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Executive Summary

A team of anti-corruption experts met with the leadership of the Ulaanbaatar City government for one week in June 2014. The team was tasked with interviewing civil servants in select departments of the city government to identify strengths in current anti-corruption efforts, vulnerabilities to corruption which remain, and recommendations for mitigating the risks identified. The team divided strengths and vulnerabilities into two categories: systemic and procedural.

The team identified seven strengths: political will, high priority placed on anti-corruption efforts, desire to strengthen civil society engagement, advantageous legal framework, civil servant hiring process, efforts to increase transparency, and efforts to increase efficiency and impartiality.

The team likewise identified seven vulnerabilities: retaliation against complainants and whistleblowers, city-owned enterprises, land allocation and use, decision making, property registry, permits, and procurement.

The team recognizes the importance of strong political will and the stated Democratic Party priority of fighting corruption. The team proposes mechanisms for strengthening civil society so that it might more effectively monitor local government. In its delivery of services, the municipal government has made notable improvements in efficiency and transparency, both of which are effective foundations for mitigating the risk of corruption. There is a need to provide and enforce legal protections to complainants and whistleblowers and to rationalize the use of, and controls over governance of, city owned enterprises. More attention must be paid to the processes for distribution of land and permitting processes to ensure fairness.

Given the team's limited engagement with the City Government, it was not able to advise on how the recommended controls might be implemented. Nevertheless, the team hopes that its findings and input will provide an effective foundation for both short and long term strengthening initiatives and continued engagement within City Government and among civil society.

Introduction

Approximately one-half of Mongolia's total population of roughly 2.83 million resides in the capital city, Ulaanbaatar. The city is governed by a mayor and a city council. Historically, the focus of anti-corruption efforts in Mongolia has been concentrated at the national level. Many domestic and international sources have highlighted mining as a high risk sector. Corruption risks, such as those associated with nepotism, patronage, and collusion are exaggerated by a relatively small population in which many families have known each other for generations and school, marriage, and provincial ties are particularly strong.

The current coalition government has declared the anti-corruption agenda a priority national issue, one of the top issues on the list of publicly declared political commitments. In April 2014, shortly before the subject assessment, which focuses on the City Government, the OECD published its Anti-Corruption Reforms in Mongolia Assessment and Recommendations Report (the OECD Report) in the context of its Anti-Corruption Network for Eastern Europe and Central Asia which monitors implementation of the UN Convention against Corruption (UNCAC) and other international standards and best practice. In the OECD Report, Mongolian authorities indicated that a draft proposal on “National Program for Combating Corruption and Strengthening Accountability and Integrity in 2013-2016” has been prepared and would soon be introduced to the Parliament. Owing to the size and structure of the Mongolian government, many of the issues identified at the national level are applicable at the municipal level.

The overall goal of IRI’s Facilitating Anti-Corruption Initiatives in Mongolia program is to reduce corruption by improving the capacity of Ulaanbaatar government officials and civil society to develop, plan, and implement successful anti-corruption strategies and initiatives. The first step in the program is an assessment of the existing anti-corruption efforts currently underway in Ulaanbaatar. The main objectives of the assessment are to inform Mayor Bat Uul’s strategy to combat corruption in Ulaanbaatar and to inform IRI’s broader program to support this effort. This assessment represents the results of a one-week site visit to Ulaanbaatar, Mongolia by a four-member team comprised of professionals from Canada, Slovakia, and the United States of America with expertise in combating corruption¹. The methodology for assessing vulnerabilities to corruption consisted of a one week schedule of interviews with city officials, civil servants, and civil society. In order to gain a comprehensive perspective on the corruption challenges and anti-corruption efforts in Ulaanbaatar, as well as opportunities for future interventions, the team conducted interviews with representatives of Ulaanbaatar-based civil society organizations, international non-governmental organizations, and the business community, as well as with Ulaanbaatar civil servants at all three levels of administration (the Khoroo, the District, and the central administration), and whose positions ranged from executive leadership to entry-level. A detailed list of meetings and site visits is included as Appendix A to this report.

