

**Communication Program to Support
Fiscal Reform and Decentralization in Mongolia**

Stakeholder Mapping Analysis

(Summary of the report)

I. INTRODUCTION

Background

The reform of Mongolia's fiscal sector became urgent subsequent to the period of economic instability that followed the collapse of commodity prices. The adoption of the Fiscal Stability Law (FSL) in June 2010 represented a key step towards insulating the economy from mineral price fluctuations and towards containing inflation. However, as pressures to increase spending are constant threats to the country's economic stability, Parliament is expected to adopt a new Integrated Budget Law (IBL) which will lay out a new process of budget management, including improvements in public investment planning, and fiscal decentralization. In the run-up to elections in 2012, the challenge for the country will be to implement and adhere to these two landmark laws.

World Bank has implemented a Strategic Communication Project to support reform efforts led by the Government of Mongolia and stakeholders by piloting a strategic approach to communication and engagement.

The specific objective of the pilot is to support the implementation of the IBL and relevant procedures by a) encouraging a partnership and sustainable multi-stakeholder dialogue for reform and reform communication; and b/ supporting communication capacity in the Ministry of Finance and local authorities.

The Bank team with assistance of international and national consultants has undertaken a comprehensive analysis through stakeholder mapping for the decentralization reform.

The objectives of the stakeholder mapping were:

- To map the stakeholder environment with regard to fiscal reform and decentralization in order to inform the future communication strategy as well as an implementation plan to engage stakeholders with fiscal reform and decentralization in Mongolia.
- To feed into the design of the training course on communication and governance for the stakeholders to be delivered by mid-October 2011.

Therefore this report provides major findings of a stakeholder mapping analysis on fiscal reform and decentralization (*but with more focus on fiscal decentralization which is a core part of the IBL and its implementation after the law is passed*).

Brief summary of fiscal decentralization efforts in Mongolia

In 1993- 2002 Mongolia implemented a decentralization policy that increased the fiscal rights of aimag, soum, and district level authorities. But problems emerged:

- i/ no public participation (local government was more powerful than local assemblies) and no clear accountability mechanism;
- ii/ unequal policy for public services and their accessibility at the local level: education, health etc.

In addition, no information system was developed such as the current Government Public Financial Management System (GPFMS), and there was no effective monitoring and supervision from the sector ministries.

Therefore, the Government adopted a centrally managed public financial system and introduced GPFMS under the General Budget Law and the Public Sector Financial Management Law in 2002. Mongolia has benefited from this central system in recent years, as stakeholders agree. At the same time they all agree that it is now the appropriate time to move towards to greater fiscal decentralization since the basic infrastructure and system are already in place and local economies are growing. Under the current system, there is almost no local level budgetary decision-making as all budget issues including detailed expenditure items and specifics are approved centrally.

Stakeholder Mapping Analysis

The analysis has been conducted by: L. Otgontuya, Director of Research Institute for Management and Policy Studies, Academy of Management, employed as national consultant and specialist on budget reform and expenditure in Mongolia; and J. Sunjidmaa, WB Mongolia Communication officer, operating as specialist on communication and stakeholder engagement etc.

In addition, Adam Burke, an international consultant on governance was also recruited and provided professional advices on methodology and approach for the stakeholder mapping including the outline for the report and analysis etc.

Focus of the stakeholder mapping

The focus was to identify key actors and stakeholders for the implementation of fiscal decentralization and assess conflicts, barriers and opportunities relating to their interests and incentives toward to the reform. Based on these assessments, key areas to be addressed were identified through communication interventions. The study recommended some practical actions to feed into the communication strategy and also recommended a communication and participation workshop to be carried out as the next steps of the pilot project.

