

GOVERNMENT OF MONGOLIA
UNITED NATIONS DEVELOPMENT PROGRAMME

Forging Links between Poverty and Policy

An Evaluation of the Project

**Poverty Research and Employment Facilitation
for Policy Development (PREF)**

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Evaluation of Project MON/01/U01 Poverty Research and Employment Facilitation for Policy Development

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Acronyms Used

ADB	Asian Development Bank
BIC	Business Incubation Center
CEO	Central Employment Office
CIDA	Canada International Development Agency
CCA	Common Country Assessment
CCF	Country Cooperation Framework
DaMoST	Danish-Mongolian Social Training Centre
EGSPRS	Economic Growth Support and Poverty Reduction Strategy
GSB	Gender Sensitive Budgeting
HLCSP	Household Livelihoods Capacity Support Programme
HIES	Household Income and Expenditure Survey
JWIDF	Japanese Women in Development Fund
KBDA	Khentii Business Development Association
LSMS	Living Standards Measurement Survey
LSWSO	Labour and Social Welfare Service Office
MOFE	Ministry of Finance and Economy
MSWL	Ministry of Social Welfare and Labour
MBDA	Mongolian Business Development Association
MDG	Millennium Development Goals
MPDA	Mongolian Population and Development Association
MYFF	Multi-Year Financial Framework
NPAP	National Poverty Alleviation Programme
NSO	National Statistics Office
PREF	Poverty Research and Employment Facilitation project
PRG	Poverty Research Group
RLF	Revolving Loan Fund
ROAR	Results-Oriented Annual Reporting
Sida	Swedish International Development Agency
SRF	Strategic Results Framework
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNICEF	United Nations Childrens Fund
UNIFEM	United Nations Fund for Women Activities

Mongolian expressions used:

<i>Aimag</i>	Province
<i>Bagh</i>	Village or administrative sub-division of soums
<i>Duureg</i>	Urban municipal district
<i>Dzud</i>	Disaster caused by extreme winter conditions covering pastures with ice
<i>Ger</i>	Traditional dwelling erected by nomadic herdsmen
<i>Khoroo</i>	Administrative sub-division of municipal district
<i>Soum</i>	County or district sub-division of images
<i>Tugrug</i>	Mongolian currency (1 \$ = 1,200 tugrug)

I. INTRODUCTION

1. Fifteen years on, Mongolia has yet to reap the full rewards of making a clean break with central economic planning, accommodating to the demands of the market, and of moving towards a new democratic order. The first period of Mongolia's transition from its socialist past was in many ways traumatic, marked by the collapse of state structures and industrial establishments; for the best part of five years, the country was plunged into a deep recession, whose influence is still being felt.
2. Significant strides towards recovery have since been made, and but for the setbacks occasioned by winter disasters, or *dzuds*, at the dawn of the new millennium, the Mongolian economy has registered a period of healthy growth, capped by a record expansion in 2004 of 10.6 percent in real terms. A downside legacy of the transition is however the persistent high poverty level, as measured by income and consumption indicators, and disparities in poverty levels between rural and urban areas are growing. A series of surveys carried out in 1995, 1998 and 2002 show that more than a third of Mongolians continue to live under the poverty line.
3. The project Poverty Research and Employment Facilitation for Policy Development (PREF) was conceived in this broad context. The present evaluation has the purpose of appraising the achievements of the three-year project, which was extended in 2004 and will now formally end in December 2005, in terms of outputs and outcomes, and the options available for the future.
4. In reality, the project is an umbrella project consisting of five discrete components, implemented by different government agencies and loosely connected through the common themes of poverty reduction and employment promotion. The programmatic content may be said to have been enlarged by the addition, after the inception of the project, of a sub-project named Capacity-building for Gender Sensitive Budgeting, financed by the Japanese Women in Development Fund (JWIDF), which has served to highlight gender issues in the course of project implementation.
5. The evaluation is mandated by UNDP policy in relation to the scale of resources applied as well as to the nature of the development intervention, in this case involving one of UNDP's areas of thematic focus. The evaluation is also prompted by a provision in the agreement between UNDP and the Government of Sweden relating to the Sida cost-sharing contribution of USD 1.554 million equivalent. Sida in fact has an abiding interest in the exercise: since 2003, Swedish development cooperation has a single goal, to contribute to an environment that is supportive of people's own efforts to improve their quality of life.
6. By way of method, the evaluation reviews the project results of each component in turn from the point of view of their relevance to the underlying thematic interest, successes and constraints during implementation, planned and actual outcomes, as well as lessons learned. In some instances, it is not only a case of assessing

prospective outcomes rated as likely or potential, but outcomes that have been internalized or taken over by the Government at the end of the project intervention.

7. As in most projects, implementation and outcomes of the different components have been conditioned by events and government decisions not foreseen at the outset. The evaluation accordingly attempts to assess how the external dynamics have impacted on the project and produced shifts designed to adjust to current realities.
8. In this regard, the internal monitoring mechanisms utilized by UNDP, such as the Strategic Results Framework (SRF), the Results-Oriented Annual Reporting (ROAR), and the Multi-Year Financial Framework (MYFF) are examined in Annex III with a view to assessing the extent to which these documents adequately reflect project developments.
9. A section is furthermore devoted to matters related to the organization and management of the project, which presented special challenges due to its spread across several government entities. In this context, the evaluation examines matters related to budget utilization and cost effectiveness.
10. A common thread runs through the project rationale, the axiom – self-evident perhaps, particularly in relation to poverty - that policy instruments can only be effective to the extent they are grounded on accurate information and on the reality checks of experience. Several project components are devoted to research, the collection and analysis of data and the search for meaningful indicators; others have the character of pilots designed to generate feed-back into policy mechanisms. The process of linking research and action through policy change is more complex and complicated than appears at first sight, and it is hoped that the evaluation can shed light on some of the problems encountered along the way.

II. THE PROJECT SETTING

a) The Poverty Context

1. Historically, poverty in Mongolia has its origins in the early years of the country's transition from the socialist order, from guaranteed employment and a full panoply of social services, to the uncertainties of a market economy. It began with the administration of "shock therapy", marked by rapid privatization of industries, farms and livestock cooperatives, and by extensive financial, price and trade liberalization. As in many other transition countries, the initial effects of shock therapy, high inflation, unemployment, compounded by significant cuts in social and welfare expenditure, came with high social costs, leading to a rapid rise in poverty levels.
2. A particularly adverse and lasting effect of Mongolia's break with the past has been the dramatic deindustrialization: the share of industry in domestic output dropped by 20 percentage points between 1990 and 2003. Currently, nearly a third of Mongolia's population lives in households for which herding represents the main source of livelihood. Mongolia's high dependency on agricultural and pastoral activities (21.5 percent GDP, 36.5 percent of employment) is an important factor of economic and social vulnerability.
3. While macro-economic stability and growth have been maintained since the mid-1990s, especially in recent years¹, there is widespread recognition that the social benefits of economic recovery remain elusive. Furthermore, three consecutive years of harsh winter disasters, or *dzuds*, from 1999 to 2001, which brought about large-scale losses in the livestock sector, underscore the fragile nature of economic achievements and the ever-present threats and hazards of nature.
4. Despite adversities, some positive changes in social indicators have been recorded in the recent past, especially in the areas of child and maternal mortality. On balance, however, income poverty remains widespread at 36 percent, with significant regional and seasonal variations. Almost one in two people in rural areas living below the poverty line of USD 0.75 equivalent a day. There are also indications that poverty has become both deeper and more severe. The income poverty among women is markedly higher than among men in both urban and rural areas, as well as across all administrative regions.
5. The quality of health and education has generally deteriorated; at the same time, the abuses usually accompanying human poverty, such as child labour and street children, alcoholism, domestic violence, the trafficking of women and children as well as suicides, have multiplied.

¹ GDP grew by 5.6 percent in 2003 and 10.6 percent in 2004

6. A salient and worrying feature of Mongolia transition has been the widening of social and economic inequality, especially between urban and rural areas. Whilst the Gini coefficient, the standard measure of income inequality, stood at 0.33 in 2002-3, inequalities are especially pronounced in terms of access to social services and infrastructure, job and business opportunities, leading to wide disparities in human development. Notably, only 5 percent of the rural population is employed in the service sector compared to 75 percent in urban areas.
7. The inability of economic growth to generate sufficient and decent job opportunities, outside the herding sector, has been identified as a primary reason for persistent poverty and vulnerability, especially among young people and women. In 2002, 30,900 people were registered as unemployed, 16,800 of them women. The actual rate of unemployment was estimated at 14.2 percent² in 2003. The situation is aggravated by the existing mismatch between the skills of the labour force and the requirements of the market, highlighting gaps in the vocational training system. The informal sector has become a major employer, accounting for over 30 percent of GDP; in contrast with many other countries, it employs a large number of educated people, both in urban and rural areas.
8. The pressures of unemployment have been exacerbated by high levels of rural to urban migration. However, migration has also been a primary response of the Mongolian people to the hardship and insecurity that followed in the wake of the transition. At first, as livestock herds were privatized, thousands of families that lost their jobs in the state sector, moved to rural areas. Later, collapsing social services and support systems for livestock, as well as the severe weather disasters, reversed the flow of migrants, forcing many families to look for new job opportunities in the urban areas.
9. At the same time, high interest rates on bank lending and conservative lending patterns have led to a situation in which the financial sector has been unable to meet medium-term private investment needs, denying access to credit to large segments of the population, especially the poor, the small herders and the micro-entrepreneurs.
10. The social impacts of the transition have been addressed by expedient and often poorly coordinated welfare programmes. In the mid-1990s, the Government launched its National Poverty Alleviation Programme (NPAP), strongly supported by external donors, which was to bring down poverty from 26.5 percent (1994) to 10 percent within six years. While the programme proved effective in reaching out to the poor, the poverty reduction impact has been limited and of a temporary nature.
11. This has underscored the need to enhance the understanding of poverty among policy-makers. More critically, it will be necessary to link this understanding with the development of coordinated poverty reduction policies and programmes. The

² Labour Force Survey, Main Report (2004)

Economic Growth Support and Poverty Reduction Strategy (EGSPRS), formally adopted in 2003, should be viewed as a step in this direction, and is now envisioned as the basic strategy for achieving the Millennium Development Goals, to which Mongolian Parliament officially committed itself in April 2005.

b) Overall Project Relevance and Design

12. *Linkages with UNDAF.* The United Nations Development Assistance Framework (UNDAF) for the period 2002-2006 builds on the findings and recommendations of the 2001 Common Country Assessment (CCA). The former document focuses on five thematic areas, namely governance, social and economic development, environmental and disaster management, with the first four elaborating on core issues and challenges presented in the CCA. The fifth thematic area captures a particular concern of the Government with regard to disaster preparedness and mitigation.
13. Echoing Mongolia's commitment to human rights, both the CCA and the UNDAF demonstrate a human rights based approach to national development challenges. This calls for an inclusive and people-centred development process that emphasizes human poverty reduction, the narrowing of inequalities, the promotion of sustainable human development, with its end-purpose of expanding people's choices, their empowerment and participation³.
14. Although the concerns reflected in the CCA and UNDAF - in particular the factors constraining poverty reduction and employment - do inform the project formulation, the project document itself makes no explicit reference to specific UNDAF goals. One reason for this apparent lack of "connectivity" is that UNDAF is firmly anchored in the Government's umbrella programme of Good Governance for Human Security, whereas the project was formulated before the UNDAF was finalized, primarily as a response to the need for a successor programme to the National Poverty Alleviation Program (NPAP). In a thematic sense, however, the project embraces important principles and objectives advanced in the UNDAF document, including the MDG goal of halving poverty by the year 2015.
15. In particular, the UNDAF acknowledges the need to stimulate rural development, promote a sustainable private sector, and foster broad-based job creation, through vigorous employment policies, these efforts being seen as intimately tied to the promotion of economic rights, especially the right to work. Project components, like Voucher skills training and Business development services, are inherently responsive to these needs, by targeting marginalized segments of society, and piloted in an innovative manner at the micro-level.

³ Human rights concerns also underlie the Government's approach in the Good Governance for Human Security programme: "It is necessary for the government, all powers of the State, the private sector and civil society to work in partnership to reduce the risks to human security of the Mongolian people..."

16. The UNDAF further calls for new mechanisms to stimulate policy dialogue and national consensus-building. In both their substantive and process dimensions, the upstream project components (the Poverty Research Group, the new Household Income and Expenditure Survey in combination with a Living Standards Measurement Survey, the third National Human Development Report) are seen as instruments in building up such mechanisms. As a cross-cutting interest, the project envisions a special emphasis on mobilizing civil society organizations.
17. ***Linkages with the UNDP country programme.*** Under the second Country Cooperation Framework (CCF), which runs from 2002-2006, UNDP provides support in three mutually reinforcing areas, namely democratic governance, economic transition and poverty reduction, as well as natural resource management in line with priorities identified in the UNDAF. The PREF project generally conforms with the broad objectives of the economic transition and poverty reduction segment in the CCF, which is to contribute to broad-based and sustainable economic growth, equitable distribution of the fruits of development, and poverty reduction.
18. The CCF expects two core results from its poverty reduction programme:
- *Improved prospects for poverty reduction and equitable development through strengthened government capacities to: (i) analyse the root causes of poverty; (ii) set economic, fiscal, social, and gender policies; and (iii) implement effective policies.*
 - *Increased employment through testing and replicating approaches for developing and/or transferring skills within the private sector.*

The PRG mandate (incorporating a gender analysis dimension) is to work towards producing the first outcome, while the statistical survey and human development report components of the project provide complementary support. Both the voucher skills training and the business development services components are for their part geared towards testing market-oriented schemes to improve skills, especially among micro-entrepreneurs.

20. ***Formulation of objectives and key intended results.*** While broadly consistent with the needs and challenges expressed in the UNDAF in the areas of poverty reduction and sustainable human development, the PREF project formulation and design is more specifically aligned with the lessons learned⁴ from the NPAP which underscored:
- *The limits of locally targeted interventions for poverty reduction and the need to mainstream poverty, equity and human development concerns into the broader economic and social policy framework to achieve greater impact. This provides*

⁴ See NPAP Independent Evaluation Report, October 1999; and Griffin, K. et al. 2001, A Strategy for Poverty Reduction in Mongolia, Report of a UNDP Mission.

the main rationale for establishing the PRG, for improving statistical survey methodologies, and for preparing the third National Human Development Report.

- *The potential offered by mobilizing local communities in support of poverty reduction initiatives and in the management of projects.* This is the main thrust of NPAP's successor programme, the National Household Livelihood Capacity Support Programme. Through PREF, this programme was meant to bring poverty reduction work to the local level, using the instruments of the revolving loan fund, business development services and vocational training, to improve livelihoods among poor and vulnerable households (project document, p.23).

21. The project is thus best described as an umbrella project covering both upstream institution-building for policy development, coupled with a set of micro-level pilot interventions targeting employment generation and poverty reduction. As implied by the project title "PREF for Policy Development", both sets of interventions are meant to generate policy instruments. In the case of the local-level pilot undertakings, a feedback of success could yield decisions to replicate and scale up the intervention and ultimately translate into new market driven policies.

22. ***Consistency between objectives and outcomes.*** In general, the stated development objective, immediate objectives and expected outcomes in the project document are broadly consistent. In the case of the second immediate objective, viz. to *strengthen the capacity of local government in managing poverty programs and monitor their benefits*, there are however inconsistencies in project concept and design which deserve comment.