The team's assessment of the current state of Ulaanbaatar’s anticorruption strategies, its vulnerabilities and opportunities for further improvements in UB is informed by Robert Klitgaard's formula on

¹ For the purposes of this assessment, the team used a broad definition of corruption, to include fraud, bribery, abuse, waste, theft, nepotism, patronage, and collusion. Within the city, there appears a broad understanding of a relatively limited definition of corruption: bribery and indeed this may be the aspect of corruption with which citizens are most familiar. Nevertheless, this perception may overlook other aspects of corruption that include fraud, collusion, waste, and abuse which may also present substantial risks requiring improved controls.

opportunity for corruption to take place: $C=M+D-A$, or Corruption = Monopoly + Discretionary power – Transparency/ Accountability (Klitgaard 1998). The formula suggests that reducing corruption is a function of reducing the misuse of monopoly powers, clarifying and limiting subjective discretionary powers within decision-making processes, and increasing transparency and accountability.

Limitations

While the team feels confident in the assessment contained herein, it would be remiss not to elaborate on its limitations. First, while each of the team members has more than a decade of experience researching corruption and conducting anti-corruption activities, and while two team members have had considerable working and living experience in Mongolia, the one-week time period provided to conduct this assessment was inadequate for a full and comprehensive review of both corruption and anti-corruption efforts underway in Ulaanbaatar.

Second, the team was strongly guided toward assessing corruption and anti-corruption efforts in four specific areas of city administration, namely the health sector, public elementary and secondary education, public planning and procurement, and land use and distribution. These same four sectors are the subject of The Asia Foundation's Partnership in Transparency Initiative, an anti-corruption project undertaken in concert with the Independent Authority Against Corruption (IAAC) and a network of 18 civil society organizations with the support of the UB City Administration and other governmental entities. A more time-intensive and comprehensive assessment may have yielded still more areas of special consideration.

Third, the team's assessment and findings are limited by the fact that they are drawn entirely from witness statements and data reported during interviews conducted with representatives and employees of the City Government, members of local civil society organizations, and representatives of the private sector. The team did not have sufficient time on the ground to independently verify either quantitative or evaluative statements made by interviewees.

Assessment Findings

Strengths

The team identified seven systemic and procedural strengths in the Ulaanbaatar City Administration's efforts to combat corruption. For the purposes of this assessment, **systemic strengths** relate to those advantages identified by the team as inherent in both the operating environment of Ulaanbaatar and its overarching legal and administrative systems, while **procedural strengths** relate to specific procedures and processes of the city's service delivery and general functioning.

Systemic Strengths

Political will

Political will, which for the purposes of this assessment is defined as the decision by an individual or individuals in positions of political power and authority to take action on an issue area, is one of the most critical factors in the success of any effort to address corruption. In the case of UB, the incumbent mayor is a figure with executive authority over the operations, budget, and strategic direction of the city who has displayed considerable political will to combat corruption. First, Mayor Bat-Uul has decided to voluntarily change the city's procedures and processes to promote transparency and reduce vulnerabilities to corrupt practices and corruption. Second, the seriousness of the mayor's stand against corruption is displayed through his willingness to actively engage civil society organizations and individuals that have strong experience, reputation, qualification and professional background in the field of increasing transparency and combating corruption. Third, Mayor Bat-Uul dedicated considerable time personally meeting with the assessment team to both articulate his anti-corruption stance and seek counsel on developing the strategic direction for his administration's anti-corruption efforts.

