

PEI Mongolia

Theory of Change

2014-2017



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Context and Problem Statement

Mongolia's economy heavily relies on the use of natural resources – in particular minerals, grasslands and natural landscapes. A significant part of the Mongolian society, primarily herders, rely on pastures for their livelihoods and have strong cultural and social connections to the land and nature. But the country is increasingly vulnerable to climate change and deteriorating environmental conditions associated with exploitation of natural resources. Pressure on water in mining regions, intensification of land degradation and desertification, increases in the incidence and intensity of dust storms have impacted the lives and livelihoods of pastoralists. Natural disasters (national-scale winter disaster *dzud*¹ in 2000, 2010, as well as many localized *dzuds*), which have intensified in the past decades partly due to climate change, have pushed more herders to move to artisanal and large-scale mining towns. At the same time, although exploitation of mineral resources had significantly contributed to the economy and government finances during the boom years of 2006-2012, the use of public finances for addressing environmental and social vulnerability has been limited. The current economic decline and fiscal crisis due to the decline in mineral commodity prices on world markets is compounded by short-term, inconsistent planning and budgeting, reducing the fiscal space available for financing sustainable development interventions.

Barriers Analysis

1. Weak governmental institutional capacity for sustainable and pro-poor ENR policy design and efficient implementation across government entities.
2. Weak coherence between national P-E objectives and sector/district budget allocations, including due to inadequate institutional capacity and management systems for coordinating budget allocations and other investments with national objectives to address climate change and improve natural resource management.
3. Lack of sector level (mining) targeted specific evidence adequate to inform policy decisions justifying specific changes on P-E linkages.

Project Objective and Assumption

Objective

Increase P-E awareness and strengthen government capacity to apply evidence-based decision-making and mainstream P-E objectives/linkages in development policy and planning at national and sub-national levels.

Assumptions

Improvements in national and sub-national development planning systems responsiveness and integration of P-E issues will lead to more effective and pro-poor environment and natural resource management.

¹ Dzud is a slowly unfolding winter disaster unique to this part of the world. It stems from climatic conditions – unusually long cold weather in the winter followed by drought in the summer, extreme snowfall, or absence of snowfall (resulting in the absence of ice and snow for drinking water) and can lead to massive deaths of livestock and animals due to freezing, lack of food and water to survive through the winter.

PEI Interventions

In response to identified challenges, PEI focused efforts in three key areas with capacity building as a crosscutting objective:

Support provided to development of integrated plans and budgets incorporating P-E linkages.

Progress

Supported the drafting and subsequent adoption of the National Planning Law in 2016 (a first of its kind in Mongolia), that inter alia regulates development planning tools and mechanisms, implementation procedures, M&E, reporting and information access processes to ensure continuity of development policies.

Conducted institutional capacity assessment to integrate inclusive green economy issues into the Green Development Policy and Incorporated P-E related objectives under the 4th Strategic Objective of the policy's Action Plan.

Remaining Interventions

Based on the experience of Uvurkhangai, develop local integrated development planning/budgeting guidelines to serve as the foundation for local governments' SDG localisation and support coherent and consistent implementation of the new national law on planning.

Steps taken to incorporate P-E criteria into public investment management system.

Conducted an analysis of gaps, from a P-E perspective, in planning, budgeting and M&E in the mining sector.

Carried out a study of mining revenue management tools and mechanisms between central and local government levels, producing key findings and identifying gaps related to collecting, sharing and using the revenues from mining for sustainable development at the local level.

Supported a study on the mining impact on environmental, social and economic development in Umnugovi aimag, Khanbogd soum at the household, government and private entity level, and an information database was created.

Proposed P-E screening criteria for the Public Investment Programme (PIP) managed by the Ministry of Finance.

Disseminate mining revenue study findings with stakeholders (Parliament, Ministry of Finance, etc.) to advocate for review of the Local Development Fund management system and the Environment Rehabilitation Fund.

Evidence-based policy recommendations created to support policy decisions favouring P-E linkages and an integrated financing framework for the SDGs at a provincial level developed.