- The project document does not give much attention to the outputs and outcomes related to the above immediate objective. The only relevant project component is the revolving loan fund, a residual of NPAP activities at the *soum* level, whose key objective was to improve loan management and loan recovery, by providing capacity support to local officials administrating the loan funds.
- Quoting the NPAP completion report, the project document expresses serious reservations about the NPAP credit scheme, stating that it has "no prospect of ... making more than a temporary and minor contribution" to the demand of the poor for credit, and that "local government is an inappropriate institutional base for micro-banking", with no valid international precedent (p.27). When questioning the rationale for incorporating this project component, which had been removed

Project formulation in stages

The final project document, on which this evaluation is based, is a revised version of an earlier project proposal developed in 2000, entitled “Capacity building for sustainable livelihood development”. This latter version, which was the basis for the initial cost-sharing agreement with Sida, comprised five components, namely:

- Establishing a policy research group, to strengthen government capacity to conduct analyses of social and economic policy issues, providing practical advice to the Prime Minister’s Office
- Preparing a third living standard measurement survey (LSMS), ensuring comparability with the earlier surveys of 1995 and 1998
- Improving the management of the income generation revolving loan fund
- Providing skills training at the local level and related information services
- Establishing a credit union movement and developing best practice credit union models

All were in direct response to recommendations spelled out in the NPAP final evaluation report (1999). The initial proposal has been revised twice. The second version dated March 2001 was reduced to three components:

- Establishing a poverty research group, aimed specifically at strengthening pro-poor processes
- Conducting a household income and expenditure survey (HIES), with LSMS features, to improve comparability of poverty indices with past LSMSs and the HIES of 2001
- Developing a local skill training system to align supply with market demand, including a pilot Skills Training Development Fund to provide short-term skills training for vulnerable groups and start-up micro-entrepreneurs

The final version of the project document was conditioned by several factors, including a review of the proposal by the Aid Coordination Council established in 2000, as well as a change in UNDP leadership. Following discussions among all concerned stakeholders, skills development was transformed into a pilot programme for subsidized short term skills training, targeting vulnerable groups. The production of the third National Human Development Report was added as a strategic element to promote more people-centred approaches in mainstream policy-making. The revolving loan fund was put back on track.

The cost-sharing agreement with Sida was amended accordingly and signed in September 2001.

in the second version of the project document (see Box), the Mission learnt that political sensitivities were at play, which led to the restoration of this component. As an expedient device, the project document provides for an “institutional evolution” of the revolving loan fund through linkages with the business

development services component, without however providing any guidelines on how this was to be done in practice. In the end, no practical linkages materialized.

- In contrast, voucher skills training and business development services, the two pilot components of PREF, are geared to introducing more market driven approaches to job creation and poverty reduction, in which the government performs a catalytic role. This is well in line with the outputs foreseen under the corresponding project objective.
23. The misspecification of outcomes in relation to the second immediate objective, referred to above, is mirrored by lack of clarity in the definition of the related intended outputs, and in the lack of articulation between them. In particular, it is unclear how the revolving loan fund management is to support the establishment of business development services.⁵ It is equally unclear how the voucher skills training programme, as intended, is to feed into the business development component.

c) The Dynamics of Implementation

24. The project document is an important baseline in the context of the present results-oriented evaluation. It is clear however that the project document does not provide a definitive framework for assessing results. The PREF project has been marked by a number of adjustments that are of significance in evaluating project achievements towards intended outcomes.
25. The EGSPRS (I-PRSP) was prepared at the same time as the project was being formulated, but the project document makes only scant reference to the EGSPRS, suggesting a marginal role for the PRG in meeting the information and analytical requirements of the PRSP process. *De facto*, however, the PRG rapidly took on important duties with regard to the development of EGSPRS, starting in early 2002 with the running of a regional seminar on “the developing process from I-PRSP to F-PRSP”; the changing role of the PRG culminated with its integration within the Economic Policy Department of the Ministry of Finance in April 2004, now the agency mandated to monitor the EGSPRS. This resulted in a substantial enlargement of PRG’s initial job assignments foreseen under the project.
26. Also, in relation to the PRSP process, the scope of PRG research coordination activities expanded with the addition of the sub-project on Capacity-Building for Gender-Sensitive Budgeting, financed by the Japanese Women In Development Fund (JWIDF).
27. As can be inferred from the project document, the business development pilot scheme and the voucher skills training programme were initially planned to be integrated (the voucher initiative was contemplated as a means of giving poor people and micro-

⁵ The Kherlen *Soum* selected for the pilot proved to be ineligible for borrowing from the RLF (See p. 28, para 92)

entrepreneurs better access to business development services). In the event, the two components evolved as distinct interventions, taking shape as a subsidized skills training programme targeting urban unemployed, and as a pilot network-based business development scheme at the *soum* level, addressing the needs of disadvantaged rural micro-entrepreneurs.

28. Many of these shifts denote flexibility and responsiveness to changing conditions, enhancing the contribution of project components to outcomes and overall project relevance. While such changes may raise issues of sustainability and other concerns regarding post-project developments, none of the project components appear to have been seriously at risk, as described elsewhere in this report.

III. PROJECT RESULTS

UPSTREAM PRO-POOR POLICY FORMATION

a) Poverty Research and Analysis

1. **Relevance.** The project component establishing a Poverty Research Group (PRG) is grounded on the lessons learned from the National Poverty Alleviation Programme, which ended in 2000. The programme evaluation urged that poverty reduction and human development issues be made part of the broader framework of official policy, so as to increase the scope and sustainability of the effort.
2. It was accordingly decided to establish a national research unit, consisting of four specialist professional staff (in public finance, macro-economics, poverty analysis and gender issues). Its upstream positioning in the government structure gave it particular relevance, dedicated as it was to producing demand-driven research studies that would help policy-makers and other stakeholders to reach a deeper understanding of the nature and causes of poverty, its evolution over time, as well as of the impact of social and economic policies. The formation of the group was deemed to be timely, as the Government was engaged in the preparation of its first national poverty reduction strategy paper, subsequently known as the EGSPRS.
3. Initially, the PRG was to be located centrally as an autonomous research and policy arm of the National Household Livelihood Capacity Support Committee, but this idea was soon abandoned, and the group was instead set up in November 2001, as a body loosely attached to the then Economic Policy and Planning Department at the Ministry of Finance and Economy. The department seconded four staff under a reimbursable loan agreement with UNDP, to carry out the various duties associated with the programme of research called for in the project document.
4. **Research outputs.** The initial research agenda of the PRG derived from 25 research requests received from line ministries and other institutions, and following a review of the topics proposed, 18 were approved by the project Steering Committee in 2002. The

research work was - unrealistically as it turned out - planned to be completed within one year, with 12 studies to be conducted in-house by the four PRG staff and the remainder to be sub-contracted out.

5. Half of the approved research projects were linked to specific recommendations of the Joint IDA-IMF Staff Assessment of the Interim PRSP. Topics covered a wide range of issues, some of which only loosely linked to poverty. As evidenced by increased references to “poverty” and “the poor” in the research topics listed in the work plan for 2003, the PRG made obvious efforts to rationalize, refine and clarify the research agenda, placing greater focus on poverty dimensions. In the course of project implementation, the agenda was downsized and streamlined, primarily with a view to improving delivery and to accommodating emerging priorities.
6. Supporting the PRSP process was such a priority, and it rapidly took the lion’s share of PRG’s work. This included drafting the sections on Economic Growth and Gender, Monitoring and Evaluation Framework, the development of outcome indicators for monitoring the yearly progress of the strategy, linking of the indicator framework to the Mongolian millennium development goals, as well as drafting the first EGSPRS progress report. In addition, the PRG has been involved in a wide range of supportive activities, including seminars, workshops, and meetings related to the preparation, finalization, and dissemination of the EGSPRS, as well as the development of its monitoring framework.
7. The workload generated by EGSPRS, coupled with staff turnover, adversely affected the delivery of research outputs: some in-house studies were never completed and most research studies initiated in 2002/2003 were only completed two years later. As of September 2005, the PRG had delivered on a total of 6 in-house research topics, 11 sub-contracted studies, as well as three studies conducted under the Gender Sensitive Budget sub-component of the project. Of the sub-contracted studies, 3 were actually initiated in 2004, in response to specific requests by the Ministry of Finance, in whose Economic Policy Department the PRG had by then been formally integrated (see Annex V).
8. **Capacity-building.** In addition to on-the job capacity-building resulting from the conduct of in-house research studies, oversight of sub-contracted research and PRSP development, PRG staff benefited from a range of training sessions in-country and abroad, with project and other donor support. It is noteworthy, however, that on the whole the provision of specific training in poverty/policy analysis has been limited.
9. Notably, out of 16 in-house training sessions conducted in 2003, only one session was devoted to poverty issues (session on pro-poor growth). Of the 12 local and international training sessions provided under PREF, one session dealt with policy analysis.⁶ The exposure of PRG staff to poverty analysis has mainly been through participation in regional workshops. In 2004 the training programme however changed, placing greater emphasis on poverty measurement and analysis, in line with

⁶ Policy analysis skills for transition economies, attended by the Poverty Specialist in June 2003.

the PRG's expanded duties as the coordinating unit for monitoring the EGSPRS and reporting on its progress.

10. The project-funded international advisor assigned to the PRG clearly played an important role in enhancing PRG capabilities in policy-oriented analysis, with direct application to PRG's daily activities, such as refining the terms of reference for sub-contracted studies and reviewing their preliminary findings. The failure to replace the advisor in 2004 probably had disruptive effects, only partially offset by the short-term services of the ESCAP Regional Advisor on Poverty Reduction.
11. The project was unable to establish a long-term partnership with an overseas research institution, despite several attempts to enter a twinning agreement with the University of Manchester. As recommended in the 2003 project progress report, a broader networking strategy involving other poverty-focused institutions in the Asia-Pacific and elsewhere would have been useful in ensuring an on-going cross-fertilization of knowledge in the poverty area and in leveraging PREF capacity-building support.
12. The Gender Sensitive Budgeting sub-component was geared to strengthening national capacities for designing gender sensitive budgets. By all accounts, training activities have been instrumental in raising awareness on gender issues and fostering a better understanding of gender sensitive analysis among budget officials and NGOs, especially at the local level. Further strengthening of capacities at central level is however deemed necessary.
13. **Outcomes and impact.** On the premise that poverty reduction policies can only be effective if an institutional link is established between data producers and key policy-makers, the integration of the PRG in the Economic Policy Department of the Ministry of Finance must be rated as a successful project outcome. A qualification may however be in order. As regular MOFE employees before the start of PREF, and then detached for the purposes of the project, the reintegration of the PRG staff in the Ministry was virtually a foregone conclusion, ensuring a sustainable outcome from the outset.
14. Forward anticipation of this kind may also be seen as good project design. Admittedly the group faced new tasks and responsibilities as a "high profile" project component, and their capacities were undoubtedly strengthened in the process, but the group's work was never totally divorced from the Ministry's everyday concerns, as evidenced by their involvement in the finalization of the EGSPRS document.
15. As apparent from the number of proposals received from national institutions in response to PRG tendering for sub-contracted research studies - on average seven proposals were received for each study - the project has proved effective in mobilizing national research capacities around poverty issues, among NGOs and academia.
16. There is evidence that the research studies have been widely used by research institutions and NGOs. Some studies have triggered follow-up action, notably in the

form of pilots. Two recent studies are expected to lead to significant upstream policy change (see Annex V). However, on the whole, the use of research recommendations by policy-makers has seemingly been limited. An assessment is presently under way under the guidance of the ESCAP Regional Advisor on Poverty Reduction to examine in detail the extent to which poverty related research and the findings of the PRG studies are incorporated into government policies. Its conclusions are obviously of interest to the present evaluation, as a complementary input.

17. The contribution of the PRG towards developing an “MDG-based PRSP” and MDG-anchored monitoring framework, encompassing also gender equality goals, is another successful project outcome, that somehow compensates for the fact that the research work conducted in parallel was untimely and could not feed into the development of the poverty reduction strategy. It is noted however that findings and recommendations of research studies, as well as outputs produced under the other PREF components, were extensively referred to by the PRG, when documenting progress on EGSPRS implementation.
18. Four studies, including a manual on GSB concepts, methodologies and other country experiences, have been carried out under the GSB sub-project (see Annex V), providing macro-economic policy options making for greater gender equity in budget allocations. Capacity-building activities under the GSB have produced notable results, especially in raising awareness, but the impact of the GSB studies on macro-policy is unclear at this stage. A current priority of the MOFE is to move towards a performance-based budgeting system; a timely step in line with this interest was the conduct in 2004 of a workshop on Performance-based gender sensitive budgeting.
19. **Assessment.** In the Mongolian context, where economic growth has so far failed to impact on the widespread poverty, where social and spatial inequalities are widening, where policy formation has usually been poverty-blind and significantly donor-driven, the efforts made by the project to sensitize policy-makers to the various dimensions of poverty, to strengthen national research capabilities and to develop actionable, nationally-owned policy options for tackling both income and human poverty, have been highly relevant and deserve continued support.
20. In assessing the project’s contribution to pro-poor policy development, the Mission wishes to recall at this point that tracking the use of research findings is likely to be a difficult exercise in the Mongolian governance context, where donor interventions are beset by problems of coordination and the formulation of a coherent development strategy remains fragmented, as evidenced by the existence of multiple strategy documents (Government Action Plans, Annual Socio-Economic Guidelines, the EGSPRS, the MDG Report). At the same time, as pointed out by several interviewees, the limited capacity of researchers to link their research to policy-making is matched by an equally limited capacity on the part of policy-makers, especially among line ministries, to make productive use of research.

21. It has been said that, in Mongolian bureaucratic culture, monitoring carries a particular connotation, and that monitoring - in the sense of observing the movement of indicators over a period of time and drawing the right policy conclusions – lacks a bureaucratic constituency. Virtually all government ministries have a monitoring division but these are devoted to internal auditing, to tracking departmental activities and staff performance; “monitoring” is therefore understood to be supervision and internal oversight.⁷ This could well explain the passivity of line ministries in taking cues from the PRG studies and move their recommendations in the direction of policy change.
22. If this is correct, it can also explain the lack of outcomes with respect to the PRG’s research agenda in the past, indicating that one of its basic premises was flawed: no natural linkage between research and policy in fact existed. Furthermore, when a particular recommendation leads to policy change, it may be misleading to attribute the result to a particular research study, unless there is tangible evidence that the study is the sole “contributor”. For instance, the findings and policy implications of the study on “Privatization, Income Distribution and Poverty” are to a great extent already part of the political discourse, as a result of the ill-conceived privatizations in the early 1990s. Thus, in this case, the study in question could probably only document the lessons learnt from the past.
23. The Mission believes that in addition to delays in research delivery and dissemination, several factors internal to the PRG may have adversely affected the policy impact of its research outputs. These are: (i) weak national ownership and insufficient prioritization of the research agenda at the outset, (ii) the absence of an effective mechanism for ensuring continuous interaction between research producers and users, and (iii) the inability of the PRG to give policy focus to study recommendations, assess their relevance and implementation dimensions, as prerequisites for effective follow-up. As regards the research agenda as such, it further appears that the “poverty focus” of the studies was somehow weakened with the formal integration of the PRG within the Ministry of Finance (see Annex V).
24. In the selection of research studies, it is noteworthy also that the project did not take guidance from the project document which recommended “rapid and tangible outputs based on quarterly-driven requests received, prioritized, consolidated and forwarded” (p. 21) by HLCSP National Committee. Instead, an ambitious research agenda was established at the outset, with long-standing implications for the PRG in terms of delivery and timely dissemination, as well as of advocacy activities.
25. It is furthermore clear that EGSPRS-related duties served to overtake the original vocation of the PRG to conduct poverty research and analysis. Its involvement in PRSP development was however predictable - and even foreseen - and could have been more effectively integrated in the project design. In consultation with the

⁷ The Mission is indebted to Makiko Harrison, a World Bank Economist, for this observation, developed in a short paper following a brief visit to Mongolia in early August 2005. Mongolians consulted by the Mission agree in principle.

relevant stakeholders, a set of focused substantive contributions could have been identified as specific outputs, to activate PRG advocacy of poverty issues at the outset of the project. The non-PRSP related poverty research agenda of the PRG could then have been adjusted and reconciled with the new mandate. Better coordination among requesting institutions, among line ministries and donors, would certainly have helped and is an important lesson that can benefit future PRG activities within MOFE's Economic Policy Department.

26. Meanwhile, the PRG contribution to the EGSPRS process as a whole gives solid grounding to its institutional position within the Government. This stands as a major achievement of PREF. Looking forward, the PRG's new role as the anchor of the future poverty monitoring system entails intensified capacity-building efforts going well beyond the PRG. From the viewpoint of the present evaluation, a more specific challenge lies in keeping the momentum reached, in the mainstreaming of income and human poverty, human development and gender perspectives into the EGSPRS monitoring process, as well as linking this process to the Mongolian MDGs.
27. In this regard, the first progress report on the EGSPRS prepared by the PRG fully demonstrates the potential of the PRG staff to make effective and articulate use of poverty research findings in documenting the delivery of the EGSPRS on poverty and human development. It also displays a clear potential for assessing poverty reduction programmes in both their income and non-income dimensions, from a "pro-poor perspective", as exemplified by the report's review of public expenditure patterns in education and health.

b) Measuring Living Standards

28. **Relevance.** It goes without saying that every sphere of governance is critically dependent on having access to reliable and continuous information descriptive of economic and social parameters. No policy-making affecting society and the daily lives of people can be productive unless it is based on this fundamental prerequisite; it is an equally essential frame of reference for monitoring the impact of any policies enacted.
29. Understandably, as part of this basic requirement, the Government has designated Household Income and Expenditure Surveys (HIES) as mandatory, with priority claim on the resources of the national budget. As a matter of course, methods of data collection and statistical analysis are continually rationalized and improved, and it is in this regard that PREF has sought to make a contribution, towards the development objective of improving the livelihood security of the people.
30. Several surveys gathering information on living standards have been conducted in the past. Notable among these are the Living Standards Measurement Surveys (LSMS) carried out in 1995, supported by the World Bank, and in 1998 with support from UNDP. These provided data sets on household members' education, health,

occupations, housing, on demographics, agricultural and non-agricultural activities, expenditure on durable goods, and so forth. The new survey carried out in 2002-2003 was to integrate the HIES, providing a record of household income and outlays on food and non-food items, with the LSMS, yielding new poverty yardsticks and a fuller picture of household conditions in urban and rural areas.