Prioritization of Anti-Corruption Efforts

Not only does significant political will to tackle corruption exist in the City Government, but it has been leveraged to clearly prioritize anti-corruption efforts in Ulaanbaatar. The mayor's directive to address corruption appeared to have been clearly articulated to his executive staff and, through them, to civil servants within all City Government entities visited by the team, from entry-level specialists on up. Moreover, the mayor's anti-corruption initiative appears to have been prioritized for action within the several administrative entities visited by the team, including municipal-level entities concerned with health-services delivery, education, planning, and land use.

Recognition of Need to Engage with City's Populace and Civil Society

The City Government acknowledges the role that ordinary citizens and independent civil society organizations could play in strengthening anti-corruption efforts, as well as in providing oversight and monitoring of UB city's anti-corruption efforts, its delivery of public services, and its general functioning.

Further, the City Government has made efforts to engage the populace and civil society, but while attempts to engage civil society have been made, the City Government recognizes that some of these may not have proven very effective, and is actively seeking more ideas as to how it might improve the efficacy of these efforts and further engage civil society in public discourse.

Finally, the City Government acknowledges that public officials at all levels need to "walk the talk" so as to improve public trust.

Advantageous Legal Framework for Combating Corruption

Finally, Ulaanbaatar benefits from its subordination to a national-level legal framework that both creates an enabling environment for combating corruption and criminalizes corruption and corrupt practices. Specifically, the Anti-Corruption Law revised in 2006 details the policies and activities for corruption prevention and mandated the establishment of the Independent Authority against Corruption (IAAC) to implement them. Anti-corruption provisions may also be found in the Law on Public Service (amended in 2008), the Procurement Law (amended in 2005), the Criminal Code (amended in 2008), the Criminal Procedural Code (amended in 2007), and the 2011 Law on Information Transparency and Right to Information. The IAAC has provided training to the City Government on these laws and their provisions. Team members found that the City Government officials they interviewed possessed a degree of knowledge of relevant anti-corruption laws that was sufficient enough to incorporate it into the functions of their offices. However, the team did not have adequate time to assess the level of familiarity among either civil society organizations or the general public. There is strong secondary evidence from other sources that citizens see the IAAC as the premier agency to report corruption, including the residents of Ulaanbaatar.²

Procedural Strengths

Hiring Process

Improvements in hiring procedures of city employees in Ulaanbaatar can combat the development of bureaucratic corruption.³ In particular, bureaucratic corruption can be contained by adopting a more professional, impartial approach to human resource management. This reduces nepotism or other forms of corruption in the hiring process, thereby also reducing corruptibility of city employees: if an employee is hired via corruption or nepotism rather than due to her (or his) appropriate skills, knowledge, and abilities, then she is vulnerable to being corrupted in the future to utilize her station to assist those who helped her gain employment.

The City Government is developing procedures to improve its human resource management, which will simultaneously reduce corruption in the recruitment and hiring of city employees and ensure that appropriately-trained, high-quality professionals are employed by the city. First, an internal policy has been developed and implemented that surpasses the hiring practices for open positions in the public sector mandated by current relevant laws and regulations. Transparency in hiring and equal opportunity are enhanced by City Government vacancy announcement procedures: new openings and vacancies are announced and housed on the City Government website for at least 21 days prior to the application deadlines. Further, announcements must specify application deadlines; the skills, knowledge, and abilities required of a candidate; and the closing date. Finally, the evaluation of candidates is a quantitative process, which ensures an appropriate degree of impartiality.

The assessment team believes it is important to note that unfortunately this new policy has not been adopted as Ulaanbaatar's singular recruiting process: The municipality is still broadly using two older policies which are highly vulnerable to corruption and corrupt practices.

