



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
MN: SMART GOVERNMENT  
APPROVED ON JUNE 6, 2014  
TO  
MONGOLIA

DIGITAL DEVELOPMENT

EAST ASIA AND PACIFIC

Regional Vice President:	Manuela V. Ferro
Country Director:	Martin Raiser
Regional Director:	Nicole Klingen (Acting)
Practice Manager/Manager:	Mark David John Williams
Task Team Leader(s):	Siou Chew Kuek, Benqing Jennifer Gui



**ABBREVIATIONS AND ACRONYMS**

\$	All dollars are in United States dollars unless otherwise indicated
AID	Assets and income declaration
CS	Office of the Cabinet Secretariat
DO	Development Objective
DRC	Disaster Recovery Center
EMP	Environmental Management Plan
GoM	Government of Mongolia
IAAC	Independent Authority Against Corruption of Mongolia
IBRD	International Bank for Reconstruction and Development
ICT	Information and communications technologies
IDA	International Development Association
IDF	Institutional Development Fund
IP	Implementation Progress
ISR	Implementation Status & Results Report
ITPTA	Information Technology, Post and Telecommunications Authority
MoF	Ministry of Finance
NEA	National Enterprise Architecture
NSO	National Statistics Office
PDO	Project Development Objective
PIAID	Personal Interest and Assets and Income Declaration
PIU	Project Implementation Unit



**BASIC DATA**

**Product Information**

Project ID P130891	Financing Instrument Investment Project Financing
Original EA Category Not Required (C)	Current EA Category Partial Assessment (B)
Approval Date 06-Jun-2014	Current Closing Date 31-Oct-2021

**Organizations**

Borrower Mongolia	Responsible Agency Office of the Cabinet Secretariat
----------------------	---

**Project Development Objective (PDO)**

Original PDO

The development objective of the project is to use information and communication technologies to improve accessibility, transparency, and efficiency of public service in Mongolia.

**Summary Status of Financing (US\$, Millions)**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-54830	06-Jun-2014	18-Jun-2015	17-Aug-2015	31-Oct-2021	19.40	14.58	3.04

**Policy Waiver(s)**

Does this restructuring trigger the need for any policy waiver(s)?

No



## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

### A. Background

1. **This Restructuring Paper seeks approval for an extension to the closing date of the Mongolia SMART Government Project (P130891, 'Project') by 10 months, from October 31, 2021 to August 31, 2022.** This request responds to the Mongolian Ministry of Finance's (MoF) letter sent to the Bank on September 23, 2021, requesting the Project to support development and upgrade of the government's Personal Interests, and Assets and Income Declaration (PIAID) system. The PIAID system will allow more than 40,000 government officials to submit mandated declarations by the government's declaration cycle (January 1 to February 15, 2023). The system's development and upgrade are needed urgently to support the renewed focus of the Government of Mongolia's (GoM) top leadership on transparency and anti-corruption efforts. The proposed extension caters to GoM counterparts' intentions to fully use the Project savings of \$1.1 million of IDA funding that are from cumulative value-added tax exemptions. The proposed PIAID system and activities identified for support through Project's savings are fully aligned with the Project's development objective (PDO). This will be the final extension sought for the Project if it is approved.

2. **Mongolia's score in Transparency International's Corruption Perceptions Index has decreased since 2015 and reached 35 points and ranked 111<sup>th</sup> out of 180 countries.** One of the four key goals of the current government is to establish a digital nation built upon 'justice and online governance' as pronounced in Prime Minister L. Oyun-Erdene's February 2021 speech at the plenary session of the Parliament. The Prime Minister has recently, and the government for the first time, established an Inter-Sector Working Group to improve Mongolia's score in the Corruption Perceptions Index. The working group has developed an action plan that aims to prevent and investigate corruption through a focus on detecting illicit wealth.

3. **This late request from GoM for the Project's support to the PIAID system reflects the government's immediate efforts to respond to the severe condition of deteriorating public perception about corruption and trust in government.** A more robust online PIAID system is needed to detect illicit wealth as more than 1,700 officials are currently needed to process government officials' declarations of their personal interests, assets, and income. The PIAID system's development and upgrade will be instrumental to the government's immediate efforts to enable a declaration process that is faster, more robust, cyber-secure, and comprehensive. It will include expanded functionalities for non-conflict-of-interest declarations, improve efficiency by using artificial intelligence-based processes and increase timeliness and accuracy of these official declarations.

4. **GoM counterparts are keen to maximize use of the Project's \$1.1 million savings through this extension as the Project is financed by IDA.** GoM seeks to use the IDA funds as Mongolia is no longer eligible for IDA credit terms. These savings are from the Project's cumulative value-added tax exemptions, and initial technical assessments indicate that it is feasible to complete the Project's additional activities by August 2022.

