation on the sectors; past development and future prospects; special characteristics of the sectors; and major constraints and opportunities for the sectors.
- (ii) Assist the international sector specialists/economists in providing MfDR-related advisory services and/or undertaking assessments and other analytical work.
- (iii) Ensure proper publication and dissemination of the analytical work in the local language.
- (iv) Assist with the workshops, training, seminars, and conferences for the relevant advisory services, assessments, and analytical work.

**7. Funds Management/Capital Market Expert** (national, 7 person-months on intermittent basis)<sup>7</sup>

9. The expert will support the international funds management specialist in designing public/social funds management strategies, structure, and systems; and addressing the constraints identified on entry and adequate operations of public/social funds in the capital markets. The expert's tasks will include the following.

- (i) Collect data and provide background on public/social funds management and capital markets.
- (ii) Assist the international funds management specialist in (a) devising the structure for an agency to manage the Government's public/social funds; (b) drawing up the mandate, structure, corporate governance, functions, monitoring mechanism, and measurement systems of the agency charged with managing the Government's public/social funds; (c) drawing up a results-based optimal funds management strategy for the agency to match the funds' ALM and risk management requirements; and (d) developing an operational business plan for the funds management agency.
- (iii) Assist the international funds management specialist in assessing the capital markets, focusing on constraints on entry and adequate operations of public/social funds in the capital markets, and giving concrete proposals to address those constraints, particularly by developing a long-term bonds market.
- (iv) Assist the international funds management specialist in devising a training program and conducting training workshops to achieve the required skills complement.
- (v) Assist with preparing training materials, and ensure proper publication and dissemination in the local languages.

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<sup>6</sup> To be funded under Section A, Appendix 2.

<sup>7</sup> To be funded under Section B, Appendix 2.

## 8. Training Specialist (national, 16 person-months on intermittent basis)<sup>8</sup>

10. The specialist will have experience in arranging and conducting workshops and training programs. Based on the training plan to be developed by the international results-based investment planning and monitoring specialist and sector specialists/economists, and in close coordination with the EA, line ministries, and the project coordinator, the training specialist will be responsible for implementing the planned training events under the TA. In particular, the responsibilities will include the following.

- (i) Deliver to ADB and the EA within 2 months of the beginning of the contract a report on the proposed methodology for selecting the participants and determining the topics for the capacity-building events, including criteria, process, and procedures, together with a set of user-friendly forms, questionnaires, and other relevant tools.
- (ii) Develop a measurement mechanism to collect and analyze feedback from both the trainer and trainees on the training event held, and which will be used to further improve the conduct of subsequent training/capacity development programs.
- (iii) Design the training programs in consultation with the EA/line ministries and international consultants concerned.
- (iv) Procure and set up the equipment and software for training purposes.
- (v) Prepare course materials and manuals in consultation with the EA/line ministries and international/national consultants concerned.
- (vi) Provide logistic support for the training.
- (vii) Provide technical inputs to the training events, when requested.
- (viii) Prepare and submit to ADB and the EA soon after each training event a summary note that depicts the program and proceedings of the training and summarizes major achievements and feedback.

### C. Reporting Arrangements

11. All consultants will report to ADB and work closely with the EA and IAs. Each international consultant will submit to ADB, the EA, and implementing agencies an inception report within 2 weeks after the beginning of the contract, and a final report within 1 week after the contractual period ends. If the national consultants need to prepare any analytical report,<sup>9</sup> that requirement will be specified in the TOR of the engagement contract.

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<sup>8</sup> To be funded under Section A, Appendix 2.

<sup>9</sup> Apart from compilation of background documents and data, and translation.