² See <http://www.oecd.org/corruption/acn/ProgressUpdateMongoliaSept2013ENG.pdf>

³ Bureaucratic corruption is defined as a process whereby civil servants have the "opportunity to raise their compensation [or obtain other personal benefits -- editor] above what the law proscribes". (Mbako 1996, 101)

Efforts to Increase Transparency

As noted above, transparency is a key factor in the corruption “equation”. According to Transparency International, a leading global non-governmental organization dedicated to reducing corruption worldwide, “[t]ransparency ensures that public officials, civil servants, managers, board members and businessmen act visibly and understandably, and report on their activities. And it means that the general public can hold them to account. It is the surest way of guarding against corruption, and helps increase trust in the people and institutions on which our futures depend.” (Transparency International 2014)

The City Government appears to have made considerable efforts to meet its obligations under the 2011 Law on Information Transparency, and the city officials with whom the assessment team met were all informed about their obligations to deliver information to the city's population in an open manner. Following are some examples of processes and procedures in place within the City Government to heighten transparency.

- **Land and Property Committee**

Leadership of the Land and Property Relations Agency reported that it has a Subcommittee on Combating Corruption tasked with making the Agency's information transparent, ensuring the information is presented in an electronic format, and carrying out inspections and monitoring of the Agency's activities at its headquarters and at its locations in all nine UB districts. Additionally, the Agency reported that in 2013 it completed the itemization and registration of all public property in the City of Ulaanbaatar. This information is reportedly made publicly available via the Agency's website.

Two assessment team members attended a separate 'town-hall' forum with approximately seventy-five employees of the Agency's Land Relations Department, the mandate of which is to issue permits for land use to the residents of Ulaanbaatar City. Some attendees reported that all civil servants in the Department understand the anti-corruption laws and regulations relevant to their operations, and that they have carried out top-down efforts to improve public understanding of the land-use permitting process and reduce both vulnerabilities to corruption and the perception of corruption in the process. Efforts have reportedly included the distribution in 23 khorooos of brochures developed in coordination with the IAAC that detail the regulations, procedures, and processing time involved in issuing UB City land-use permits. One attendee reported a khoroo-level effort to engage residents in better understanding the brochures by holding public-information sessions during which the brochures were explained by Department employees.

- **City Procurement Agency**

The Ulaanbaatar City Procurement Agency was established in January 2013 with the mission to manage UB City's procurement process, including the organization and regulation of tenders. Its efforts to improve transparency in the procurement process have included the establishment of tender evaluation committees that include members of UB's civil society, the UB City Administration, and the relevant UB City entity responsible for creating and implementing the tender. The Agency leadership reported that the evaluation committee discussions are posted on-line, recorded digitally, and archived.

Additionally, efforts have been made to improve transparency in the bidding process. The City Procurement Agency reported that it publishes notification and information about upcoming tenders in newspapers and magazines, and on three websites, including its own. Further, the Procurement Agency publishes the results of the tenders, reportedly including bid information of all participants in each tender. The Procurement Agency leadership conducted a demonstration of this portion of its website to the assessment team; bidder information included the company name, ownership, and bid price, as well as the evaluation committee's decision with respect to the bid and the reasons underlying that decision.

The Procurement Agency has also established a five-member Public Participation Committee to provide oversight over the evaluation committees, and reportedly provides training for potential bidders on the process.

Efforts to Increase Efficiency, Fairness and Impartiality

The principles of efficiency, fairness and impartiality are cornerstones to ensuring public trust in institutions. (Rothstein and Stolle 2002) Public administration reforms to create a civil service that is efficient, fair and impartial have been ongoing in Mongolia for over 20 years. Assessment team meetings indicated that ensuring fairness impartiality in the delivery of services to UB City residents and in carrying out other government business is no less important than - and indeed is intertwined with - Ulaanbaatar efforts to increase efficiency. A prominent theme at many of the team's meetings with UB civil servants was the city's efforts to improve efficiency, fairness, and impartiality, and thereby reduce corruption, by the implementation of procedures and processes to limit contact between the general public and city employees. Some examples of the City administration's efficiency and impartiality initiatives include:

- **Website**

A website has been established on which is posted requirements and processes for certain city services such as construction permits. The extent and quality of the website could not be assessed by the team as none of the members were Mongolian speakers nor was there sufficient time to review it with a native speaker. It was reported that all Executive Orders and decisions made by the Mayor must be posted to the website within 3 days. It was also reported that usage (the number of "hits") is significantly lower than expected. The website is mostly focusing on data and information, less on decision making processes. On one hand, transparency is significantly increased by the active practice of publishing data and information. This is allowing citizens to become watchdogs and control some data related to decisions made.