### B. Restructuring History

5. **The Project has been restructured four times since Board approval.** The restructurings included extensions to the closing date, and changes to component costs, results framework, and environmental category.

6. **The first restructuring was approved on June 11, 2015, before the Project was effective, to make changes to the component costs and extend the closing date by 12 months.** There was a 14-month delay in effectiveness due to: (a) a government reorganization in late 2014 whereby the Recipient's Representative (Ministry of Economic Development) was formally abolished and merged with the Ministry of Finance (MoF); and (b) lengthy in-country procedures for signing and ratification of the Financing Agreement. The restructuring did not modify the original PDO and there were no changes made to the Results Framework, Safeguard Categories, or Safeguard Policies triggered.

7. **A second restructuring was approved in November 2019 to adjust the Project's component costs and add activities.** The MoF requested a Project Restructuring to make these adjustments based on the GoM's priorities. The results framework was updated during this restructuring to better capture the activities of the Project and to comply with corporate requirements



(adding an indicator to track Citizen Engagement). This was the first restructuring for the Project undertaken by the current World Bank task team.

8. **A third restructuring was approved in October 2020 to extend the closing date of the Project by 10 months to October 2021.** During the January 2020 implementation support mission, it was agreed that an extension was needed to allow adequate time to complete the Project activities given the restrictions imposed by the COVID-19 pandemic that had affected the Project's implementation. MoF officially requested a one-year extension to the Project closing date on April 23, 2020 and a 10-month extension was approved by the Bank on October 11, 2020.

9. **The fourth restructuring approved in September 2021 was triggered by Safeguards Policy OP/BP 4.01 and changed the Environmental Assessment Category of the Project from C (Not Required) to B (Partial Assessment).** These changes were required due to minor civil works undertaken for the Disaster Recovery Center (DRC), which is part of the technical architecture to upgrade the National Data Center described in Component 2. The minor civil works were not financed by the Project, and the costs are not included in the government's counterpart financing for the Project. The cost was covered directly by the Communications and Information Technology Agency, which is formerly known as the Information Technology, Post and Telecommunications Authority<sup>1</sup>) and is a beneficiary agency of the Project.

### C. Project Status

10. **The Project is part of GoM's national e-Government program that seeks to leverage ICT to improve governance effectiveness, accountability, openness, and efficiency for public sector reforms and transformation.** The Project was approved by the Bank on June 6, 2014 with \$19.4 million of IDA-financing and became effective on August 17, 2015. The PDO is to use information and communication technologies to improve accessibility, transparency, and efficiency of public service in Mongolia.

11. **The Project's four components are described below.**

- (a) *Component 1: Enhance Civic Engagement and Citizen Feedback Mechanism:* Provide a well-structured contact center for citizens to access online public services, transact digitally with the government, and enable online citizen feedback and transparent complaint resolution process.
- (b) *Component 2: Enabling Foundations for SMART Government:* Provide a robust framework for public service delivery by developing a national enterprise architecture, upgrading the national data center, establishing an innovation support program, and enabling e-property registration across the country.
- (c) *Component 3: Enabling Open Data:* Support for a dynamic and sustainable open data ecosystem, including the steady pipeline of diverse and high-quality data sets, and increasing the data production capabilities of the National Statistics Office to produce good quality data more frequently.
- (d) *Component 4: Project Implementation Support:* Establish the PIU within the Cabinet Secretariat (CS) for project implementation.

12. **The Project has been successful in its overall implementation.** Progress towards achieving the PDO (DO rating) and overall implementation progress (IP rating) are rated *Moderately Satisfactory* and are expected to be upgraded to *Satisfactory* in the next Implementation Status Report (ISR) that will be processed after the approval of this Restructuring Paper. The Project's steady improvements in performance over the last two years is due to the concerted efforts of the government counterparts and demonstrates the GoM's commitment to the successful completion of the Project. The Safeguards ratings (overall rating

---

<sup>1</sup> The Information Technology, Post and Telecommunications Authority (IPTA), a beneficiary agency stated in provision 4.02 of A. Institutional arrangement, IV. Implementation of the Project Appraisal Document underwent a change of name to the Communications and Information Technology Authority, following the change in Parliament after the 2016 general elections. All functions and commitments of this agency remained the same as prior to the name change.



and the rating for the triggered OP/BP 4.01) have been consistently *Satisfactory* since November 2019. Counterpart funding has been rated as *Satisfactory* for the life of the Project.

13. **The Project has achieved all its five PDO-level results indicators.** The achievements of three indicators have been recorded in previous ISRs. The Project has achieved its targets for the remaining two indicators on the availability of public services for citizens through digital channels and the availability of public services for businesses through digital channels. Forty online services were recently launched by the General Authority on State Registration and the Communications and Information Technology Authority under this Project, which is more than the 30 online services targeted by these two results indicators. These achievements will be updated through an ISR after addressing this priority request for restructuring.