Methodology and Process

The following methodology and process were used and followed for the stakeholder mapping:

1. Review of the draft IBL and other relevant work and papers including WB projects such as SLP
2. Identification and grouping of key players and stakeholders for fiscal decentralization reform efforts
3. Development of key questions and issues to be discussed and raised during the study, especially stakeholder interviews, with inputs from SLP TTL, CommGAP, Governance Hub etc

4. Scheduling stakeholders interviews and discussions in UB and provinces including selecting provinces and their soums to conduct the stakeholders analysis
5. Conducting test interviews and fine-tuning the schedule and selected research sites
6. Field missions including conducting all interviews and group discussions with stakeholders
7. Collecting and sorting data and information, and drafting an initial report that includes a list of major findings and initial analysis for broader internal team discussion
8. Completion of all interviews
9. Completion of draft report including analysis and recommendations for further internal team discussion.

During the work period, the stakeholder mapping team interviewed 113 people of which 78 are provincial and rural stakeholders and 35 are from central government and UB city.

II. STAKEHOLDER MAPPING AND ANALYSIS

Table 1. Stakeholder Map (for effective implementation of IBL after it is approved by Parliament)

Influence of Stakeholder	Importance of Stakeholder			
	Unknown	Little/No Importance	Some Importance	Significant Importance
Significant Influence	C	<ul style="list-style-type: none"> • Large businesses • National political stakeholders: Parliament and President 	A	<ul style="list-style-type: none"> • National government stakeholders: Government and line ministries • Local political stakeholders: Local assembly and governors • Local budget organizations and agencies • Civil society organizations including some traditional CSOs and communities leaders in the provinces • Media • Local businesses • International bodies and partners
Somewhat Influential				
Little/No Influence	D		B	<ul style="list-style-type: none"> • Communities and herders • Youth • Academics
Unknown				

III. KEY ACTORS FOR THE REFORM : barriers and opportunities

Opportunities and Participation

1. Most players and stakeholders do agree in principle about the importance of timely reforms that are pursued without any delay. They warmly welcomed the approach to support the reform through communication interventions and other technical support.
2. The political leaders do support and promote the decentralization plans. But proper preparation and awareness at local levels are required. High expectation exists at local levels but major challenges remain.
3. Understanding about the IBL and participation in its consultative process was fairly good at aimag and district levels and also some extent in sector ministries. But it was far weaker, and in cases entirely absent, at the soum level, among local CSOs and in local communities. In general, there are very high expectations that once the IBL is approved there will be major reforms in terms of decentralization and greater fiscal rights at the local level etc.
4. Two key features of IBL are: i/ a financing mechanism to be carried out based on an index of location, number of local population etc.; and ii/ public participation. Other than that IBL is effectively a combination of 2 existing laws: the General Budget law and the Public Sector Financial Management Law.
5. Information channels and sources that local stakeholders use to be informed about the IBL and to participate in related consultations are:
 - a. VC and local consultation workshops organized by MoF for local government people, treasury staff etc in aimags
 - b. Questionnaires/surveys conducted by MoF for local government staff, treasury staff etc in aimags and soums
 - c. Additional information sources were: Internet (MoF web site, some information shared from MoF and line ministries etc) and mass media and speeches made by relevant MPs, local governors, etc
6. There is less awareness and knowledge about specifics of public participation. Current practice on public participation is mainly inherited from the socialist system and it involves representatives from classic or socialist type public institutions such as associations of women and senior people etc. In general, there is great space to promote and encourage constructive and two way communication and engagement especially in rural and local areas.
7. IBL will not start from “O” in terms of local readiness. Experience before 2002 when local levels enjoyed greater rights and authority over budget processes, and also experiences of SLP in recent years, form a good basis for starting the IBL. But a transition strategy is important especially for public investment and procurement.
8. There have been very good initiatives in local and UB level in terms of budget transparency and public participation. These are for instance:
 - a. Budget transparency initiatives in Khovd province including at the soum level. All stakeholders participated in budget transparency training and took follow up actions at the aimag and also soum levels.
 - b. All local authorities work closely with local media and inform local people about their work and have “the Government hour” broadcasted by local TVs
 - c. Local Assembly meeting in East Gobi that discusses budget issue and also work of local government offices is broadcasted live through major local TV channels.
 - d. Many local treasury units and budget entities in the provinces and city including some districts disclose aggregate budget information to the public. But no simple