31. **Programme outputs.** As with earlier surveys, the implementation of the HIES with LSMS-like features (as it was commonly termed) was entrusted to the National Statistics Office (NSO), an administratively independent body reporting directly to the Parliament. It was also a partnership effort of the Government (Ministry of Finance and Economy and Ministry of Social Welfare and Labour), the World Bank and UNDP, whose external inputs were divided equally. UNDP's share of funding, under PREF, amounted to USD 250,000 in support of field work and data collection, capacity-building, training of interviewers and other staff, materials, the publication costs of the report, and the organization of workshops.
32. The survey was a prolonged and painstaking effort. Almost the entire year 2001 was devoted to preparatory work, developing questionnaires, eliciting comments on them from a number of organizations, to the testing of questionnaires, to training survey field staff and establishing the sampling criteria. In the end, the survey comprised:
 - monthly data on household income and expenditure covering a sample of 11,232 households distributed over 1,248 enumeration units;
 - the quarterly collection of living standards measurements from a sub-sample involving 3,308 households;
 - a survey of social issues, as well as a price survey;
 - data analysis led by the World Bank as the co-funding agency.
33. The monthly HIES data collection began in early 2002 and ran for a year, whilst field work on the combined quarterly HIES/LSMS began from the second quarter of 2002, covering also a twelve-month period. Geographically, representative sampling reflects conditions in the entire country. The social and price surveys were carried out in the 62 *soums*/districts represented in the LSMS study areas.
34. Laborious consistency checks and data "cleaning", the compilation and processing of data and the analytical work which followed was more time-consuming than anticipated, in part due to the sheer volume of data generated, in part as professional staff needed time to overcome unfamiliarity with some of the novel methodological aspects of merging two large surveys. Also, a survey module relating to energy consumption was added late in the day. Time and again, the NSO was obliged to postpone presentation of the main report; this was finally published in November 2004. In the interim, preliminary data sets were made available to interested agencies and for incorporation in statistical bulletins issued periodically.
35. Throughout the exercise, NSO professional staff could benefit from on-the-job training with consultant services provided by World Bank. Several key officers attended international expert group meetings, workshops and training programmes;

many of these related to the sample survey methodology and the establishment of routine methods of monitoring progress towards the MDGs.

36. **Outcomes.** The HIES/LSMS 2002-2003 constitutes an invaluable standard reference work on the spread and distribution of poverty across the nation, on trends and links with health access and education levels, with safety nets and employment. It presents new estimates of poverty in Mongolia, disaggregated at the regional level, geographically and in terms of the urban-rural divide. It provides a household poverty profile, setting quantified limits between the poor and the non-poor. On gender differentials, disaggregated data are limited to household heads, educational attainment and employment status.
37. The share of the poor is estimated at 36.1 percent and statistically on par with the findings of the earlier LSM surveys. Notably, the various indicators have been arrived at using improved methodologies. While they confirm earlier poverty headcounts, some results are at variance with the LSMS of 1995 and 1998, such as the figures for urban and rural areas. These tally at headcounts of 30 and 43 percent respectively and actually reverse the ratios recorded earlier (p.7). A consequence of the application of new sampling and processing methods is however that survey results cannot readily be compared to those of the preceding living standards measurements.
38. **Assessment.** Because of the considerable resources and energies set in motion to carry out HIES/LSMS, many have characterized the exercise as “heavy” and advocated “lighter”, more targeted and qualitative statistical inquiries to support policy-making. The case for supplementary studies providing more precision is indeed strong. One such effort is the study commissioned by the PRG in 2004 at the behest of the MSWL.
39. This examined alternative methodologies for identifying the living standards of households and citizens, to reach more accurate estimations of the number of poor households actually eligible for a variety of social benefits. The experience of other countries at comparable levels of development was reviewed. On this basis, a new simplified methodology was tested, with sampling based on the 2000 national census, data drawn from the HIES/LSMS, and a participatory survey, the latter using 11 qualitative indicators which were graded and scored individually for each household. The proposed methodology has been approved by MSWL and the NSO for wider use.
40. Initiatives of this kind are important spin-offs from the work on HIES/LSMS, in the quest for concrete policy action in the area of poverty reduction. A significant drawback remains the fact that the HIES/LSMS failed to produce a sampling of household respondents that could yield valid comparisons between the data it generated and those of the earlier surveys. In the project document (p 14), there was a clear expectation that the new survey would produce basic sets of linear data allowing changes in poverty headcounts and depth to be captured over time.

41. Whether foreseeable or not, the actual outcome frustrated this objective. Sequential, comparable data will accordingly have to await the next round of HIES/LSMS slated for 2006 and 2007. By all accounts, efforts to build up professional capacity within the NSO have been fruitful, and only very limited technical assistance may be required to see the exercise through. Financial support may yet be needed, however, bearing in mind the costs of implementation.
42. Meanwhile, the 2002-2003 survey stands out as a milestone achievement on the path of policy formation. On its own, it will not yield an immediate impact in terms of poverty reduction, but it remains a key instrument placing the spotlight on, and giving effect to, a cardinal priority of national development, enunciated by the Government in its Annual Social and Economic Guidelines, in the EGSPRS document and the MDG Report. The baseline information it provides on the spread and intensity of poverty is an indispensable tool for monitoring programmes and policies aimed at its reduction, for government agencies, civil society organizations and international institutions alike.

c) Advocacy of human development issues

45. **Relevance.** While not envisaged in the initial project design, the production, dissemination and advocacy of Mongolia's third Human Development Report (HDR)⁸ were elaborate elements of the final project document, as part of its multi-pronged strategy to promote a pro-poor and human development approach to policy formation. The component was clearly highly relevant, reinforcing the other project strategies in the area of poverty research (PRG), measurement and monitoring (HIES/LSMS).
46. As its central theme, the third MHDR focused on urban-rural disparities. The topic was selected, as a priority issue, through a consultative process involving a broad range of stakeholders, including government and political party representatives, civil society participants, and university students, at a workshop organised in March 2002.
47. **Performance and outputs.** The Mongolian Population and Development Association (MPDA), a university-based NGO, was chosen through competitive bidding to coordinate the preparation and dissemination of the report. MPDA played an important role in sensitizing the report writing team, as well as staff of the National Statistics Office, and in familiarizing them with human development concepts and perspectives, including gender and non-income dimensions of poverty, in the statistical and analytical treatment of urban-rural disparities.
48. The report was completed on time at the end of 2003 and widely disseminated, with 4000 copies distributed in Ulaanbaatar, all *aimag* centers and *soums*, government

⁸ Two Human Development Reports have been produced in Mongolia. The first (1997) provided an assessment of the Mongolian people's well-being during the transition period. The second (2000) addressed the issue of citizens' expectations from the State and the prospective role of the State in the new Mongolian context.

agencies and NGOs, as well as public libraries. It provides a detailed and authoritative assessment of rural-urban inequalities in Mongolia, documented by a new set of quantitative indicators, including human development indices (HDI), gender indices on development and empowerment, all disaggregated by region and *aimag*.

49. The Danish-Mongolian Training Center (DaMost), a national NGO, was sub-contracted for organizing public advocacy of report concepts, contents and recommendations. The advocacy work, which took place over a six-month period in the second half of 2004, had an impressive outreach, emphasis being placed on mobilizing participation among a broad range of rural organizations in all 21 *aimags* and in 75 *soums*. Active participation was also ensured through workshops and seminars, press releases and conferences, radio and TV discussions, as well as competitions on report topics organized among youth and children.
50. Overall, the project was thus able to bring human development concepts directly to the attention of more than 2000 people. Women were well represented (64.8 percent), young people less so (30.7 percent); and there was good attendance by people with higher education (55.3 percent). In line with efforts to influence policy development, the advocacy strategy also sought to involve sectoral senior officials (23 percent of seminar participants), as well as other central and local government officials (39 percent of all workshop participants).
51. A novel feature of the advocacy work was the attempt to gather local stakeholders' views on human development gaps and policy priorities in their respective *aimags*, on the basis of an open-ended questionnaire. The survey results summarized local perceptions of the issues at hand and were conveyed to central policy-making bodies, including members of parliament, at a workshop organized in November 2004.
52. **Outcomes and impact.** It is clear that a significant stride forward has been taken to advance the concept of "human development", which is increasingly familiar ground in many government policy documents and programmes, including the EGSPRS in relation to social policies. While it is hardly possible to track the policy impact of the NHDR 2003, the Mission took note of the fact that the Government Action Plan (GAP 2004-2008) provides for reducing inequalities between urban and rural areas.
53. Thus, some proposed GAP actions echo particular NHDR recommendations, such as those related to the specific needs of remote rural areas. The GAP for instance calls for the establishment of business, commercial and information centres aimed at engaging citizens and youth in business activities in remote *aimags* and towns, as well as for lessening rural isolation by improving the condition of roads, bridges and telecommunications linking rural and urban areas. (See box).
54. Again, in terms of outcomes, the Mission interviewed a number of local stakeholders at both the *aimag* and the *soum* levels.⁹ These discussions, which thus took place nine

⁹ The mission visited three *aimags*, Khentii, Dundgobi, and Gobi Sumer, which rank No 13 (0.638), No 9 (0.653) (Dundgobi), and No 4 (0.67) respectively on the human development index.

months after the completion of the advocacy work, generally validate the conclusion that human development concepts have gained some currency at local levels. In the minds of many, human development however remains a social policy matter. Although limited in scope, the consultations also provided some anecdotal evidence that PREF advocacy might have impacted on the way people look at policy. Thanks to the resourcefulness of the local DaMost advocacy team, some specific suggestions of participants for improving human development conditions at local level had been brought to the attention of planning officials in the Dundgobi *aimag* and eventually found their way into the Aimag Action Plan.

Key recommendations of the NHDR 2003

The NHDR articulates a set of strategic directions and options for bridging the urban-rural gap, which is seen as a matter of social justice. It warns that growing spatial inequalities could exacerbate environmental pressures, threaten social stability and ultimately jeopardize economic efficiency, poverty reduction and human development prospects. The report challenges Mongolia's current macro-economic policy framework, which overplays economic growth and macroeconomic stability, forcefully stressing that, while necessary, these prescriptions cannot on their own reduce poverty and ensure broad-based human development. In this regard, it singles out the social risks of poorly run privatization plans (land reform), overly restrictive monetary and fiscal policies and excessive reliance on direct foreign investment.

The report advocates a paradigm shift towards a more equitable and inclusive growth pattern (embedded in pro-poor economic growth and balanced development), centred on promoting employment and reducing income disparities. It calls for the scaling-up public spending on physical infrastructure and basic social service in rural areas, in particular in remote areas. In order to promote pro-poor growth and balanced development, rural-urban links need to be strengthened and access of herders to productive services and credit improved. Such actions are also seen as key (pull factors) to counter migration towards urban areas. Increased public investment in hard and soft infrastructure is recommended as a stimulus for private sector growth, in relation to both SMEs and the informal sector. The report however acknowledges present public investment financial constraints, emphasizing the need to do more to foster domestic resource mobilization and reduce aid dependency.

Greater fiscal decentralization and local autonomy, including genuine devolution, stepped-up local government control of central resources required to meet social needs, are held to be an essential policy package for narrowing rural-urban disparities. This should go along with enhanced citizen participation in budget formulation and efforts to strengthen local government capacities in planning and policy development, especially at the lowest tier of the *soum*.

28. **Assessment.** In managing the production of the NHDR, the project placed strong emphasis on fostering national ownership, broad-based participation, and policy relevance at both central and local levels; without these, advocacy could not have succeeded. UNDP has essentially played a facilitating role, with some early short-term consultant support (to help develop a report outline), and more intensively in the last stages (putting final touches to an edited draft report of very respectable quality and refining the concluding set of policy recommendations).
55. The advocacy part has been comprehensive, raising both awareness and passing on policy advice. A major “awareness achievement” has been providing clear evidence of widespread spatial inequalities in human development¹⁰. This particular output proved to be an effective tool triggering discussions among *aimag* and *soum* participants on local human development gaps, as well as prompting them to express their views on possible remedies. There is, in other words, a strong case for systematizing the calculation of regional and *aimag* HDIs, as well as other non-income indicators of deprivation in subsequent rounds of the NHDR, eventually perhaps presenting similar *soum* level HDI calculations, if at all feasible.
56. In the Mongolian context, where policy development and budget processes are highly centralized, project initiatives to convey locally held views on human development gaps and policy priorities to central decision-makers are most commendable. While the “local perception” survey provided an important feedback (especially on decentralization issues), the experience suggests that the exercise can tap further into local insights and reactions to programme implementation issues. In this case, due mainly to time and capacity constraints, the results conveyed to policy-makers were clustered in 33 rather general policy recommendations, and grouped in four very broad areas (legal environment, policy planning, financing and “raising public interest and initiatives”).
57. It is fair to say that PREF’s strategy with respect to the NHDR 2003 has paved the way for a more durable assimilation of human development concepts in the public sphere, as a means of influencing policy-makers in the long term. In this regard, the Mission strongly endorses the on-going initiative of introducing human development courses at universities and of developing a text book on the subject. In all, the NHDR process is best described as a success story.
58. For the first time in Mongolia, the responsibility of coordinating, preparing and advocating report concepts and findings has been tasked with national NGOs. These displayed intense interest, commitment and a remarkable result-oriented spirit in their work. Looking forward, the Mission believes that, in the interest of advancing further on the path of national ownership, serious consideration should be given to building on this positive experience, and to placing the production of the NHDR with organizations of the academic world on a permanent basis. Academic organizations

¹⁰ Within Mongolia, the HDI varies greatly from 0.596 in Khovsgol *aimag* to 0.735 in Ulaanbaatar.

have the requisite detachment from government to produce independent assessments. The alternative of again resorting to open competitive bidding in this process may not yield the same good results. This reasoning also applies to the task of advocacy to broaden the national constituency and awareness of human development issues.

TARGETED DOWNSTREAM PILOT INTERVENTIONS

d) Subsidized Skills Training through Vouchers

59. **Relevance.** The first project configuration envisaged rather broad interventions in the system of vocational training to address deficiencies that were becoming increasingly apparent following the collapse of the training systems prevailing in the socialist era. A significant decline in enrolment had taken place, drop-out rates were high and training capacity was under-utilized. In addition, the training provided was ill-adapted to the needs of the market.
60. By way of remedy, it was proposed to strengthen government capacity at the regional level in planning, revamping and implementing employment-related skills training programmes for vulnerable groups. This ambitious undertaking was subsequently scaled back and narrowed. Applying a model that has been used in other countries, particularly in Latin America, the final project document settled for a pilot scheme to introduce a subsidized system of skills training, issuing vouchers to trainee applicants, the vouchers being later cashed by the training establishments. It became known as the Voucher Skills Training Programme.
61. The selected target groups were the unemployed, self-employed, and employed who needed to upgrade their skills to secure their jobs. A key principle of the programme was seen to be its demand-driven character, offering training choices to applicants; advice proffered to the unemployed by employment offices and training providers would help align skills development with demand in the labour markets. The training providers, for their part, would find themselves in a competitive environment, with inbuilt incentives for them to improve their capacities and the quality of training.
62. The programme was a clear innovation in the Mongolian context and highly relevant to the situation of large numbers of unemployed registered with the central and district employment offices of Ulaanbaatar, addressing both the vulnerabilities of those looking for work and the skills shortages in the labour market.
63. **Programme delivery and outputs.** The pilot scheme was funded through PREF to the tune of approximately USD 70,000, which included subsidy funds for vouchers and costs for the administrative unit set up by UNDP to manage the programme. The unit consisted mainly of staff from the Central Employment Office, providing a crucial capacity-building element. The services of an international consultant were also provided by PREF to design the pilot, set the ground rules, train staff and help publicize the scheme.