14. **The Project's current disbursement ratio is 83 percent and is expected to be 94 percent by end-October 2021.** This is due to the closing of the Project's remaining activities and \$1.1 million in project savings from cumulative value-added tax exemptions.

#### **D. Rationale for Restructuring**

15. **The proposed development and upgrade of the PIAID system is needed urgently to support GoM's renewed focus on their transparency and anti-corruption efforts as it is the government's main system for monitoring illicit wealth.** The needed development and upgrade of the government's PIAID system under this extension will allow more than 40,000 government officials to submit their mandated declarations by the government's January 1 to February 15, 2023 declaration cycle. It will enable IAAC to effectively implement both the Assets and Income Declaration (AID) and Conflict of Interest legislations; and the PIAID system's expanded functions will contribute to improving Mongolia's ranking in the Corruption Perception Index.

16. **The PIAID system's development and upgrade will bring significant efficiency and transparency benefits to GoM's efforts.** The current system is almost 10 years old. It is outdated and does not have sufficient functionality, capacity, reliability, or cybersecurity for long-term use. Besides the significant number of officials required to manually process these declarations, GoM still relies on a paper-based process for declaration of non-conflict-of-interest by candidates for political and/or office holder positions in GoM and this process does not provide sufficient time for monitoring by IAAC. The system's development and upgrade will be instrumental for the government's priority efforts to enable a faster, more efficient, robust, cyber-secure and comprehensive process that includes expanded functionalities for non-conflict-of-interest declarations. It also increases efficiency by using artificial intelligence to assist in monitoring and analysis; and increases the timeliness and accuracy of these official declarations. Capacity building activities will be provided to relevant government officials from IAAC and other GoM agencies to improve their use of the PIAID system.

17. **The PIAID system's development and upgrade is ready for implementation.** IAAC has developed comprehensive technical specifications for this proposed activity. The Bank's task team has conducted a technical assessment through discussions with CS, MoF and IAAC and confirmed the technical feasibility of implementing and completing this system by August 31, 2022.

18. **The proposed support to the PIAID system builds upon and continues the achievements of the former World Bank project.** The 'Strengthening Corruption Prevention and Monitoring Project' (P143470) developed the current system in 2012. The project was implemented by the Governance Global Practice at the cost of \$293,550 that was financed by the Institutional Development Fund. The current PIAID system was one of the project's main outputs contributing to its objective of building IAAC's capacity to efficiently implement the declarations.

19. **The option of developing and upgrading the PIAID system under the proposed follow-on Smart Government II Project under preparation (P176631, targeted for Board in February 2022) was explored but found to be infeasible.** This option will delay the efficient, comprehensive, and secure declarations of government officials by another year to the 2024 declaration cycle. The proposed follow-on project will instead be used to strengthen the PIAID system's additional functions for registering and resolving corruption-related complaints and public transparency.



20. **GoM counterparts are keen to maximize usage of the \$1.1 million in Project savings through this extension as it is IDA-financed.** The savings are from cumulative value-added tax exemptions and Mongolia is no longer eligible for IDA credits. The proposed extension will allocate \$300,000 to upgrade the PIAID system. The remainder of \$800,000 will be used to scale-up and upgrade the national and disaster recovery data centers, and these activities can be completed by the new closing date.<sup>2</sup>

## II. DESCRIPTION OF PROPOSED CHANGES

### E. Proposed Changes

21. **The Project's closing date will be extended to August 31, 2022 and this will be the final extension sought for the project if it is approved.** This proposed extension of 10 months cumulatively extends the loan closing date to 32 months and will be the Project's fifth extension. The Project's first 12-month extension was conducted before the Project became effective in 2015 to reflect GoM's reorganization of their Recipient Representative from the Ministry of Economic Development to MoF and delays in signing the Financing Agreement.

22. **The PIAID system activity will be included in the Project's Component 3 on Enabling Open Data, and the additional activities using the Project's savings will be included in Component 2 on Enabling Foundations for SMART Government.** The PIAID system contributes directly to Component 3's activities to build a dynamic and sustainable open data ecosystem, to develop high-quality data sets within GoM. The system will be part of the government's open data ecosystems to increase public transparency. Component 2 will be adjusted to include the scale-up and upgrade of the national and disaster recovery data centers that are already included in this component.

23. **An intermediate-results indicator will be added to the results framework to reflect the PIAID system as a strategic output from this extension.** The proposed indicator will be: Upgraded online system for government officials to declare personal interests, assets, income and non-conflict-of-interest (Yes/No).

24. **The disbursement estimates and implementation schedule will be changed.** The changes to the disbursement estimates are shown in the data sheet below, and the implementation schedule will be adjusted in consultation with the implementing agency's Project Implementation Unit.