- nor detailed info on their budgets are disclosed, mainly given skills deficiencies and also the lack of communication officers or teams.
- e. One local Assembly office (East Gobi province) introduced a hot line to receive comments and suggestions from the public.
 - f. Budget transparency and CSO monitoring initiatives in UB district (Bayanzurkh) and the provinces (Khovd and East Gobi)
 - g. Basic infrastructure and mechanisms for engagement and communication between CSOs and the Government and the Local Assembly are already in place in aimags.
 - h. Some soums started “Citizen’s hall” operations.
9. SLP is appreciated and welcomed as the “effective” community participation system in rural areas. So good elements of the SLP need to be used beyond the project operation. Public participation aspects of the IBL are welcomed by everyone. But it is emphasized that public participation needs to be responsible and professional.
10. Key local actors and stakeholders who are very relevant for the effective implementation of the IBL are
- Local government at aimag and soum levels
 - Local assembly meetings at aimag and soum levels Heads of budget entities in aimags and soums: director of school, hospital etc
 - Staff of treasury department, financial department and other departments in local government offices
 - Bagh leaders etc (smallest local administrative unit)
 - Local CSOs and local businesses
11. The following changes are required for the work of these groups:
- They need to participate in policy development and take policy decisions. Therefore they need to have better understanding and knowledge on the local economy and its development priorities and challenges
 - Since their role will shift from collecting data and executing decisions made at the central level, they need technical knowledge of budget analysis and budgeting, the scope to follow the budget process more thoroughly, etc
 - They will benefit from more integration and engagement with local Assembly, CSOs, community groups and the public for information and participation
 - They will have to develop more public information (not simply technical information) to inform CSOs and the public on the budget process etc.
 - More coordination and cooperation with budget entities and various departments at aimag, soum and central levels
12. Key information channels and reliable sources of information in rural areas:
- Local meetings at aimag, soum and bagh levels. Bagh meetings (1-2 times a year)
 - Local governor, local Parliament members and speaker, bagh leader, etc
 - Public event at bagh level (2-4 times a year)
 - Meeting with local governor
 - Information table in aimag and soum governor offices and also offices in budget entities: school, hospital etc
 - “Local government information hour” broadcasted weekly on local TV
 - 6 TVchannels broadcasted nationwide and 1-3 local TV channels
 - Cell phones
 - Internet and newspapers at aimag level
 - Citizens hall in some aimags and soums
 - Web site of local governor’s office and local community associations

Barriers and Challenges for an effective implementation of the IBL

- No clear understanding on IBL, i.e. what does it mean for each of the stakeholders, especially once the law is approved and effective? It seems key for each stakeholder to know its features in terms of roles, responsibilities and rights more clearly and to know how to translate the law effectively into actions. Consultation and awareness-raising on these aspects as part of the planning and drafting process have not even started yet.
- Weak local level capacity, especially expertise in public investment, procurement and monitoring capacity at the soum level. So a step by step approach and a transition strategy for proper implementation of IBL is key. For example a good combination and balance of involvement between sector ministry and local authority is important, as well as public participation for policy decisions, budget execution and evaluation.
- A politicized environment in local Assemblies and their weak capacity and knowledge. More critically, local Assemblies have no professional staff and very limited budgets.
- Challenges in engagement between local Assemblies (a new arrangement since 2008) and local Government in some provinces. This is similar to challenges at the central level between the Parliament and the Executive during the budget discussion process in recent years.
- Weak coordination among line ministries and budget entities and departments at the local level. Trust building among the key players and stakeholders over the budget and also procurement is a key issue. That means huge efforts are needed involving stakeholders towards continued and regular consultations, dialogue and constructive engagement at the local level.
- Low capacity of local CSOs, little public awareness about budget process, and weak technical knowledge of public investment and procurement for constructive engagement.
- A clear and simple accountability mechanism is a key need to avoid corruption at middle and local levels.