- **One-Stop Shops**

The assessment team made two site visits to City Government-sponsored one-stop shops, the city's centralized one-stop shop which offers approximately 30 services, including construction permits and a district-level one-stop shop that seeks to provide an integrated service-delivery point, including welfare payments and banking services. At the centralized one-stop shop, prospective applicants (customers) take a queue ticket upon entry to the facility and wait until they are directed by an automated computerized process to the next-available customer-service employee. This process instills anonymity, and therefore a degree of impartiality, in the process of customer service by reducing the potential for a customer to be served by any one particular

government employee. The civil servant then answers questions, gives advice, or begins processing the customer's issue using a step-by-step computerized system. This automated processing system reduces vulnerabilities to corruption by reducing the employees' personal authority over decision-making in the application process (by overriding any steps, allowing non-compliant requests, etc). Finally, each customer-service station is equipped with a real-time evaluation device that the customer can use (optionally) to express his/her feelings about the employee's performance. This evaluation system empowers the customer, and may provide a level of assurance that the employee will relate professionally and with care toward all customers, irrespective of their real or projected social, economic, or other status.

The Sukhbaatar District one-stop-shop has an open floor plan, where customer-service specialists work alongside one another in full public view, as opposed to in walled offices, which can encourage efficiency and impartiality. The one-stop shop is equipped with a web portal that allows District residents to access and pay their taxes, land fees, and other obligations; print out vital records such as marriage certificates and land-use permits; and access information about their social-security benefits. The City Government intends to roll out additional one-stop-shops in other districts.

- **City Procurement Agency**

The City Procurement Agency also highlighted its efforts to increase efficiency and impartiality in City Government tendering and procurement process. In the first eighteen months following its establishment in January 2013, the Agency has streamlined the procurement process by organizing technical procedures and documents and providing training and outreach. Future plans include pursuing a requirement that bidders be licensed, bonded, and insured in order to ensure a measure of control over quality, as well as a "Smart Tender" initiative, which would move the proposal submission process to a 100% online environment and allow for an automatic evaluation process, which would reduce the number of person-hours involved in the process (to improve efficiency) and reduce the potential corruption of person-to-person transactions (to improve impartiality).

Vulnerabilities and Recommendations

The team also identified both systemic and procedural vulnerabilities to corruption and corrupt practices in the City Government. We defined **systemic vulnerabilities** as those relating to the overall system of controls against corruption and which cut across agencies or operations, such as decision-making. We defined **procedural vulnerabilities** as those relating to an identifiable process, such as procurement, even though that process may involve multiple organizations. Executive leadership within the City Government can take immediate or near-term measures to reduce procedural vulnerabilities, while systemic vulnerabilities might take longer to address, as they may require legislative and/or organizational behavior change.

While the team identified strengths in efforts underway, there remain gaps between the political rhetoric and laws on paper and the on-the-ground reality. The Anti-Corruption Law revised in 2006 calls for the development of agency-level action plans and the IAAC provided the team with an unofficial translation of their action planning process. It indicates that since 2008, the IAAC has been organizing development

and implementation of anti-corruption action plans among ministries, agencies, governor's offices of provinces and City Government. However, in our assessment, we noted a number of instances where action plans were either not developed or were not actively being used to guide the implementation of anti-corruption initiatives in the city-agencies visited. Action planning provides an opportunity to take into consideration the vulnerabilities identified and well as to monitor ongoing progress.