64. Following initial preparation, including installation of computer software to track operations, the scheme was launched in mid-2002 and ran for three months, during which 6,873 vouchers were issued to a total of 1,967 persons. Of these, 77 percent were unemployed, 4 percent self-employed, and 19 percent were already employed.
65. Vouchers had a face value of 10,000 *tugrug*, covering training modules of 20 hours of tuition courses weekly. Accredited training providers (in most cases commercial private establishments or NGOs) numbered 32 and offered a total of 902 courses to voucher users. Actual costs charged by the training providers exceeded in all cases the nominal value of the voucher, and any cost differentials were paid by the trainee. A maximum of eight vouchers were issued per trainee, with an average of 3.8 vouchers per trainee and covering some 70 hours of tuition.
66. The operation was confined to Ulaanbaatar and was evaluated for impact on its conclusion through a random sample of 250 voucher beneficiaries, using a questionnaire developed by the project management unit and a series of interviews with representatives of training providers conducted by the consultant. As the survey took place too close to the training to provide reliable data on how the training had affected the employment situation of the trainees, it focused instead on their perception of the services provided and of future employment prospects (see Box).

Survey of pilot voucher skills training: the main findings

- In gender terms, a large majority of voucher users were female
- Over 50 percent of respondents trained for occupations in the service sectors
- 19 percent of respondents chose handicrafts and textiles courses
- 12 percent of respondents trained in construction trades
- 59 percent in the sample stated the training had improved their employment prospects, while 28 percent believed it would improve their situation in future
- Of the unemployed, 9 percent had already found employment and 14 percent were about to establish their own enterprise
- Of the self-employed, 23 percent had realized improvements in their business
- Among the employed, 18 percent stated that their job had been guaranteed due to the training, 39 percent saying they now had a better chance of being promoted

67. As an impact assessment, the survey had some obvious weaknesses in the subjective nature of responses elicited from respondents, but the experience of the voucher system as a whole was sufficiently positive to prompt the MSWL and the Central

Employment Office (CEO) to continue the programme. Funds were drawn from the existing Employment Promotion Fund, and operations began in 2003 in two districts of Ulaanbaatar, gradually expanding to six districts of the city. Trained staff was in a position to take over the work, and additional staff was co-opted in the district employment offices as voucher operations grew.

68. In transferring operations to the CEO, the PREF project offered a number of organizational recommendations. It believed that the categories of beneficiaries targeted in the pilot should be retained; stronger links to the employers should be established and the system extended to rural areas. Orientation courses should furthermore be given by district employment offices to guide unemployed prospective trainees who had little experience in the labor market. The CEO was enjoined to offer obligatory business start-up courses for those intending to open businesses of their own. Regular impact assessments were seen as vital prerequisites.
69. **Outcomes.** In the event, the Government decided to limit subsidized skills training to the category of registered unemployed and to restrict operations to the six districts in Ulaanbaatar, owing to the limited financing available. The maximum number of vouchers issued to trainees was reduced to four. However, the fact that the Central Employment Office was ready to use resources under its control to expand voucher skills training, essentially as piloted, among other employment promotion options, must be rated as a successful project outcome, with excellent prospects of being kept on as a government undertaking for the medium-term.
70. Thus, in the two-year period 2003-2004, almost 25,000 vouchers were issued to over 8,200 beneficiaries, at a total cost to the Employment Promotion Fund of USD 202,000 equivalent, operating under full national management.
71. To all intents and purposes, the Voucher Skills Training Programme has now graduated beyond PREF and taken on a life of its own. PREF however retained a watching brief by funding two independent social impact surveys, one carried out in 2003, and a second in the third quarter of 2004 embracing the entire two-year period. The project also funded a study tour to Nicaragua for a number of government officials to assess the comparable experience and methods used in another country.
72. On their return, it was decided to apply some of the features of the Nicaraguan experience and to extend the voucher system to new small and medium-sized entrepreneurs. This was done by linking it with the work of Business Incubation Centers (BIC) supported by the Asian Development Bank to fund feasibility studies and consulting services needed by small entrepreneurs to introduce technological improvements. It will be recalled that the original pilot exercise had also recommended support to start-up entrepreneurs. A BIC was selected in the *aimag* capital of Darkhan to begin this venture; vouchers were at the same time issued to unemployed at this location.

73. **Impact assessment.** The findings of the 2004 Social Impact Assessment are summarized in Annex IV. The results are however not a clear demonstration of success. In the sample of 730 graduates from the voucher training courses in 2003-2004, only 95 (or 13 percent) were employed in occupations for which they had been trained under the Programme. This was a significant decline, as compared with the corresponding figure obtained in the separate 2003 impact survey, which was 37 percent. The optimistic forecasts made after the 2002 pilot seemed to have gone awry.
74. The Study concludes that the poor result was in part due to the fact that vouchers were issued to many unemployed applicants who were not eligible, according to the spirit and intent of the Programme, such as secondary school students on summer vacation. While only hinted at in the Study, there is also a strong possibility that people who are employed in the informal sector, maintain their registration as unemployed, and benefit from the Programme, but are not active job-seekers.
75. The Mission learned that, in taking stock of these findings, the Central Employment Office had taken steps to tighten controls, to eliminate vacationing students and mothers on pregnancy leave. Officials however took the view that the survey results should not jeopardize the scheme which continued to meet important policy goals, as described in paragraph 3 above. By 2005, voucher skills training had disappeared from the radar screen of the project Steering Committee, whose two meetings (in April and July) make no further reference to the Programme.
76. **Lessons learned.** A new impact survey covering voucher operations in 2005 is slated for October. Any follow-up UNDP programmes in the area of poverty monitoring and assessment should make a point of reviewing survey results, and especially the link-up with the BIC in Darkhan, with a view to establishing whether voucher skills training remains effective, and to setting norms for what constitutes acceptable results or success.
77. The 2004 survey notwithstanding, the voucher programme appears to have come to stay as an instrument of fiscal and social policy. While there is a clear disconnect with the project objective to “strengthen the capacity of local government to manage poverty reduction programmes”, this result must be rated as a significant achievement.¹¹
78. The dichotomy between objectives and outcomes illustrates a common truth, that reality will often undo the best of plans; the strategizing in the project document (p.27) now reads oddly out of place. Another lesson learned relates to the issue of policy formation. In contrast to other project components, the passage between a pilot experience and policy-making was in this case exceptionally smooth. The most likely explanation is, on the one hand a combination of departmental goals and practical

¹¹ In an interview, the Chairman of the Parliamentary Standing Committee on Social Policy indicated to the Mission that subsidies using vouchers may even be extended to the non-vocational education area, to subsidize for instance the acquisition of textbooks.

feasibility, and on the other, the secondment of staff from the Central Employment Office to the pilot from the outset.

e) The Revolving Loan Fund

79. **Relevance.** The Revolving Loan Fund (RLF) was set up in the mid-1990s as part of the National Poverty Alleviation Programme, with an initial capitalization of 2.9 billion *tugrug*,¹² for the purpose of providing small loans to poor households and groups of households for start-up businesses.
80. The Fund was poorly managed, without the benefit of expertise in microfinance. Loans were provided at no interest, without collateral, and repayment rates soon fell back to 30-40 percent and, despite efforts to improve the situation, never exceeded 50 percent before the project came to a close. It is hardly surprising that beneficiaries concluded that, while nominally loans, these could in fact be treated as government handouts.
81. As a government-managed programme, it had nation-wide coverage through 342 *soum* “branches”, but was only able to reach about 15,000 poor households, or 8 percent of the estimated total. Up to 40 percent of the initial capital may have been lost. Yet, the NPAP programme evaluation concluded that the RLF ought to be salvaged, maintaining its distinct pro-poor orientation and niche in the emerging system of micro-financing; indeed in many *soum* centers, it was the only available source of capital. There was some hesitation during the formulation of PREF; these are reflected in the project document. In the end, advocates of the RLF won out.
82. **Outputs and outcomes.** Following a nation-wide assessment, all lending operations were suspended for six months in early 2003. During this period, the National Household Livelihood Capacity Support Programme (NHLCS), now in charge of the RLF, set in motion a radical overhaul of loan operations with PREF assistance. A revised management information system, MIS, was instituted. New loan officers were appointed in town districts and in large *soums* and given induction training. Finally, a new loan manual was developed and adopted by the HLCSP National Committee. As per the new manual, the following conditions would apply:
- Lending would only resume in *soums* and districts that could demonstrate a repayment rate of over 70 percent since the inception of the programme
 - Standard loan maturity was set at six months at a monthly interest of 2 percent; for herder groups and cooperatives, maturity was set at 12 months, at an annual interest of 10 percent; for equipment loans by enterprises, maturity was set at 36 months, also at an annual interest of 10 percent

¹² With exchange rates varying between 400 and 800 *tugrug* to 1 USD during the project period, the USD equivalent would be 4.8 million. Present value would be half of this amount.

- For each group of borrowers, maximum loan amounts were set, varying between 500,000 *tugrug* and 20 million *tugrug*
 - Borrowers would be required to provide collateral
 - Local administering offices would charge a 10 percent commission against the face amount of the loan once it had been repaid.
84. The new lending procedures took effect in May 2003 and have led to a spectacular improvement in loan recovery. As of the end of 2004, more than 1.4 billion *tugrug* had been disbursed to 4,160 borrowers, and repayment rates stand at an average of over 95 percent. Most loan delinquencies refer to the period prior to 2002, are still substantial, and many loans will eventually have to be written off; loan recovery since RLF's inception in 1996 has however risen to over 70 percent and is expected to rise further.
85. **Assessment.** The remarkable turnaround in RLF's fortunes demonstrates that a government programme of this kind continues to fill an important niche in the provision of micro-finance capital. More than most microfinance schemes, which tend to cater for non-poor, low income clients, RLF is able better to meet the needs of the poor, with extensive use of group lending. Data for the year 2004 show that 60 percent of all loans are less than 300,000 *tugrug* (USD 250); among loan beneficiaries, close to 50 percent are women, 43 percent are classified as vulnerable non-poor, 41 percent as poor, and ethnic minority groups account for 9.5 percent.
86. The record of the revamped RLF should be seen in the light of current developments in the general area of micro-funding and the efforts to mainstream microfinance within the banking system.¹³ Thus the Microfinance Development Fund, established with a World Bank loan and also operating under the aegis of the NHLCSF, routes all lending in 8 *aimags* through 11 banks and non-bank financial institutions. These continue to charge interest rates that must appear forbidding to borrowers in the categories of the poor.¹⁴
87. As RLF operates in all 21 *aimags*, its resources are spread extremely thin at the level of *soums* and town districts. In terms of lending volumes, it does not offer a serious alternative to other credit institutions. In each *soum* visited by the Mission, a general complaint was heard that RLF resources did not go very far and that obvious, legitimate needs could not be accommodated.
88. This begs the question whether opportunities exist for expanded lending by augmenting the capital assets of the Fund. By and large, current official policies do not favour an enlargement. The Central Bank has imposed strictures which proscribe the use of budget resources for any lending, judged to be a private sector concern led by the market. A lending operation using resources from the Employment Promotion

¹³ See Michael Heyn, Microstart Mongolia, Final Evaluation Report, June 2001 (pp 3-4).

¹⁴ At a meeting with the Governor of the Dundgobi *aimag*, he pointed out to the Mission that many businesses and would be entrepreneurs were forced to scrap valid investment ideas and ventures because of crippling interest rates.

Fund had to be closed down for this reason. The RLF merely survives as it is considered to operate with funds obtained from external sources.

89. In conclusion, it may thus be said that little can be done in the policy area to alter the *status quo*, even where market forces are not conducive to pro-poor private sector expansion and where a good case for government intervention is present.

f) Business Development Services

90. **Relevance.** There was much debate in the Steering Committee and the NHLCSP in 2003, as to how business development should give effect to the objective of strengthening the capacity of local government to manage poverty reduction programmes. As pointed out in Ch. II b), no clear prescription had been given in the project document on how government-managed credit funds should be linked with government-led business development services - the foreseen output, although the NHLCSP was to run both programmes.
91. It was eventually decided to conduct a small pilot operation in a rural setting. Following an on-the-spot assessment by a consultant, the Kherlen *soum* in the Khentii *aimag* was judged suitable due to its severe poverty, in-migration of herder households who had lost their livestock, and apparent general economic stagnation.
92. The relevance of the pilot however resides, not in its location as many other rural communities were in the same situation, but rather in the attempt to tackle poverty by networking micro-entrepreneurs and by creating business linkages between them. As for coupling business development services with micro-credit, the choice was hardly appropriate, as the Kherlen *soum* at the time did not have access to RLF loans owing to its low repayment record.
93. Nor, in the end, was the local government involved in the management of the enterprise. An Ulaanbaatar-based NGO, the Mongolian Business Development Association (MBDA), was selected through competitive bidding to run the operation, under NHLCSP supervision, and the local government's role was limited to providing general and moral support.
94. As managing a pilot undertaking of this nature was hardly feasible from a distance, it was decided to set up a local NGO, in line with the aim of moving business groupings towards a cooperative form of organization. Two staff were assigned by the MBDA in 2004 to launch the pilot operation and form the Khentii Business Development Association (KBDA).
95. **Outputs.** With the assistance of a UN volunteer, KBDA staff established a number of work groups, each consisting of 4-5 members engaged in the same trade. The work groups were then brought together in "clusters", to achieve economies of scale in the supply of raw materials and in product marketing, and for more easy access to credit.

In most cases, group members who had in the past worked from home, chose to move to new rented premises.

96. In this way, 21 work groups were formed, 3 being relatively recent additions, grouped in five clusters engaged in tailoring, welding and carpentry, wool processing, vegetable growing and meat retailing. A small revolving loan fund, in the amount of 2.5 million *tugrug* (or USD 2,000) was provided from project sources to give the groups a first advance for the purchase of raw material. Loans were set at a maximum of 50,000 *tugrug*, at 2 percent interest, and repayable within a month.
97. As of mid-2005, there were in all 89 micro-entrepreneur members of the KBDA, each work group paying a modest membership fee of 1,000 *tugrug* per month. A governing board was duly elected, and membership was opened to non-cluster members, who now number about 200 but pay no fees. In the course of the last year, KBDA has been running an active training programme funded by the Canada Fund, organizing courses to cluster members in business and vocational skills. For such courses, KBDA has charged members a small fee to help augment the revolving loan fund at its disposal.
98. **Outcome assessment.** The project concept builds on methods used in UNIDO-assisted programmes, and a first survey was conducted by the UNV only six months after the pilot's launching, according to which a large majority of members reported earnings increases of 20-30 percent. There were also some negative observations: problems of access to affordable, quality raw material had not been resolved, and products continued to be sold to middlemen at discount prices.
99. A renewed impact survey is accordingly needed. While there is much anecdotal evidence highlighting the benefits of the Kherlen networking model, insufficient guidance has been given by KBDA to cluster groups on the need for continuously recording their current volumes of business, in terms of sales, value of order book, total raw material costs, and the cash surpluses generated. During its visit to Khentii, the Mission was struck by the apparent enthusiasm of the group members met; at the same time it was unable to obtain figures and numbers documenting success.¹⁵
100. It is hardly surprising that the NHLCSF admitted it was not yet ready to replicate or scale up the Kherlen pilot business development effort, lacking as it does the basic data to make such a decision.
101. Although the Kherlen *soum* re-qualified for RLF lending in April 2005, exceeding the 70 percent repayment grade, this has not solved the financing problems of the KBDA micro-entrepreneurs, as competition for RLF loans is intense. Nor have microfinance bank institutions been able to offer tangible relief, as the immediate need of cluster groups is not for short-term operational funds, but for equipment purchases which require borrowing with longer maturities.

¹⁵ The Mission was informed that group members were reluctant to provide information on business surpluses and incomes, as they still operate in the informal sector.

