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Implemented by:



САНГИЙН ЯАМ



Swiss Agency for Development  
and Cooperation SDC

## THE THIRD SUSTAINABLE LIVELIHOODS PROJECT

### FACTS

#### Project name:

The Third Sustainable Livelihoods Project

#### Duration:

2015 - 2019

#### Budget:

- SDC's grant in USD: 6 million
- IDA Credit, the World Bank in USD: 24.8 million

#### Target group:

Rural citizens and poor households throughout Mongolia

#### Target area:

Nationwide

The Third Sustainable Livelihoods Project (SLP3) aims to foster improved rural local governance and effective service provision by building capacity and institutionalising community participation in the planning and delivery of priority investments. It will do so by supporting the implementation of the Integrated Budget Law (IBL), which is the centrepiece of the government's decentralisation reform process. SLP3 will provide essential capacity building interventions to all 330 soums and performance based grants to soums as incentive for good performance. SLP3 will contribute to local development benefiting 40 percent of Mongolia's population.



*The energy efficiency renovation of the 5th kindergarten building of Jargalant soum, Khovd aimag has been carried out with LDF support.*

### BACKGROUND

In the past two decades, Mongolia has taken significant strides towards the establishment of a stable, open, and democratic state. At the same time, the economy has undergone a profound shift – from one that was centrally controlled, based largely on semi-nomadic pastoralism, to one that is market-oriented and driven by a world-class mining sector. However, the substantial economic benefits need to be equitably distributed to accelerate poverty reduction, particularly in rural areas. Decentralisation is seen by government and key stakeholders as being critical to economic growth, diversification,

and equitable and sustainable development. With the enactment of the IBL, the country is moving away from a highly centralised budgetary system and attempting to reduce the distance between citizens and policymakers. The IBL specifies that local governments must utilise Local Development Fund (LDF) allocations in accordance with citizens' priorities as identified through a robust process of community participation in budget preparation and execution - a major step forward in the empowerment of citizens and the citizen-government relationship.

#### SDC's Strategic Goal:

To contribute to equitable and sustainable social and economic development in Mongolia

#### PROJECT OBJECTIVE

To improve governance and community participation for the planning and delivery of priority investments in rural areas of Mongolia

## PROJECT COMPONENTS

### Capacity Building for Local Governance and Livelihoods

The project aims to build capacity at local and national levels for the planning and budgeting of the LDF with community participation, as well as procurement, reporting, and monitoring and evaluation (M&E) of LDF implementation in accordance with relevant laws and regulations. Moreover, based on needs identified in particular in the APA process, SLP3 will provide local authorities and communities with tailor made training and technical assistance. Overall, improved capacities will lead to better local governance and performance.

### Good Governance Performance-Based Support Program

This component will provide an incentive for good performance in the soum public financial management annual cycle by

providing an annual performance-based top-up fund to selected soums based on the outcomes of soum Annual Performance Assessments (APAs).

Financial and policy planning, budget preparation and adoption, budget execution, accounting, reporting, internal and external control, and public scrutiny of the LDF and other public resources will be assessed annually through the APA process.

### Project Management and Monitoring and Evaluation

Activities under this component will support M&E of SLP3 to increase its efficiency and effectiveness, as well as provide support to the Ministry of Finance in strengthening its M&E system to monitor LDF implementation and results.

## PROJECT ACCOMPLISHMENTS (AS OF OCTOBER 2017)

### Capacity Building for Local Governance and Livelihoods

- The project has conducted capacity building trainings based on the needs identified through the 2016 and 2017 annual performance assessments. The trainings included capacity building on local financial management for local decision-makers on the revised IBL, and for local treasury and budget officers to improve their knowledge of the government or national financial and management information system and to improve their capacity on budget planning and implementation.
- A national-level experience-sharing event was held in Darkhan in September 2017 aimed at identifying and validating LDF good practices, and gathering data or information for the further roll-out of nationwide experience-sharing events or for cap building programme.

### Good Governance Performance-Based Support Programme

- Under the project, teams of independent evaluators conducted an annual performance assessment in all of Mongolia's 330 soums in 2016. Based on the results, 154 higher-scoring soums were selected to receive performance-based grants, which were included in the

revised 2017 state budget in April 2017. Grant amounts are 25 percent of the previous year's LDF budget with a total of US \$2.97 million (MNT 7.2 billion).

- Independent evaluators conducted a 2017 Annual Performance Assessment in all 330 soums in July 2017.
- LDF allocations are more equitable thanks to revised LDF formula in the Cabinet order No.30, which ensures that criteria in the formula are weighted by relative population sizes.

### Project Management and Monitoring and Evaluation

- The recruitment of Local Project Officers - whose responsibilities include facilitating project activities at the local level, linking with the project implementation unit, aimag administrations and other local stakeholders, and supporting and monitoring capacity building for local administrations and citizens - has been completed. Orientation training carried out successfully in April 2017.
- Aimag-level Support Teams with aimag officials and key technical support officers were established to provide capacity building for soum public officials. The Aimag-level Support Teams work under the guidance from the project implementation unit.

### Partner organisations:

- The Cabinet Secretariat of the Government of Mongolia
- Governor's offices of aimags and soums
- Aimag Finance, Treasury and Development Policy Divisions, and aimag Procurement Departments
- National Academy of Governance of Mongolia

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