Systemic Vulnerabilities

Retaliation against Complainants and Whistleblowers

The ability to launch complaints of abuse of office and corruption are cornerstones of integrity. Whistleblowing occurs when employees reveal institutional or personal wrongdoing, usually in their organization, to authorities. Unfortunately, it is common for whistleblowers to experience demotion, dismissal and other types of negative treatment from their employers after they disclose the malfeasance or corruption. Political corruption in the form of penalty or retribution for members of opposition political parties was noted to be a particularly common and repeated offense.

In the Mongolian context the elements for reporting on corruption exist with an effective anti-corruption agency in the form of the Independent Authority against Corruption (IAAC) that receives complaints and decades long public sector reform. However, there does not exist in Mongolia a legal framework to protect whistleblowers from retaliation. This vulnerability serves as a disincentive to prospective whistleblowers from reporting corrupt acts for fear of retaliation.

- **Recommendations for Systemic Change:**
 - 1) It is recommended that effective whistleblower protection legislation be introduced at the national level. Only a national law will allow for effective use of the judicial system to protect whistleblowers.

City-owned Enterprises

In several meetings of city agencies, it was reported that city-owned enterprises maintain their own governance structures, maintain "their own" systems, and "report in" to the city agencies. As an example, city-owned enterprises must "report in" acquired property to the property registry agency. Since the city-owned enterprises are controlled by a Board of Directors, the agencies may have relatively little power over city-owned enterprise operations and controls for consistency. While it was reported that city-owned enterprises are audited regularly, they remain a unique interface between the public and private sectors where vulnerabilities to corruption exist in the form of nepotism or patronage in the appointment of Board members and weak controls over costs, revenues, and related operations housed within operations that may not necessarily be consistent with City Government operations.

Recommendations to consider for reducing vulnerabilities to corrupt practices and corruption in the creation and management of city-owned enterprises include:

- **Human Resources Recommendations:**
 - 1) To reduce vulnerability to nepotism or patronage, the appointment of Board members to city-owned enterprises should be made a transparent and competitive process.
- **Procedural Recommendations:**

- 1) To increase transparency, financial audits of city owned enterprises should be made public.
- **Process-Related Recommendations:**
 - 1) To reduce vulnerability to nepotism or patronage, conduct an independent review of city owned enterprises to determine whether any of the enterprises should be privatized or the services of which could be alternatively competitively sourced and contracted.
 - 2) Also to identify gaps in the system. A comprehensive vulnerability to corruption assessment should be conducted of the City Owned Enterprises. Such an assessment will identify gaps in the system as well opportunities to corruption that exist.

Land Allocation and Use

Land allocation and use in Ulaanbaatar, including permitting, registration and valuation of land, is a sector that is commonly perceived as corrupt and that is rife with vulnerabilities to corruption. While efforts to improve transparency in the land permitting and registration process have been made at the micro level, as detailed above, the assessment team found several areas of concern.

First, there are vulnerabilities to corruption related to land valuation. According to assessment team discussions with employees of the Sukhbaatar District administration, the legal framework that entitles citizens of Mongolia to a 0.07-hectare plot of land makes no mention of land value. In other words, plots of land deemed more desirable for their location, ecological attributes and the like are valued as equal to plots of land in undesirable areas that may be polluted, lack infrastructure, or be in underserved areas. Civil servants with any measure of control over allocating land to the citizenry may be influenced by corrupt payments (bribes of money or other types of personal gain) or nepotistic tendencies (toward family members and others close to them in personal or professional relations) to ensure that certain individuals receive desirable plots of land. As the process of land distribution will undoubtedly create a secondary market for those hoping to sell or trade their land, desirable plots will bear immediate gains to their owners.