102. **Future outlook.** Mongolians readily see the advantages of cooperative group formation,¹⁶ and the cluster groups in Kherlen have good prospects of becoming permanent. It is less easy to see the KBDA as a sustainable umbrella NGO, as the resource base provided by the present membership is clearly insufficient to ensure provision of the business services needed. Without subsidies from some source, the KBDA is likely to wither and eventually disappear.
103. The Mission believes however that the pilot Kherlen business development services should not be abandoned, but rather strengthened, expanded into other Khentii *soums*, and its development followed for a longer period. Eighteen months is too short to reach a final judgment on its potential.
104. Two provisos are however necessary. First, the business operations of the various groups should be more effectively and systematically monitored, and second, the KBDA must be placed on a sound financial footing, with a much larger membership, to make it sustainable for the longer term.
105. The UNDP-supported project termed Enterprise Mongolia, which envisages the build-up of Business Support Centers (BSC) to promote the growth of small and medium enterprises (SME), is also concerned with supporting methodologies such as local cluster development. It offers a natural framework for maintaining the Kherlen experiment, at relatively little cost, to provide business services to the most disadvantaged of the micro-entrepreneurs, those in the rural *soums*.

IV. PROJECT COORDINATION AND MANAGEMENT

a) Project organization

1. As the implementation of PREF involved several government departments, an institutional home had to be found to coordinate the programme and ensure that implementing agencies pulled in the same direction. Given the programme precedent of the National Poverty Alleviation Programme (NPAP), and the follow-up proposed at its conclusion, the PREF project document placed oversight responsibility with the National Committee of the Household Livelihood Capacity Support Programme, by virtue of its inter-ministerial position in the Prime Minister's cabinet.
2. In the event, coordination of the overall effort was permanently delegated to two members of the National Committee, the Minister of Social Welfare and Labour and the Minister of Finance. In only one instance, according to Steering Committee records, was a matter referred back to the National Committee, namely the final selection of research topics to be undertaken by the project. The Vice-Minister of

¹⁶ Five of the 21 groups in Kherlen *soum* in fact existed before the pilot project was launched. In many of the *soums* visited, the Mission learnt that cooperative groupings often arose spontaneously.

MSWL was designated National Project Director (NPD)¹⁷, and a Project Management Unit (PMU) was set up, headed by a National Project Manager assisted by two administrative staff. These arrangements prevailed throughout the project.

3. A Steering Committee was formed, chaired by the NPD and comprising the heads and focal points of the implementing entities and UNDP. Representatives of subcontracted agencies and NGOs were co-opted as required. The government departments concerned were
 - The Macro-economic Policy & Planning Department, MOFE, having a direct interest in the poverty research and analysis component
 - The National Statistics Office, having a direct interest in the HIES/LSMS component
 - The Central Employment Office, reporting to the MSWL and having a direct interest in the voucher skills training component
 - The NHLCSPP having a direct interest in the revolving loan fund and local business development component
4. The human development and advocacy component, the production of the third NHDR, was handled directly by the PMU and UNDP. The PMU also functioned as the secretariat of the Steering Committee.

b) Coordination

5. Between 2002 and mid-2005, the Steering Committee held nine meetings, reviewing annual and quarterly work plans and budgets, as well as the required annual and semi-annual project progress reports. Representatives of the implementing entities presented verbal and written accounts of the progress made in their respective components, and of any problems encountered. Discussions followed with a view to pinpointing any implementation delays, the reasons for these, and the remedial action that might be taken.
6. An important task of the Steering Committee, at its first meetings, was to determine which poverty-oriented studies should be undertaken by the PRG, selecting research proposals from line ministries, from UNDP and other agencies. The selection process used is discussed in more detail in the section on Poverty research and analysis (p.14).
7. The Steering Committee routinely reviewed the annual external audits required under the UNDP rules for national project execution (NEX). These audits, performed by the Mongolian National Audit Office, go beyond the scrutiny of accounts, internal control systems, inventories and administrative practices. They are also management audits in the wider sense, highlighting discrepancies between planned outputs and actual performance. In this manner, an independent outside view of project operations was added to the Steering Committee's deliberations.

¹⁷ The Director of the Macro-Economic and Policy Department of the Ministry of Finance was designated as alternate NPD.

c) Financial issues

8. The three annual audits limited their examination of project accounts to the calendar year under review and do not pronounce on the project budget as a whole, past expenditures, on the need to rephrase budget components and move resources between budget lines, giving the project management a relatively free hand in making budget adjustments seen as necessary. This lack of backward and forward perspective in the audits is a limiting factor in the scrutiny of the project's financial operations.
9. Budget planning was initially affected by the fact that the Sida grant decreased in USD terms, as the Swedish crown weakened in 2001-2002. By the end of 2003, significant reductions had to be made; there was frequent juggling of resources and shifts between budget lines to ensure that current operations were sustained. The subsequent strengthening of the Swedish crown improved matters and restored the US dollar value almost to that of the original grant.
10. A peculiar difficulty arises when attempting to monitor the use of the Sida/UNDP grants, in that the UNDP global project accounting system was radically modified in mid-stream, at the beginning of 2004. Essentially, earlier accounts were based on input categories; these were changed to a system based on activity and types of activity budgeted for in the annual work plans. A large number of accounting codes were used for the conversion, and these now control resource use by project component in line with the work plans. It would be a painstaking - and invidious - task to attempt a reconciliation of the two systems and reach any detailed conclusions on cost-effectiveness on this basis.
11. Under NEX procedures, disbursements are made either by the Government from funds advanced quarterly by UNDP, or by UNDP itself if so requested by the Project Manager. In PREF, more than half of all expenditures have been incurred by the PMU according to the NEX rules of procurement; foreign exchange disbursements covering procurement of computer equipment or consultant services, were made by UNDP.
12. The Government thus made all disbursements covering local goods and services, with minor exceptions. This placed a heavy burden on PMU staff, as all procurement, large and small, had to be processed by the Unit, with a number of service contract bids referred to a procurement committee. The Unit would have been well served by an Assistant experienced in procurement procedures to handle the job tasks concerned.
13. The remuneration of the PRG national professional staff was something of an anomaly in that it was covered by UNDP, according to a reimbursable loan agreement with the Ministry of Finance, under which UNDP reimbursed the Government for staff seconded under the PRG label and for work on project matters. Related expenditures, including an incentive payment, accordingly show up on UNDP's side of the ledger, although the staff making up the Group never left government service.

d) Assessment

14. The organizational and coordination arrangements put in place have worked satisfactorily. Within the Steering Committee, discussions frequently appear to have been lively, as implementing agencies were taken to task for gaps and delays in their work and had to provide acceptable explanations justifying such delays. Minutes of meetings cannot give a full flavour of the Committee's discussions, but on the whole the issues raised focus on immediate implementation problems, rather than on the outcomes and impact associated with the work undertaken by the project components.
15. High turnover of assistant staff plagued the PMU throughout the project's life, and the incumbent on the National Project Manager's post changed three times. This has surely affected operational continuity. Given the volume of procurement handled by the unit, it would be appropriate that one of the assistants be a qualified procurement officer. The point has further been made that PMU staff, like the technical staff of other programme segments, should also benefit from capacity-building, and the Mission endorses this view.
16. The annual audit reports give the project management a clean bill of accounting health and conclude that project expenditures have in all cases been made in line with the intent of the project document; that procurement actions and disbursements are supported by adequate documentation, and that proper records have been kept on the use and protection of the non-expendable equipment acquired.
17. On the matter of cost-effectiveness, the Mission notes that Mongolia is a low cost country; when local goods and services are systematically utilized, aid funds go a long way and can be effectively applied. International consultant services have been kept to a minimum. The volume and variety of activities undertaken within the project budget are impressive, and no case of funds being used for any purposes other than those of the project has come to the Mission's notice.

V. CONCLUSIONS AND RECOMMENDATIONS

a) Summary of Findings

Upstream Pro-Poor Policy Formation

1. ***Poverty research and analysis.*** The incorporation of the Poverty Research Group in the Economic Analysis Department of the Ministry of Finance has been seen as a successful institutional outcome of the project, internalizing within the government structure a group dedicated to research on poverty and gender issues, and placing poverty reduction in the forefront of national concerns. The Mission is in broad agreement with this view. Two qualifications need however to be made.
 - First, the group was already part of the government structure before being seconded on project duties at the beginning of the project. Its reintegration with the Economic Policy Department was accordingly a predictable outcome (Ch. III, paragraphs 14-15).
 - Second, its special vocation in the area of poverty research was overtaken by work on the Interim Poverty Reduction Strategy Paper and progressively weakened. Since the group's reintegration in the regular government apparatus, it has gradually moved even farther away from research, taking on the important – and vital – role of monitoring and reporting on progress made in relation to the Economic Growth Support and Poverty Reduction Strategy (EGSPRS). The erstwhile central objective of conducting poverty-related research is thus to all intents and purposes being undone.
 - A few exceptions notwithstanding, the research outputs of the group by and large failed to open avenues to policy-making. The probable reasons for these inadequacies of project outcome are discussed in Chapter III and Annex V.
2. The Mission finds however that the institutional positioning of the PRG has served an overall purpose in putting the spotlight on poverty reduction and gender concerns in a department of the administration wielding budget authority, and that this outcome should be rated as successful and beneficial in the medium term.
3. ***Measuring living standards.*** In the view of the Mission, the relevance of the production of the Household Income and Expenditure Survey, combined with a Living Standards Measurement Survey, is beyond dispute. Access to reliable and continuous information on economic and social conditions affecting people's lives is a basic prerequisite to all policy-making, as well as to monitoring the impact of any policies enacted.

4. Importantly, the new methodology used in producing the HIES/LSMS failed however to meet the project objective of providing data that could readily be compared with the preceding LSM surveys of 1995 and 1998, and that would make it possible to track poverty indices over time. Sets of sequential, comparable data will thus have to await the next round of the Survey foreseen for 2006-2007. Another lesson learnt was that the main survey needs to be supplemented with other more manageable, less costly statistical inquiries, to support specific policy initiatives.
5. On its own, the Survey will not yield an immediate impact in terms of poverty reduction, but it remains a key instrument for giving effect to government strategies in this area. The baseline information it provides on the incidence and severity of poverty is an indispensable tool for the future monitoring of policies and programmes aimed at its reduction.
6. ***Advocacy of human development issues.*** In the production of the National Human Development Report and in the related advocacy of poverty and human development issues, the project has successfully vested national ownership into the process. The report itself, the third in the NHDR series, maintains a respectable quality throughout, as it discusses the effects of urban and rural inequality. The disaggregating of the HDI by region and *aimag* is especially commendable, as it proved to be an effective advocacy tool.
7. The publication of the report was followed by an intensive advocacy effort across the entire country, led by a national NGO. As part of the public discussion of the report's recommendations, an important pioneering initiative was to gather information on public perceptions of human development issues, consolidating these and airing them at a workshop bringing together a number of policy-making bodies.
8. The Mission has little hesitation in qualifying the NHDR and the campaign to raise awareness of the importance of the report's findings as a major success, and perhaps the most enduring and significant legacy of the project. There is little doubt that it has laid a solid groundwork for moving human development concepts into the public sphere, from where the ideas they generate may in the final analysis stand the best chance of leading to policy breakthroughs.

Targeted Downstream Pilot Interventions

9. ***Subsidized skills training through vouchers.*** The pressing need to address deficiencies in the vocational training system was identified early on in the formulation of the project. Several different approaches were considered before finalizing the project document, which settled for a skills training scheme subsidized through vouchers, targeting the unemployed, start-up entrepreneurs and employed wishing to upgrade their skills.

10. During 2002, a carefully prepared pilot Voucher skills training programme was run by an ad hoc administrative unit in Ulaanbaatar over a three-month period. Close to 6,900 vouchers, at a nominal value of 10,000 *tugrug*, were issued to 1,967 applicants to attend modular training courses provided by private commercial and not-for-profit establishments in selected city districts.
11. On its completion, it was evaluated for initial impact through a survey and found to have successfully put in practice a demand-driven programme, offering training choices to applicants, responsive to labour market needs, and providing in-built incentives for training providers to improve their capacities. Convinced of the programme's potential, the Central Employment Office quickly decided to replicate the pilot under its own aegis.
12. Voucher skills training is now in its third year, set to become a fixture of fiscal and social policy. This is no mean project achievement. Although successive surveys indicate that tightening and control of eligibility is in order, the passage between a pilot endeavour and policy-making has in this case been remarkably smooth. The most likely explanation is that departmental goals have combined with practical feasibility, the user agency having been closely involved in the pilot from the start.
13. With regard to the future, there would be a general interest in following developments, and the project Enterprise Mongolia seems to offer an opportunity to do this, in particular the use of vouchers within the framework of business incubation centers to assist micro-entrepreneurs and start-up ventures.
14. ***The Revolving Loan Fund.*** Despite the misgivings expressed in the project document about continuing the operations of the Revolving Loan Fund (RLF) launched by the National Poverty Alleviation Programme in 1996, a determined effort was made under PREF to salvage and resurrect an ailing programme, whose record of loan recovery had fallen to unsustainable levels.
15. Following a nation-wide assessment, all lending operations were suspended for a period of six months, during which all aspects of RLF's lending were overhauled. A new loan manual was promulgated, setting new standards for lending, new loan maturities and new interest rates for the different categories of borrowers. After intensive training of loan officers, the new procedures took effect in May 2003.
16. The result has been a remarkable turnaround in RLF's fortunes, with loan repayment rates standing at an average over 95 percent in the 2004 financial year. It demonstrates that a government-run programme of this kind fills an important niche targeting the poor, as microfinance is increasingly mainstreamed within the banking system, by and large addressing the needs of low income but non-poor clients. The resources available to the Fund are however too small to be a significant factor in the world of rural banking.

17. Current policies and strictures on the use of budget resources for any lending virtually proscribe increases in the capitalization of the Fund. Any enlargement of RLF's operations, in scope and coverage, would therefore need to come from international donors. The Fund's situation should accordingly be reassessed, and its impact evaluated, in two-three years' time with a view to establishing whether a case indeed exists for a major capital increase.
18. ***Business development services.*** Considerable uncertainty surrounded the execution of this project component. It was eventually implemented, after long delays, through a small pilot operation in the Kherlen *soum* of the Khentii *aimag* in 2004. The pilot was however unable to put in effect any linkages with the revolving loan fund or the vocational skills training programme, as originally planned; nor can it be seen to have contributed to the project objective of strengthening the capacity of local government to manage poverty reduction programmes.
19. The experience of the pilot has however so far been positive. A local NGO, the Khentii Business Development Association (KBDA), was created to run the operation. Over the past eighteen months, 21 work groups have been formed, each consisting of 4-5 members engaged in the same line of business. The work groups were in turn networked in clusters, in order to benefit from economies of scale in the acquisition of raw materials and in product marketing. All work group members are also subscribing members of the KBDA.
20. The perceived benefits of the Kherlen micro-enterprise model are mainly anecdotal. Insufficient attention has been paid to recording the business volumes of individual groups, which would allow an objective assessment of the model's validity. Not surprisingly, the NHLCSF is not yet in a position to confirm whether the pilot is replicable or should be scaled up.
21. Although there is some doubt that the KBDA is a sustainable creation, the Mission believes that present deficiencies can be rectified, and that continued project support should be provided within the framework of the UNDP-supported project Enterprise Mongolia, in line with its particular interest in local cluster development initiatives.

Process Dimensions

22. ***Coordination and management.*** Attention to the matter of coordination was certainly essential for a programme implemented by four different government entities and having an overarching interest in the issues of poverty and joblessness. The Mission finds that coordination and management arrangements put in place have worked satisfactorily. The Steering Committee has met on the average three times a year to attend to the business of ensuring progress against the various project goals. An important qualification is however in order; Steering Committee meetings have

tended to focus the discussion on immediate implementation problems to the detriment of dealing with questions related to the intended outcomes of project work.