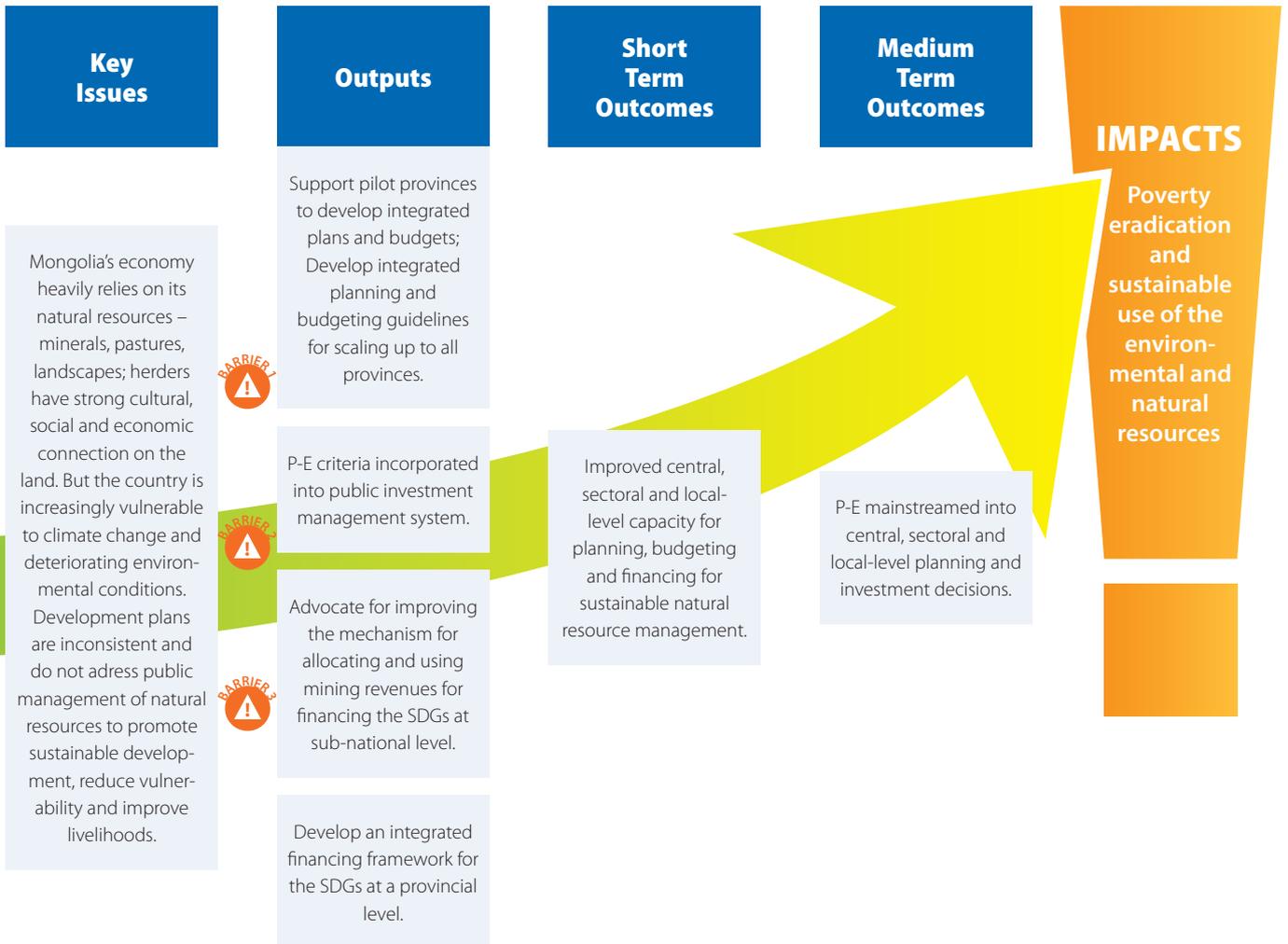
Integration of P-E objectives into sub-national planning supported through Uvurkhangai Aimag's vulnerability assessment, integrated review of development plans and programmes, proposal to develop a provincial Green Development Programme, and support to the mid-term planning process.

Help develop an integrated financing strategy for the selected aimags to inform a national integrated SDG financing framework.

Annex: ToC Diagram

Assumptions

Improvements in national and sub-national development planning systems responsiveness and integration of P-E issues will lead to more effective and pro-poor environment and natural resource management.



Barriers: 1) Institutional capacity for ENR policy design and implementation 2) Coherence between national PE objectives and sector/district budget allocations 3) Lack of adequate, targeted, specific evidence