25. **IAAC will be added as an additional beneficiary to implement the PIAID system.** The Project currently has five beneficiary agencies, and the Cabinet Secretariat remains the implementing agency.

26. **The proposed restructuring will not affect the PDO or the amount of financing.** The development and upgrade of the PIAID system is fully aligned with the PDO to use information and communications technologies to increase accessibility, transparency, and efficiency of public services. The Project's savings will be used for these additional activities under the extension.

27. **There are no changes to the component costs for the Project.** The current component allocations are sufficient to cover the additional activities to be implemented with Project savings. Component 3's allocation can cover the costs of the PIAID system. The additional activities to upgrade the data centers under Component 2 may result in a minor increase in overall component cost (estimated to be about 6% of current allocation), and these costs will be added to the component's workplan and budget.

28. **The Project's overall risk remains *Moderate*, and the proposed extension does not trigger new Bank policy or existing policies applicable to the Project.** The additional activities do not increase the risk ratings for the individual risk categories. The PIAID system and equipment and hardware upgrades for the data centers are not expected to increase the political, governance

---

<sup>2</sup> The additional activities to be financed by the Project's savings, based initial technical discussions, include the scale-up and upgrades of the networking equipment and computing hardware for Mongolia's national and disaster recover data centers. The technical specifications for such equipment and hardware can be developed much more rapidly than software as it does not require business process reengineering and/or development of functional specifications from scratch. The implementation period for hardware is also significantly shorter as it involves system configuration during installation, instead of software development and/or customization.



risks, and stakeholder risks as these are upgrades to existing systems and infrastructure that are currently being used. These activities do not have direct macroeconomic impact on Mongolia and do not affect the residual risks from sector strategies and policies as they are fully aligned with the PDO and the Project's existing components and activities. The increase in technical and program design risks is marginal based on the technical specifications and discussions with IAAC, and institutional capacity is deemed sufficient as the Project has previously implemented significantly bigger and a larger number of activities. There is no significant change in fiduciary risks as the Cabinet Secretariat remains as the implementing agency for the procurement and financial management roles. The additional activities do not trigger new environmental and social safeguards as the Project's environmental category was recently upgraded from 'C' to 'B' to reflect minor civil works on the National Data Center, and the proposed additional equipment and hardware are located within these existing facilities.

### III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Loan Closing Date(s)	✓	
Disbursement Estimates	✓	
Implementation Schedule	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
PBCs		✓
Components and Cost		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓



Social Analysis		✓
Environmental Analysis		✓

**IV. DETAILED CHANGE(S)**

**LOAN CLOSING DATE(S)**

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-54830	Effective	31-Dec-2019	31-Dec-2020, 31-Oct-2021	31-Aug-2022	31-Dec-2022

**DISBURSEMENT ESTIMATES**

Change in Disbursement Estimates  
Yes

Year	Current	Proposed
2014	0.00	0.00
2015	1,000,000.00	0.00
2016	1,000,000.00	1,000,000.00
2017	1,000,000.00	1,120,000.00
2018	1,000,000.00	1,500,000.00
2019	1,500,000.00	700,000.00
2020	9,200,000.00	7,000,000.00
2021	3,800,000.00	1,850,000.00
2022	900,000.00	3,800,000.00
2023	0.00	600,000.00





Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
ownership certificate (Number)									
Volume of government data made publicly available as Open Data through central, searchable platform that are both updated and contain detailed data-related documentation (Number)		0.00	0.00	0.00	20.00	32.00	32.00	32.00	32.00

**Intermediate Results Indicators by Components**

Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
<b>Component 1: Enhance Civic Engagement and Citizen Feedback Mechanisms</b>									
Share of 11-11 queries resolved within three to seven days (Percentage)		41.00	41.00	41.00	52.00	55.00	59.00	80.00	80.00
Number of contacts to the integrated 11-11 platforms (Number)		65,000.00				100,000.00	120,000.00	140,000.00	175,000.00
Business analytics system established (Yes/No)		No	No						Yes





Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
women team members (Number)									
Number of provinces and UB districts where the e-Property Registration System has been rolled-out (Number)		17.00	17.00	20.00	25.00	30.00	30.00	30.00	30.00
<b>Component 3: Enabling Open Data</b>									
Number of datasets released (Number)		0.00	0.00	0.00	3.00	27.00	27.00	27.00	27.00
A central, searchable National Open Data Portal established and data are available from at least 5 government ministries/agencies, enabling their data sharing with the public (Yes/No)		No							Yes
Data standards and a common framework are established to allow data to be used in combination with other government agencies (Yes/No)		No							Yes
Upgraded online system for government officials to declare personal		No							Yes



Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
interests, assets, income and non-conflict-of-interest (Yes/No)									
<b>Action: This indicator is New</b>									



**The World Bank**

MN: SMART Government (P130891)

---