23. The Project Management Unit has been plagued by high staff turnover, probably affecting its overall effectiveness. Annual audit reports were routinely considered in the steering group; the audit observations made provided a valuable outside view of project operations and confirm that in no case were funds used for purposes other than those of the project.
24. ***Building capacity.*** All project components have to varying degrees incorporated capacity-building features in the institutions supported. In addition to the training on-the-job, which is always associated with a new activity or new job objectives, the project has used all available opportunities to attend international workshops or training programmes, some of them offered under other aid programmes. The advice of external short-term consultants has been fruitfully internalized and applied. While believing that greater attention should have been paid to sustained training in policy analysis, the Mission concludes that this aspect of project operations has been successfully executed.
25. ***Cost effectiveness and use of aid funds.*** On the point of cost-effectiveness, the Mission notes that in Mongolia, as a low income and low cost country, aid funds have considerable mileage when local goods and services are systematically utilized. From the perspective of donors and the utilization of aid funds, the Mission further concludes that there can be little doubt as to the validity of the purposes for which the aid appropriations have been made. These purposes are pervasive throughout this report. Poverty reduction is one of the thematic focus areas of UNDP; as for Sida, Swedish development cooperation has since 2003 been given a single goal, to contribute to an environment supportive of people's own efforts to improve their quality of life.

b) Lessons learned

26. ***Linking poverty with policy.*** A key challenge in each project component has been attempting to translate outputs into outcomes in the making of policy. Because of the overarching interest of its *problematique*, it has given the title to the present evaluation report. Influencing policy development is acknowledged to be a complex and complicated process, taking a variety of routes and forms. No panacea can be devised in terms of cutting a straight path through the bureaucratic thickets to policy-makers, or of reaching out to civil society to create awareness of the need for policy change.
27. A traumatic national experience may force the issue. Thus, the ill-conceived privatization of state assets in the early 1990s left scars in society that could not be

brushed aside politically. They have become part of the conventional wisdoms in the official and public discourse, ensuring that policies would in future be more circumspect.¹⁸ Conversely, counter-productive policies may stay in place and face tenacious resistance to change. In the view of most observers, for instance, the high interest rates (APRs of 30-40 percent) prevailing in the banking system are a millstone burdening domestic private investment, and in effect exclude the poor; yet, there seems to be no way out of this dilemma in terms of official policy.¹⁹

28. Every situation is in this respect one of a kind. The links between research, new information and policy-making have to be shaped in each case in a deliberate manner; the route is often tortuous and difficult to track. The time factor furthermore comes into play. Many policy recommendations do not sink in immediately, but surface later when conditions are more propitious, their origins being often obscure.
29. It follows that there is no easy way to define outcomes in terms of the policy impact that the project's diverse activities have had or might have in future. The Mission has therefore directed its attention to what has been done in the project to overcome the obstacles in its path. In this respect, the results are mixed and assessed above in the review of the different project components.
30. Given the complexities, it is natural that everyday preoccupations with operational matters have tended to displace the focus on policy dimensions, with more attention being paid to the timely completion of outputs. There are many telling indications in this regard. Symptomatically, perhaps, the project acronym PREF, does not allude to the tail end of the project title ("for Policy Development"), despite the overarching interest of the project in this aspect of its implementation.
31. ***The conundrum of measuring impact.*** Success in building paths to policy-making is in this context described as "outcomes". In this definition, project "impact" is the effect that policy changes have on the situation of the poor, their incomes and living standards. In this sense, no valid conclusions can be reached in the evaluation of a project of three year's duration, whose ambition could only be to contribute to laying the foundation stones of a systemic follow-up of improved knowledge and of successful pilot undertakings.
32. By definition, also, the measuring of impacts present difficult methodological problems. In most cases baseline data have not been assembled at the outset of a project intervention and cannot be reconstructed *post-facto*. Improvements in living standards can therefore not be documented. In addition the time span required for outcomes, in this context defined as policy change, to generate improvements in the

¹⁸ Recent enabling legislation allowing for privatizations in the social sectors, in education and health, would seem to contradict this observation. For the time being, however, implementation of planned reforms in this area have been put on hold.

¹⁹ Inimical to private investment, high interest rates on bank lending in the past 10 years have, in the eyes of many, seriously undermined private sector development, a key political objective of the Mongolian Government. See Keith Griffin, *The Macro-Economics of Poverty* (p.4 et al.).

living conditions of the poor, is often prolonged. With the time lags involved, the Mission believes it cannot fruitfully consider the issue of “impacts”.

33. *Virtue in flexibility.* Over the years, the PREF project has undergone a series of permutations, designed to accommodate emerging development concerns, both at the formulation and implementing stages. While not given emphasis at the start, the preparation of the Interim poverty reduction strategy paper, for instance, had a major bearing on the work of the PRG.
34. As part of these adjustments, also, the key role foreseen for the National Committee of the Household Livelihoods Capacity Support Programme (HLCSP) became progressively nominal, through delegation to the Ministry of Social Welfare and Labour and to the Ministry of Finance. While project objectives remained unchanged, outputs were adjusted as activities progressed, in substance if not in form. The pace of implementation, rapid in some components, slower in others, required continuous review of the allocation of resources.
35. The Mission finds that flexibility in approaching project tasks has served the programme well, and with hindsight, believes most choices made were appropriate, enhancing project relevance. While the changes made have led to some obvious inconsistencies in terms of the original project formulation (Ch. II b), rigid adherence to the original project prescriptions could well have produced even greater inconsistencies.

c) Recent programme developments

36. In looking ahead, and at possible future options, the Mission is somewhat restricted in its choices due to the fact that a programme to succeed PREF has already been negotiated with the Government. A project document, entitled Pilot Project to Support the National Poverty and MDG Monitoring and Assessment System (PMMS), was in fact signed during the Mission’s visit.
37. The new project follows the logic of an evolution that has led to the transformation of the PRG into an entity documenting and reporting on the progress achieved in implementing the economic and social strategies of the EGSPRS, now seen to encompass also the targets of the Government’s five-year action plan, the annual economic and social guidelines and the benchmarks of the national MDGs.
38. In line with this new role, the principal *raison d’être* of the PRG would henceforth be to act as the nodal point for a comprehensive system of monitoring and assessment of all relevant poverty indicators, and to coordinate the supply of information and data received from a variety of sources and data producers.
39. The project gives effect to a cabinet decree promulgated in April 2004 (No 96), which provides for systemic arrangements, led by the PRG, for monitoring and evaluating

the implementation of the EGSPRS, and for the establishment of a series of Policy Committees to consider the policy implications of the PRG review process²⁰. The decree provides for strengthening the PRG with two posts and retains its function to commission specific research and policy studies as well as to “undertake, coordinate and contract out, to the private sector or NGOs, analysis on specific issues and policies.”

40. On the face of it, this is a strong endorsement of the PRG role. On past evidence, however, the Mission believes that the earlier research vocation of the PRG is bound to take a back seat to its monitoring duties. As an integral part of the Economic Policy Department, the PRG profile is furthermore likely to fade with time; sooner rather than later, the distinct PRG label could well be history.
41. The new PMMS project document implicitly recognizes this, mentioning PRG only sparingly. Another unstated conclusion underlies the new approach, in that a research programme, such as that sponsored by the PRG, will not lead to breakthroughs on the path to policy change. A thorough overhaul of the system is therefore held to be necessary.

d) Recommendations

42. In the light of the considerations summarized in this chapter, the Mission endorses the general approach adopted for the follow-up project to support a National Poverty and MDG Monitoring and Assessment System (PMMS), on the understanding that:
- ◆ the institutional capacity created by PREF within the Economic Policy Department of the Ministry of Finance is fully drawn upon to put in place the proposed mechanism for coordinating the various components of the poverty and MDG monitoring system;
 - ◆ this unit or mechanism continue to be empowered to commission ad hoc research studies by independent bodies, on specific issues, as warranted;
 - ◆ the unit be directed to produce ad hoc policy notes and studies that have their starting point in a given set of indicators, with a view to creating a purpose-driven policy dialogue; to this end, it may be appropriate to strengthen the unit with a statistics specialist, in addition to the posts foreseen in Cabinet Decree No 96;
 - ◆ full use be made, in the next NHDR, of its proven potential as a complementary source of disaggregated indicators and as an advocacy tool; and, in the further pursuit of national ownership, consideration should be given to making academia the permanent locus for NHDR preparation;
 - ◆ deliberate and effective decentralization of monitoring systems through local level participation is ensured; and

²⁰ A parliamentary resolution promulgated in April 2005 (No.25) is also germane to the new approach, adopting as it does the Millennium Development Goals for Mongolia and calling for MDG benchmarks consistent with targets set in the strategy documents.

- ◆ a purposeful and functioning administrative nexus between poverty assessments and policy reform, along the lines of Cabinet Decree No 96, is devised at the outset of the project.

35. The Mission further recommends that

- ◆ the project Enterprise Mongolia, whose principal purpose is to create a system of business support centers to promote the growth of small and medium-sized enterprises, be used as a vehicle to consolidate the promising venture in local cluster formation of micro-entrepreneurs, that was started through PREF (p.37);
- ◆ the operations of the Revolving Loan Fund be reviewed, in mid-2007, its comparative advantage assessed in the context of microfinance developments, and its social and economic impact fully explored, with a view to establishing whether a case exists for expanding its role and substantially increasing its capital (p.36);
- ◆ continued annual impact assessments be conducted to monitor the further development of subsidized skills training, using vouchers, and in particular their use within the framework of business incubation centers to assist micro-entrepreneurs and start-up ventures (p.36).

ANNEX I

TERMS of REFERENCE
Independent Evaluation
of the UNDP/SIDA Poverty Research and Employment Facilitation –
MON/01/U01 Project

Summary

The overall aim of the proposed Evaluation of the Poverty Research and Employment Facilitation (PREF) Project is to review achievements and constraints of the project, assess past performance, draw lessons of interest to Government and donors (SIDA and UNDP), and identify strategic priority options for poverty reduction by the Government towards achievement of MDGs and implementation of the Economic Growth Support for Poverty Reduction.

The timing of the evaluation that has been planned during the project design is justified by the completion of the project. The Evaluation is being envisaged as an exercise with a two-fold thrust:

- To appraise the status of the implementation of the PREF project
- To propose, based on the findings of the appraisal, strategic priority options for poverty reduction for UNDP Country Office next country cooperation framework

The Evaluation will be carried out jointly by the Government of Mongolia, the Swedish International Development Agency (SIDA) and the United Nations Development Programme, the SIDA being the largest multilateral donor of the PREF project. The exercise will involve a team of independent national and international evaluators.

Background

Poverty reduction is at the core of the Government's development strategy. It is also a primary basis of cooperation with a number of external agencies, including the United Nations, the WB, ADB, and others. A full Poverty Reduction Strategy Paper entitled the Economic Growth Support for Poverty Reduction Strategy (EGS PRS) was adopted by the Parliament in 2003. It rests in three pillars: 1/ macroeconomic stability; 2/ private sector-led growth, including the promotion of export-oriented industries; and 3/ more equitable distribution of benefits through improved social safety net that ensures the protection of the vulnerable. The EGS PRS approach is a growth with a redistribution strategy.

The UNDP/SIDA funded Poverty Research and Employment Facilitation project –MON/01/U01 – has been designed and approved by the government of Mongolia, namely National Household Capacity Support Programme Committee (Ministry of Finance and

Economy and Ministry of Social Welfare and Labour) at the end of 2000. The project is funded by SIDA and UNDP (US\$1,2 mln).

The project has two objectives that share implementation focus: the provision of catalytic resources for capacity building to enable the further fulfillment of the Government of Mongolia and UN mandates on poverty reduction.

The first objective of the project is to strengthen the capacity of government agencies and civil society to gather, analyze and monitor social indicators and to review public policies, budgets and programmes that impact on people's well-being. This will be accomplished through strengthening of the capacity of Government and civil society in the areas of poverty research, formulation and monitoring and by improving national capacity to more adequately measure key indicators and trends related to poverty.

Specifically a high profile and well staffed Poverty Research Group will be established and assigned to the National Poverty Alleviation Committee (NPAC), and secondly, key poverty and socio-economic research tools – and the institutions involved in the production of these tools - essential for influencing informed policy decisions will be strengthened.

The National Household Income and Expenditure Survey (HIES) with LSMS like features and the third National Human Development Report (NHDR) 2003 will be carried out and produced under this objective.

The second objective will be to strengthen the capacity of Local Government to manage and monitor poverty programmes. The National Household Livelihoods Capacity Support Programme emphasizes support for poverty reduction at the soum level (pilot Business Development Services) and thus further deepens the degree of devolution and community participation.

Thus, the project consists of five components:

1. Poverty research group
2. HIES/LSMS 2003
3. NHDR 2003
4. Skills training voucher programme
5. Strengthening of local government in managing poverty programmes

Each component has specific, targeted activities (detailed in the project document and needs assessment reports – for Voucher and BDS components).

Evaluation Mission

Objectives

The Evaluation will review the implementation of the PREF project, draw lessons learnt in the course of project implementation, and make recommendations for further follow-ups and consideration. The recommendations should address the issue of the future effective utilization of the knowledge, skills and experience accumulated in implementing agencies under the PREF project.

Specifically, in close co-operation with the government of Mongolia, the joint Evaluation mission will assess:

- the current implementation status of the PREF project (outputs produced under the five components, their consistency with and contribution to the achievement of the objectives, extent to which the PREF project activities reached the target groups)
- capacities built at all levels:
 - Poverty Research Group – to analyze poverty, formulate policy options, ensure gender equality; and use the positive experiences with the project in their future activities and possibly in addressing broader developmental issues;
 - National Statistics Office – to improve HIES
 - National Human Development Report network//Mongolian Population and Development Association – to coordinate the preparation and production of the third National Human Development Report on Urban-Rural Disparities in Mongolia
 - Central Employment Office – to pilot and replicate a demand-driven voucher skills training programmes in Ulaanbaatar, capital of Mongolia
 - Household Livelihood Capacity Support Programme Office – to facilitate income-generation projects and to implement educational/ training projects for the poor; to partner with central and local authorities in planning and implementing poverty alleviation programmes/activities; major achievements and constraints to effective delivery of the project outputs positive and negative impacts of the results with reference to the development objective of the programme the ownership of the design, implementation process and outputs of the PREF

The evaluation team member (UNDP representative) will:

- Determine the relevance of the outcome being evaluated for the UNDP/SIDA assisted interventions to reduce poverty, and the extent to which the set objectives and envisaged outcome have been achieved;
- Review the implementation of the SRF/ MYFF in the area of work covered under this outcome, and to identify measures to increase achievement of results;
- Review the new developments (adoption of EGSPRS, commitment to MDGs) and new needs (establishment of a poverty monitoring system) at the country level and the extent to which the project has addressed these needs;
- Establish a sound methodology for conducting future outcome evaluations and to share the experience with the country office.

Outputs

The outputs of the mission will be:

A PREF evaluation report giving findings, lessons, conclusions and recommendations.

The report in both full and summary forms will be presented in the UNDP format to be provided by UNDP Mongolia. The final report should be submitted to UNDP Mongolia in hard and soft copies within 10 (ten) working days after the completion of the Evaluation mission.

Methodology

The Evaluation mission will work in close consultation with UNDP Mongolia.

The Team Leader shall develop in detail the methodology and workplan of the Evaluation mission through deskwork in consultation with and with support from UNDP Mongolia.

In general, the work of the mission will involve:

Documentation review: Begin with the SRF for a description of the intended outcome, the baseline for the outcome, the constituent outputs and the indicators and benchmarks used. Examine contextual information and baselines contained in the project document, the CCF, Common Country Assessment/United Nations Development Assistance Framework (CCA/UNDAF), and other sources;

Use interviews, field visits, questionnaires and meeting including participatory fora to validate information about the status of the outcome that is culled from contextual sources such as the SRF or monitoring reports;

- Meetings with officials from the Ministry of Social Welfare and Labour and Ministry of Finance, Mongolian Population Development Association, Central Employment Office, Household Livelihood Capacity Support Programme Office, National Statistics Office, and DaMost/NGO.
- Meetings in Mongolia with UNDP, WB, ADB and other related UN Agencies and NGOs.
- Review of reports produced under PREF project, including project document, progress reports, reports of other donors involved in the concerned areas;
- Information gathering through: (i) interviews with project direct and indirect beneficiaries; (ii) field visits for discussions with target groups/clients; (iii) assessment of the impact of training activities and the use of equipment;
- Preparation of the draft report and presentation of its major findings to a round-table meeting of concerned stakeholders (Government, CSOs and donors, including the WB).

Composition of the Evaluation mission

Each agency (UNDP, SIDA and Government) will appoint, in consultation with each other, a member for the Evaluation team. An important criterion for selection is that the members of the Evaluation team should not have been associated with the formulation, implementation or monitoring of the PREF project.

The international and national experts should be able to evaluate the project with respect to such special concerns as mainstreaming of gender and participatory approaches, strengthening of civil society, co-operation with the private sector.

Evaluation Team Leader

The Team Leader will be recruited prior to the actual fielding of the mission in order to have sufficient time for: the selection of a national consultant(s) in consultation with the team members appointed by the participating agencies, and 4 working days of deskwork for the development of the methodology and workplan and other necessary guidelines of the Evaluation mission. This task will be completed by 9 May (4 working days).

The Team Leader will:

- determine the schedule of the Evaluation exercise within reasonable time limits;
- develop the methodology and workplan of the Evaluation mission and submit to UNDP Mongolia for advance distribution to other team members;
- distribute responsibilities among team members through specific Terms of Reference or in any other manner s/he thinks appropriate;
- liaise with UNDP Mongolia management and staff assigned to support the mission
- ensure full achievement of the objectives of the mission;
- ensure timely submission of the mission report.