IV. RECOMMENDATION

Weaknesses to be supported through communication interventions

1. **Low level of understanding but high level of expectations among key players and stakeholders of the Integrated Budget Law and fiscal decentralization.** How to support: With communication interventions by organizing a well prepared series of public and communication campaigns, The main outcome is better and more realistic understanding of the IBL in terms of the roles, responsibilities and also rights of each key player and other stakeholders. Key target groups would be:
 - MOF and line ministries
 - Local assembly and local government
 - Sector ministries and local budget organizations
 - Local NGOs (supported by UB based CSOs) and local community leaders

Some specific ideas would be:

- A simplified information brochure about IBL and its key features

- A visualized map and scheme of the budget process and procedures within IBL, including the roles of key players and stakeholders
- Develop a training module on the IBL and participatory budgets for i/ budget managers, treasury staff, etc and ii/ Local Assemblies, CSOs, communities and the public.
- Train CS representatives as trainers for public education on the IBL and budget transparency.
- Develop a participatory budget module (measurable criteria and templates for budget transparency, monitoring, practical recommendations for constructive engagements, etc)

2. **No effective communication tools, platforms, channels and institutional arrangements in local government offices and local budget institutions are in place.**

How to support: Introducing effective communication tools, platforms and channels for public participation in local level budget processes. In addition to promoting the World Bank's Access to Information policy, a simplified Module on how External Relations & Communications work could be structured and organized within small local level entities.

Some specific ideas would be:

- To develop a training Module on effective communication including tools and platforms, especially focusing on two way communication, constructive engagement, etc
- To develop a simple introduction on the World Bank Access to Information Policy (key features and process flows) that shows how any organization could effectively organize communication flows and access to information procedure both internally and externally
- To provide some technical assistance on further improvements on GPFMS coordinated by Ministry of Finance (treasury department)

3. **No proper understanding of and approach to participatory budgeting including simple standards to be used and followed.**

How to support: With small technical assistance (joint funding from GPF and Social Development Unit in DC) in partnership with professional NGOs and local government offices and budget institutions a participatory budget module could be tested at either aimag budget level or local budget organizations such as schools or hospitals before being promoted for further scaling up and broader use.

Some explanations:

- Although there have been a number of initiatives led by CSOs and local authorities in both provinces and districts for budget transparency, a consistent mechanism and a standard of local budget transparency is needed: clear and measurable criteria to be followed and used by stakeholders are missing. CSOs emphasize the importance of introducing a simple and clear mechanism that includes a check list and template for evaluating budget transparency and relevant accountable mechanism throughout budget processes at the local level.
- To support the CSOs initiative on participatory budget module that aims to develop local government budget transparency and openness standards. Specific objectives are to: **i/** Draft standards for budget transparency and openness at the aimag (district)

and soum (horoo) levels through multi-stakeholder consultative processes. ii/ Pilot transparency standards at aimag (district) and soum (horoo) levels. iii/ Implement an advocacy strategy for mainstreaming the standards.

V. EXTEND SLP PARTICIPATORY MECHANISM BEYOND ITS OPERATION

- As the IBL will create the legal basis for fiscal decentralization and community participation, it is important to encourage and also support local communities and stakeholders to use participatory and social accountability tools developed under SLP as mainstream for regular budgetary setting processes, investment implementation and monitoring and evaluation.
- Since SLP is acknowledged by local stakeholders as effective participatory approach in local level, this could form the basis for the community participation aspects under the new legislation, although further capacity building would be required.
- Therefore it is important to document and promote SLP mechanisms and tools and also introduce some incentive mechanisms and regulations within the SLP operation so that the tools are used sustainably beyond its operation.
- Some specific and simple ideas and suggestions would be:
 - a) Train local SLP facilitators further on facilitation methodology and also on how to promote themselves as local facilitator for other local public and stakeholders meetings such as policy making meetings and selection of locally funded projects etc.
 - b) Encourage and support local governors and stakeholders to use local SLP facilitators and SLP participatory mechanism and tools for making decision for other locally funded projects such as soum development fund and local budget discussion etc.
 - c) Document SLP participatory methods, tools and promote them among local stakeholders etc.
 - d) Develop some facilitation Module for public discussion on social economic framework and development priorities by adopting SLP participatory mechanism /facilitation. Key here is formulation and the methodology need to be adapted towards to local economic policy and priorities rather than to discuss over the certain amount money and project selection.