All evaluators should have masters or a higher level relevant academic training, over 10 years experience in poverty reduction work in developing countries and familiarity in results based management techniques.

The Team Leader should have extensive experience in leading evaluations and report preparation.

UNDP Mongolia

UNDP Mongolia will recruit a translator and mission support staff.

In consultation with SIDA Stockholm (through the Swedish Embassy in Beijing), UNDP HQs (Evaluation Team and/or Bureau for Development Policies) and Government of Mongolia (Ministry of Finance and Economy), UNDP Mongolia (PREF Project Implementation Unit) will provide secretarial services to the mission:

- overall management of the Evaluation exercise
- liaison with Government and donors
- logistical and other necessary support
- all the relevant technical and policy papers that are at its disposal

- a meetings schedule with confirmed appointments

Timeframe

The proposed timeframe for the Evaluation mission is four weeks starting 25 August 2005. The Team leader is proposed to undertake deskwork at the beginning of the mission (4 working days), followed by deskwork of the entire evaluation team (3 working days). The field work will involve 17 working days. The final report of evaluation is to be submitted within 10 working days after the completion of the field work. The overall level of effort is 25 working days for team members and 29 working days for the team leader.

Reference Materials would include, but will not be limited to the following:

CCA
UNDAF
CCF
SRF 2000 – 2004
MYFF 2004-2007
MDG Report
EGSPRS
Project document
Reports produced under the PREF project
UNDP Monitoring & Evaluation Manual

ANNEX II

List of Persons Consulted**UNDP**

Pratibha Mehta	UN Resident Coordinator and Resident Representative
Melaia Vatucaawaqa	Deputy Resident Representative
Sarantuya Mend	Assistant Resident Representative
Uyanga Gankhuyag	Programme Officer/Economist
Toshiya Nishigori	Programme Officer/Private Sector Development

Government of Mongolia

Chinzorig Sodnom	Vice Minister, Ministry of Social Welfare and Labour, National Project Director, PREF
Bolormaa Purejev	National Project Manager, PREF
Ch. Khurelbaatar	State Secretary, Ministry of Finance
N. Enkhbayar	General Director, Economic Policy Department, MOFE
J. Jargalsaikhan	Deputy Director, Economic Policy Department, MOFE
S. Munkhtseren	Macro-economic Specialist, PRG
A. Enkhuvshin	Public Finance Specialist, PRG
P. Byambadorj	Poverty Analysis Specialist, PRG
J. Ganchimeg	Director, Revenue Division, Working Group on GSB
B. Ganbold	Deputy Director, Sectoral Policy and Investment Dept
S. Lambaa	Chairman, Parliamentary Committee on Social Policy
Ya Dolgorjav	Political Advisor to the President
B. Namkhajantsan	Economic Advisor to the President
B. Delgermaa	Senior Policy Adviser, Prime Minister's Office
L. Ishdorj	Head, Monitoring and Evaluation Dept, Cabinet Secretariat
C. Dagvadorj	Director, Social Security Policy Dept, MSWL
D. Jantsan	Deputy Director, Labour Market Policy Dept, MSWL
D. Batmunkh	Deputy Director, Central Employment Office, MSWL
S. Dambii.	Vocational Training Officer, Central Employment Office
S. Erdene	Director, Business Incubation Centre, Darkhan, MSWL
Gereltuya	Officer-in-charge, Voucher Programme, Darkhan
D. Zoljargal	Head, Labour and Social Welfare Office, Bayangol District
Nyamjav	Training Officer, District Labour and Social Welfare Office
Kanimkhan	Director, Foreign Relations Dept, Ministry of Agriculture
Kh. Bajikhuu	Director, Administrative Department, NSO

Oyunchimeg Head, Population and Social Statistics Division, NSO
 Oyuntsetseg Head, Foreign Relations Department, NSO
 Amartuvshin Officer, Population and Social Statistics Division, NSO

D. Gobisaikhan Head, Programme Coordination Division, HLCSP
 Jadamba Loan Officer, HLCSP
 L. Sayanaa National Project Manager, Enterprise Mongolia

Khentii Aimag:

S. Jargal Governor, Khentii *Aimag*
 Daavasuren Head, Household Livelihood Capacity Support Programme
 Dolgorsuren Chairman, Khentii Business Development Association
 S. Otgontuya Office Manager, KBDA
 S. Altantuya National UNV for KBDA

Meeting with representatives of NGOs, media and other organizations working in the *Khergel Soum* of Khentii *Aimag*, as well as visits to several cluster groups, meeting a number of beneficiaries.

Bayanmunch Governor, Bayanmunch *Soum*, Khentii *Aimag*
 Ganbat Governor, Darkhan *Soum*, Khentii *Aimag*
 Gankhet Deputy Governor, Darkhan *Soum*

Gobi Sumber Aimag:

J. Bayanmunch Governor, Gobi-Sumber *Aimag*
 Maitsetseg Social Policy Development Officer, Governor's Office
 Purevsuren Secretary, Household Livelihood Capacity Programme
 B. Tsetsgee Local Head, EU Livestock Products Distribution Project

Meeting with seven representatives of NGOs working in the *Aimag*.

Munchdalai Governor, Gobi-Ugtaal *Soum*, Gobi Sumber *Aimag*

Dundgobi Aimag:

Sh. Turbat Governor, Dundgobi *Aimag*
 Dulmaa Head, Social Policy Development Division
 Badamsuren Education and Childrens Issues, Governor's Office
 Dolgorsuren DaMoST representative, Dundgobi *Aimag*
 Turbat Programme Coordinator, WorldVision, Dundgobi *Aimag*
 Davaanyam Programme Officer, Gobi Initiative, USAID
 Baatar Head, Public Administration, Erdenedalai *Soum*
 Bayanbaatar Secretary, Household Livelihood Capacity Programme

ANNEX III

SRF and Related Frameworks

The Strategic Result Framework (SRF) and the corresponding Multi-Year Funding Framework (MYFF), are UNDP key strategic planning instruments designed to capture the key results (intended outcomes and outputs) and annual target results derived from all the projects /programs of the current Country Cooperation Framework. The Result Oriented Annual Report (ROAR) is the corresponding principal instrument for reporting on a yearly basis on progress towards results.

In considering alignment between PREF project design and those documents, namely UNDP SRF (2000 - 2003), MYFF (2004-2007) and relevant ROARs (2001-2004) and the extent to which PREF development and contributions are adequately reflected in those planning and monitoring documents, the Mission wishes to make the following comments:

1. There is general incongruity between the PREF objectives and outcomes outlined in the project document and the goals/outcomes stated in the above documents. This reflects the fact that UNDP SRF was elaborated in 2000 in relation to the Government's new umbrella programme of Good Governance for Human Security (GGfHS), which provided the basic framework for the UNDP Country Programme (2002-2006). The PREF was at that time formulated as a separate initiative which was to accommodate the successor programme to National Poverty Alleviation Programme, known as the National Household Livelihoods Capacity Support Program (NHLCSPP).
2. However, the PREF project overarching objective *"To reduce poverty and unemployment, and improve the livelihood security of the people"* and intended outcome 1 of *"Government policies more adequately reflect and address poverty and the actions required for its reduction"* were fully consistent with UNDP SRF goals/outcomes, namely:
 - (i) Creating *"an enabling environment for sustainable human development"* and related key outcome *"Increased use by decision-makers of sustainable human development concepts in policy formulation and implementation"*.
 - (ii) Supporting *"Economic and social policies focused on the reduction of poverty and related key outcome "The policy planning framework of the country incorporates a comprehensive approach to and specific targets for reduction of*

income and human poverty, taking into account of the Millenium Development Goals".

3. This highlighted a consensus that a key and medium term/long term priority for UNDP corporate and country-level interventions (in Mongolia under both the GGfHS and the NHLCSPP) should be to foster pro-poor policy development, through informed poverty analysis and poverty impact analysis. In fact, the case for establishing the Poverty Research Group (at that time envisioned as a "Policy Analysis Unit") was made following a two-day workshop organized in September 2001 by UNDP within the framework of the Good Governance for Human Security Program to discuss the findings and recommendations of a new UNDP publication on the macro-economics of poverty reduction (Keith Griffin, 2001). The PRG initiative as well as the production and dissemination of the third National Human Development Report (NHDR) were taken-up separately by the UNDP/SIDA PREF project, as complements to on-going upstream UNDP support to the GGfHS.
4. Subsequently, PREF key output targets for the PRG, including PRSP and the Gender Sensitive Budget initiative, the NHDR and the HIES/LSMS were generally well/explicitly reflected in the yearly targets set in the SRF over the period 2001-2003.
5. In contrast, the SRF was found to be much weaker in adequately capturing PREF intended results for its downstream pilot components, especially the Business Development Services (BDS) as well as developments under the Revolving Loan Fund (RLF). Generally, planning and reporting on those components reads a bit "ad-hoc", as they do not neatly fit, at the substance level, with SRF intended outcomes/outputs. For instance, the Voucher Training Program pilot and its transfer to the government were set as specific SRF targets for 2002 and 2003, under the SRF upstream goal/outcome (i) mentioned above.
6. As regards the project BDS component, the Mission also notes that SRF 2002 sets "*approach to rural development changed to support local initiatives better linked to industry and trade*" as a specific target for 2003. This vagueness in the target specification probably reflects the lack of a clear initial strategy in the PREF project document regarding the BDS.
7. Thus, over the 3 year period 2000-2003, PREF results on Poverty research and analysis/PRSP development and monitoring/Gender Sensitive Budgeting, NHDR and HIES/LSMS are generally adequately reflected in the corresponding ROARs, while results attached to other components appears to be either under-reported or reported in a quite ad-hoc manner.

8. Generally, the format of the planning framework provided by the new MYFF/SRF for the period 2004-2007 would appear to better serve PREF *reporting needs across all relevant components* for the period 2004-2005, within the scope of the new overarching goal of “Achieving the MDGs and reducing human Poverty” (MYFF Goal 1). Core expected results and 2004 targets spelled out under this goal are indeed clustered under 3 corporate service lines, clearly distinguishing between upstream ((i) and (ii)) and downstream support (iii) namely:
- (i) “MDG reporting and poverty monitoring”
 - (ii) “Pro-poor policy reform to achieve the MDG targets” and related core advocacy – centred result “ *National events and dialogue on manor development issues organized*”.
 - (iii) “Local poverty initiatives, including micro-finance” and related core result of promoting “*replicable local poverty initiatives linked to policy changes*”²¹.
9. PREF advocacy outcomes around the NHDR are well reported in the corresponding ROAR 2004 under (ii); PREF achievements under the Skills Voucher Training and BDS initiatives appear also to be consistently captured under line (iii).
10. The Mission notes, that except for the institutionalization of the PRG as a monitoring unit, PREF developments regarding the PRG/PRSP are not properly reflected. MYFF 2004 does not set specific targets for PREF in terms of poverty research and dissemination and PREF results in this area not reported in the ROAR. In fact, the ROAR 2004 appears to awkwardly and quite confusingly link outcomes of PREF poverty research work with on-going efforts to develop monitoring systems under (i), stating that “ *As part of the support to operationalize the poverty monitoring system UNDP has helped organize a number of workshops to enable local and government and CSOs in reviewing results of analyses, reviewing existing policy (..), acknowledging that the “impact on policies has been limited”*”.

To conclude, while PREF development objective is substantively linked to poverty reduction and sustainable human development goals enshrined in the SRF/ROAR, there is a general “formulation disconnect” between PREF project development goal/ outcomes and SRF/ROAR. There is therefore a “retrofitting” issue in attempting to relate the PREF project results to those stated in those strategic documents. The contrast between the PREF and SRF/ROAR result formulation highlights important transitional challenges of the SRF/ROAR and of outcome-oriented evaluation exercises.

²¹ The mission notes that the document refers to a particular outcome of the country program (2004-2006) , namely “the prospects for poverty reduction and equitable development increased through community-based interventions in rural and urban areas leading to policy reform”, which however does not neatly fit to the results stated in the original CP document.

UNDP country Program and SRF outcomes have been formulated in relation to the upstream-looking GGfHS program - regardless of the successor program to NPAP and the downstream interventions provided under PREF, which therefore are not fully and properly captured by SRF/ROARs over the period 2001-2003. Reporting on PREF downstream results in the recent period (2004) has generally improved. It is found however that PREF developments and results for the PRG component are not adequately and consistently captured.

The case of the PREF project generally indicates that more time will be needed to bring alignment between corporate SRF/ROAR results framework, CCF programming strategy and project-level operations.

ME CONSULTING LLC

Social Impact Assessment of Skills Training Voucher Programme**ABRIDGED VERSION²²**

Summary. The objective of skills training through the issue of vouchers covering the partial cost of this training is to assist people registered as unemployed to improve their skills through short-term training at vocational training establishments and to find employment in occupations in demand by the labour market.

The purpose of the study is to assess the impact of this training on unemployment, and by extension to develop appropriate policies to enhance its social effects.

Under the Programme, 3,309 people benefited from voucher-subsidized training in 2003 in six districts of Ulaanbaatar City; in 2004 (as of 1 October) 4,970 more individuals improved their skills in a variety of areas.

As part of the study, a sample survey was carried out involving 730 individuals who had received training in the two years 203 - 2004. Staff of the central and district employment offices, as well as of the vocational training establishments, or Training Providers, were also consulted.

Of the total sample, 253 underwent training in 2003. Of these 88 (34.8 percent) were employed at the time of the survey; 27 of those employed (35.5 percent) were working in the informal sector in occupations using skills acquired through the voucher-subsidized training, or 10.6 percent of the 2003 sample segment.

Another 458 individuals attended training courses in 2004. Of these 115 (27.4 percent) were employed in the informal sector at the time of the survey; 68 of those employed (63.6 per cent) were engaged in occupations for which they had received training, or the equivalent of 15 per cent of the 2004 sample.

Looking at the entire sample of 730 respondents, only 95 (13 percent) were employed in the occupations for which they had been trained under the Programme. This is a significant decline, as compared with the corresponding figure obtained in the separate 2003 Impact Survey, which was 37.1 percent.

Background. Funding for the Programme was obtained from the Employment Promotion Fund, with a maximum issue of 4 vouchers per trainee depending on the nature of the

²² The present summary, which has been prepared by the Mission, attempts to capture salient data produced by the study. In many cases, numbers provided in different sections of the report are inconsistent and do not always add up to the totals given; percentage figures often do not reflect the corresponding absolute numbers. These figures have not been altered and stand as in the original survey.

training involved. In 2003, a total of 9,932 vouchers were issued in all six districts, an average of 3 vouchers per trainee, at a total cost of USD 82,067 equivalent.

In 2004, by the end of September, 14,917 vouchers were distributed, maintaining an average of 3 vouchers per trainee, at a total cost of USD 120,610 equivalent to the Employment Promotion Fund.

Before issuing vouchers, staff of district employment offices provide information to eligible voucher applicants on the training services of accredited training institutions, advice on current labour requirements and openings, and monitor the training process. In general, only one voucher is issued at a time, covering weekly training modules of 20 hours of instruction.

A clear majority of the Training Providers are registered as private companies, while 9 are registered as NGOs. To obtain accreditation, providers must a) acquire an official certificate confirming its ability to carry out vocational training in the specified disciplines, b) have worked in the training field for no less than 3 months, c) possess information on the market demand and employers' needs, and d) give evidence of possessing a training locale adequate for training purposes.

By end-September 2004, 36 Training Providers had been formally accredited by the District Employment Offices, reducing substantially the number of Providers listed earlier by the Central Employment Office. The latter was however the only office authorized to redeem the used vouchers submitted by the Training Providers.

Methodology. Using information collected by district employment offices, the survey made a random selection of 1,899 individuals having undergone voucher training in the period 2003-2004. Of these 1,153 could not be located or contacted, having moved from their stated address.

Following preliminary testing, information was gathered from 730 individuals making up the sample. These were asked to respond to a questionnaire, eliciting information on

- Personal data (name, age, gender, occupation, address, employment status)
- Income level and income change (before and after training)
- Nature and quality of the training (information sources, assessment of training provider and district employment office consulted, number of vouchers used)
- Employment opportunities (work access and time required to get a job, employing organization, employers' requirements and their assessment of training results).

Results of Investigation. The Survey defines social impact of the training provided as change in employment status (in formal or informal sectors) and the change in the level of income of training participants. The following information emerged:

- 537 of the respondents, or 73.5 percent, were female, indicating that there is a preponderance of women in the vulnerable group of unemployed. This figure is

somewhat higher than the corresponding figure of unemployed registered with the Central Employment Office for the same period.

- The age of respondents vary between 16 and 60, with six respondents being over 61 years of age. A majority of respondents (55 percent) were in the age bracket 16-25 years, confirming the widespread unemployment of young people having for the most part completed 8 or 10 years of secondary schooling.
- In terms of education levels, 467 respondents (64 percent) had completed their secondary education, while 95 (13 percent) had dropped out of secondary school. 84 (or 11.5 percent) held an academic degree, indicating a misfit between chosen professions in this category and the demands of the market. (The observation was however made that employers tend to favour applicants with “high education”, while not strictly justified, displacing in this way other applicants who actually possess the required qualifications.
- 209 respondents (28.6 percent) had previously held occupations before attending the voucher training, indicating falling demand in the labour market or inability to meet job requirements. Close to 40 percent of respondents in this category explained their unemployment as due to “employers’ too high demand”.
- Respondents used their vouchers for training in 26 different occupational skills, predominantly in the service sector. Thus, 522 (71 percent) trained as hairdressers, beauticians, sales persons, cooks and waiters, reflecting the perceived demand for such occupations. 78 (just over 10 percent) had trained in the construction trades, and as electricians and mechanics; there was a perceptible increase of such training in 2004, indicating growing shortages in the expanding construction industry.
- Vouchers being a subsidy device, trainees were required to pay actual tuition costs which exceeded the voucher value by 10 – 100 percent. About 80 percent of respondents had paid these differentials, while the remainder neglected to do so for various reasons.

With respect to Training Providers, survey data show that

- More than 75 percent of respondents had chosen their respective training organizations “on their own”. Very few indicated that their choice had been influenced by information on labour market demand. The location of the training organization was an important factor in their choice, respondents tending to choose one close to home.
- 55 respondents stated they were guided “by advice of specialists in charge of training” in the district employment offices, suggesting bias in favour of particular Training Providers and the possibility of irregularities on the part of staff offering advice on the choice of training institutions.
- Respondents had obtained information about the Programme from district employment offices (39 percent), from other local administration offices (15 percent), and from friends (17.5 percent). Very few had obtained information through public media, indicating insufficiencies in publicizing the Programme.
- 30 percent of respondents had chosen three Training Providers, Abuka, Gun Shim and Khairkhan. Most Training Providers have very limited capacity in

terms of receiving trainees. Only 7 of those accredited have capacity to accept more than 50 trainees per week.

Qualitative appraisal. Respondents and Training Providers were also asked to give their views on the quality of the training provided. Some salient points are:

- A clear majority, 520, rated the training as ‘Good’, and 71 as “Very Good”. Only 17 respondents (2.5 percent) expressed dissatisfaction. Many felt however that time allocated to practical training was too short.
- Most Training Providers described the training offered as oriented to meet labour market demand, and claimed they maintain continuous contact with neighbourhood employers, and advise trainees on job openings. On completion of the training, a professional certificate is issued to facilitate the search for employment.
- As regards eligibility of people in the target group, it is noteworthy that 166 respondents were engaged in successive occupations before attending the training programme, and might only be considered temporarily unemployed.
- Among the unemployed, a significant percentage (40 percent) of respondents gave as reason for their continued unemployment that the employer’s requirements were set too high.
- Over 80 percent of respondents had received the maximum of four vouchers each. 53 respondents stated that, although they were registered with district employment offices as trained under the programme, they had in fact not received any vouchers.
- A clear majority (75 percent) of Training Providers believe that the skills acquired during a month’s training are inadequate for many of the trades in question, an observation which matches a widespread view among respondents that employer’s requirements are set too high.

Conclusions. At time of the survey, only 95 respondents, or 13 percent of the sample of 730 individuals, were engaged in occupations for which they had been trained under the voucher programme in 2003-2004. This is a major decline as compared with the corresponding figure (37.1 percent) obtained in the previous 2003 survey. Thus, for a large number of trainees, learning a trade has not significantly improved their employment prospects. By way of explanation, the Impact Survey concludes:

- That the target group includes a significant number of unemployed who are not really eligible, according to the spirit and intent of the Programme, such as students during summer vacations;
- That the occupational skills of graduates do not commonly meet the requirements of the employer;
- That the alleged existence of irregular practices among staff in the district employment offices must be addressed.

ANNEX V

The PRG Research Agenda**a) General Research Features**

8. Research studies commissioned and produced by the PRG may be grouped in three broad categories:

- ❖ Poverty/vulnerability assessments: The livelihoods of middle income groups, proposals for reducing their vulnerability, the risk of falling into poverty. Effects of environmental disasters and poor weather conditions on the living standards of rural households. Comparative study of current methodologies for identifying living standards of households and citizens.
- ❖ Poverty impact assessments: Urban poverty and in-migration: examine the poverty impact of migration to Ulaanbaatar city. Effectiveness of restocking strategies in building and securing the incomes and the livelihood of herder households. Privatization, income distribution and poverty: the Mongolian experience. Impact of utility charges on poor households.
- ❖ Macro-policies and governance: Relationship between socio-economic policies and budget planning. Impact assessment of ODA in the health sector in Mongolia. Civil society participation in the budget process.

2. **National ownership.** In order to maximize impact, the PRG research agenda was intended to be a nationally-owned, demand-driven process, and responsive to the perceived needs of line ministries. In this respect, the Mission must conclude that the level of national ownership of the initial research agenda was generally low. Of the 18 research proposals approved by the Steering Committee, only 6 studies met specific requests of national institutions. Almost half of studies completed as of September 2005 were influenced by donors/donor recommendations.

Initial research agenda approved by the Steering Committee (2002) – Origin of requests

Number of studies requested solely by line ministries and other national entities, including PAPO	Number of studies requested by line ministries/national agencies in response to external recommendations*	Number of studies “selected” by PRG in reference to external recommendations*
6	5	7

* Joint IDA-IMF Staff Assessment of the I-PRSP, UNDP report “A strategy for Poverty Reduction in Mongolia”, as well as a report of a UNDP mission on the “integration of equity and poverty reduction concerns into a development strategy”.

Research studies completed as of September 2005 – Origin of requests.

Number of studies requested solely by line ministries and other national entities	Number of studies requested by line ministries on recommendation of donors	Number of studies initiated by donors only (based on consultations with national stakeholders)	Number of studies “selected” by PRG in line with IFIs recommendations
5	2	2	2

3. ***Prioritization and policy-relevance.*** To ensure policy relevance of the research work on an on-going basis, the project document provided for “*the production of rapid and tangible outputs based on quarterly-driven requests received, prioritized, consolidated and forwarded by the National Poverty Alleviation Committee*”. In contrast, the research agenda of the PRG was established “once and for all”, with long-standing implications in terms of delivery, timeliness of dissemination and advocacy activities.
4. Research requests received from line ministries and others were approved by the Steering Committee primarily on the grounds of minimizing replication and overlapping²³. Whilst the PRG played an important role in screening and assessing the policy relevance of specific topics against PRSP process, little thought was given to determining priorities among the contending line ministries and agencies.
5. In line with the “milestone” approach to the supervision of subcontracted research, the PRG sought to involve, as relevant, officials of requesting line ministries in the discussions of preliminary research findings and recommendations. Draft studies on herders’ livelihoods were notably discussed in a set of seminars organized at the regional level, as well as with officials from the Ministry of Food and Agriculture. The extent to which this consultation process was applied to other studies and the extent to which it involved officials who had first made the research requests, remains unclear.
6. ***Quality of policy recommendations and effectiveness of advocacy activities.*** Most stakeholders consulted pointed to the general nature of many policy recommendations made in the studies, as the main reason for their limited impact. The Mission acknowledges this weakness; on the other hand, most studies were also meant to address the informational needs of a broad range of stakeholders, not solely policy-makers, as indicated in the terms of reference. In addition, as may be inferred from the prescribed “research outcomes” stated in the TORs, some studies were not primarily meant to produce policy recommendations, but to provide new data and methodologies²⁴.
7. The publication of the PRG bi-monthly newsletter “Poverty Matters” starting in 2003, and the development of the poverty website, www.poverty.mn, were important steps taken by PREF to sensitize the general public to study findings on a continuing basis. However, the ability of the project to reach out policy-makers has obviously been constrained by a limited capacity to distil the essential recommendations, assess their policy relevance and implementation dimensions, as prerequisites for an effective advocacy strategy. In this

²³ See Minutes of Second Project Steering Committee Meeting, April 2002.

²⁴ e.g. The study on Urban poverty and In-Migration was meant to provide a set of basic data regarding the poverty profile of migrants; Study of the current methodology for Identifying Living Standards was methodology oriented, rather than policy-oriented; the same applies to the study on the impact of ODA on the health sector.

regard, the Mission welcomes a recommendation made in PREF's most recent progress report, to assist the PRG/MOF to consolidate PRG research findings in "short and actionable policy notes"²⁵.

8. Also, as with the establishment of the research agenda, the dissemination of study findings and recommendations to the public and to policy-makers, essentially took the form of a single workshop organized in December 2004, once all completed studies were published. Not only was there a possibility that some studies were by then somewhat out of date; the variety of issues addressed during this single event might well have been an important impact – reducing factor.
9. ***Scope of research and poverty focus.*** From the perspective of effectively mainstreaming poverty reduction into a national policy framework, it may be argued that research topics should have had a clear "poverty stamp" and sought to provide a critical mass of information and knowledge on poverty. Initial efforts made by the PRG in this direction are surely commendable. The research proposals received from line ministries covered a broad range of topics, some of them being only loosely linked to poverty. As evidenced by increasing references to "poverty" and "the poor" in the research titles listed in the 2003 work plan, as compared to the 2002 work plan, obvious efforts were made by the project to rationalize, refine and clarify the research agenda to project a focus on the poverty dimensions and implications²⁶ of the studies.
10. However, as noted above, whilst national ownership of the research agenda can be said to have increased with the formal integration of the PRG within the MOFE, a flip side of this trend has been the narrowing scope of research (itself mirrored by a lower representation of line ministries), and some weakening of the "poverty focus". Of the studies initiated in 2004, three deal with broader governance issues of particular concern to the Economic Policy Department of the MOFE²⁷.

b) Follow-up on Research Studies

Studies on herders' livelihood and living standards:

- "Analyze the effects of environmental disasters and poor weather on living standards of rural households." The study provides a broad set of recommendations on ways to help herders cope with weather hazards. An important practical recommendation was to introduce an information system for early warning at the local level. Such a system is now being developed and piloted in Erdenedalai *soum*, Dundgobi *aimag*. The scope for scaling-up remains uncertain.

²⁵ PREF Progress report, Jan-July 2005, p.11

²⁶ To mention a few, "Examine the economic impact of urbanization and migration to city" has been changed to "Examine the Poverty Impact of migration to Ulaanbaatar City", "Produce a report on making public expenditure more efficient" has been expanded to "Produce a report on making public expenditure more efficient and more pro-poor". Further, vague proposals such as "Provide policy recommendations on the composition of the labor force", "Examine possible means of lessening the impact of price increases" have been abandoned. Proposals related to user charges and privatization issues have ultimately led to two subcontracted poverty impact assessments (Topic 6 and 10).

²⁷ Namely, the "Relationships between the socio-economic development policy planning and the State consolidated budget planning"; "Civil society participation in the budget process", as well as "Impact of official development assistance (ODA) in the health sector in Mongolia").

- According the stakeholders met, (Ministry of Food and Agriculture), discussions around preliminary findings of studies have generally helped to revamp the design of new programmes designed to support herders' livelihoods and enhance risk preparedness, including the World Bank-funded Sustainable livelihoods programme. The studies have notably highlighted the need for shifting from a top-down approach to restocking, towards more comprehensive and bottom-up approaches to income generation and risk management.

Poverty Measurement:

- “*The study of the current methodology for identifying living standards of households and citizens and its comparison with some countries at similar level of development*”: The study responds to a long-term concern of the MSWL to improve the current targeting methodology used for allocating social welfare benefits and reduce the degree of leakage away from the poor. The study provides a participatory methodology for assessing living standards based on substitute measures for income and food consumption. While the study does not formally recommend to use the new methodology, a joint resolution No 05/07 (January 2005) of the Director of NSO and the Minister of Social Welfare and Labour endorsed its use on a pilot basis. It is currently piloted in relation to the implementation of a welfare program targeting children (“Child Money Program”).

Governance:

- “*Citizen’s report card*”. The methodology provided by the study has been recently tested to get citizens’ feedback on the quality and effectiveness of clinic health services (2004) as well as of tertiary education (2005)²⁸.
- “*Relationship between the Socio-economic development policy planning and the State consolidated budget planning*”. Some study recommendations are reflected in the Socio-Economic Guidelines (2006-2008), which are currently discussed in Parliament, along with a Bill providing for linking budgeting and policy planning.

²⁸ See “The report of the pilot survey to assess the family clinic services using the citizen report card method”, Economic Policy Department, PRG and World Bank (Poverty Reduction Trust Fund): “Evaluating the university and institutes’ services using the citizen report card method”, 2005, Association of small and medium-sized entrepreneurs.

Summary information on PREF Research outputs

	Sub-contracted research studies	Part of initial research agenda YES/NO	Requesting agency / line ministry	Link with joint IDA -IMF Staff Assessment of the I-PRSP	Costs (USD)	Completion/publication status as of September 2005
1	Examine the livelihoods of middle income groups, proposals for reducing their vulnerability, the risk of falling into poverty	Yes	Economic Faculty Mongolian National University		7800	December 2004 (published)
2	Analyze the effects of environmental disasters and poor weather conditions on the living standards of rural households	Yes	Ministry of Food and Agriculture, MOSWL	Ref to par 7.1	8446	Feb 2004
3	Examination of the effectiveness of herd restocking strategies in building and securing the incomes and the livelihood of herder households	Yes	MOSWL/PAPO		7300	Nov 2003
4	Bringing herders assets into full economic and productive use	Yes	PAPO/Ministry of Food and Agriculture		9500	Feb 2004
5	Urban poverty and in-migration: Examine the poverty impact of migration to Ulaanbaatar City	Yes but amended (Funded by UNDP)	Initiated by UNDP		34200	May 2004
6	Privatization, income distribution and poverty: The Mongolian experience: Review of initial privatization policies, their impact on the poor and the drawing of lessons for future policy	No (Funded by UNDP)	Initiated by UNDP		50000	June 2003
7	Impact of utility charges on poor households	Yes	PRG , following a recommendation of the WB/IMF		8900	May 2004
8	Relationship between the Socio-economic development policy planning and the State consolidated budget planning	No	Ministry of Finance; Approved by the Steering Committee in May 2004		11339	2005 not yet published
9	Impact assessment of official development assistance (ODA) in the health sector in Mongolia	No	Ministry of Finance; Approved by the Steering Committee in May 2004		8900	June 2005, not yet published
10	Study of the current methodology for identifying living standard of households and citizens and its comparison with some countries at similar level of development	No	Initiated by PRG; Approved by the Steering Committee in May 2004		14200	November 2004
11	Civil society participation in the budget process	No	Ministry of Finance; Approved by the Steering		8600	On-going

			Committee in May 2004			
12	Gender analysis of the public budget on the social welfare sector	No (Funded by JWID)	Suggested following a Workshop on Gender Analysis		11000	Completed and published 2004
13	Gender analysis of the public budget on the employment sector	No (Funded by JWID)	Suggested following a Workshop on Gender Analysis		10900	Completed and published 2004
14	Gender and poverty analysis of donor aid and loans in employment and social welfare sector	No (Funded by JWID)	Suggested following a Workshop on Gender Analysis		9100	Completed and published 2004
15	Engendering Economic transition: gender sensitive budgeting experiences from Mongolia and their implications for transition countries	No (Funded by JWID)	Suggested following a Workshop on Gender Analysis			Completed and published 2005
	In-house research studies					
1	Impact of taxes on cashmere exports	Yes		Ref. to 2.6		2002 Not published
3	Tax elasticity	Yes	PRG , following a recommendation derived from K.Griffin, A strategy for Poverty Reduction in Mongolia			2002 Not published
4	Analysis of the nature of poverty in Mongolia/Poverty Reference Book	No	Initiated by PRG			2005 Not published
5	Examine the research methods of the citizens report card	Yes	Initiated by PRG			July 2004
6	Economic growth and productivity	Yes	Initiated by PRG			2005 Not published