During the visit to Sukhbaatar District administration, the team members discovered that a lottery would be conducted in mid-July to release the next tranche of land plots in the area. A response to team members' follow-on questions about the lottery process suggested that the process may not have adequate safeguards against corruption: while the response came fewer than four weeks prior to the lottery's mid-July execution date, administration officials reported that the rules and guidelines governing its process had not yet been finalized, and nor was it clear yet which City Government entities would be involved in its execution and monitoring. Additionally, while plans reportedly exist to make the lottery transparent by both uploading a list of all available plots of land which will be subject to the lottery onto the website www.umch.ub.gov.mn, and by providing citizens the ability to choose from these plots online, this planned initiative had not yet begun. Further, reliance on internet technology alone to provide both transparency and accessibility to the lottery might present differential opportunities to the citizenry, with clear benefits to those who are both internet-savvy and have access to the internet. Those without appropriate skills in internet use and/or reliable access to internet, including older citizens and poor and marginalized groups may be disenfranchised by this process.

Recommendations to consider for reducing vulnerabilities to corrupt practices and corruption in land allocation and use include:

- **Procedural Recommendations:**

- 1) Undertake specific expert/peer review of and public consultation on vulnerabilities to corruption in the lottery process to ensure it is fair, complete, and transparent before it is launched;
 - 2) Undertake public consultation and publish zoning laws and restrictions on land use, to provide citizens an opportunity to hold government accountable;
- **Process-Related Recommendations:**
 - 1) Strengthen conflict resolution mechanisms which might take place prior to legal action (which not all citizens can afford) and/or provide subsidized legal advocacy/representation for the poor/vulnerable groups;
 - 2) Diversify methods used to inform the public of their rights and opportunities. The internet alone is not sufficient.

Decision-making

Decision-making and policy formation that appears to exclude civil society was identified as a systemic vulnerability because the lack of transparency behind decisions in which some gain and some lose, creates opportunity for corruption and breeds a perception of mistrust in city institutions. In discussions with civil society, their own limitations in participating in decision making were acknowledged and it was clear that it was not their intention to be present or consulted on every decision. Rather, civil society interviewed requested increased transparency in how decisions are informed and made by both the City Council and the Mayor. It was suggested that the City Government do a better job of explaining the basis for its decisions to the public, as might be informed by improved levels of public consultation around specific issues, policy analysis, and the incorporation of monitoring and evaluation mechanisms (for the identification of failed policy). Importantly, it is recognized that the right answer is not always be the popular answer. It is not intended that the wishes of the stakeholders' and technical committees alone dictate the decision. Rather, the aim of reducing this vulnerability is to improve transparency and thus, trust and confidence in decision-makers.

As the city government has improved the transparency and availability of information, there is a need to strengthen civil society capacity to effectively monitor government. However, it was noted that with the more recent and explosive growth in the Mongolian economy, civil society organizations have been depleted of staff who have moved to higher paying positions in government and the private sector. In 2009, the President's Office established the "Citizen's Hall", a public hearing forum designated to encourage civil participation in the planning and decision making process of the legislature. Despite this initiative some civil groups insist on the need to institutionalize the consultation process, thus making it less ad hoc, perhaps to aide in their rationalization of their limited resources.

Recommendations to consider for strengthening how decisions are made include:

- **Human Resources Recommendations:**
 - 1) Chief architect could be nominated by the mayor's office, members of city council, and a technical association representing architects, and approved by the city council. This will give this department more independence from political influence, or the perception thereof.
- **Procedural Recommendations:**

1) Make pending permit and inspection notices and reports public, including visible signage at the construction site.

- **Process-Related Recommendations:**

1) Establish several stakeholder and/or technical committees around topical issues such as civil infrastructure, education, health, social welfare, etc. and use them regularly for debate and discussion on a distinct agenda with both the City Council and the Mayor;

2) To maintain “checks and balances”, oversight committees should be appointed by a separate body from the subject of oversight. According to our interviews, members of oversight committees are often appointed by the same body they should oversee. This may be acceptable in the establishment of technical committees to inform policy, but it is not appropriate if the aim is accountability.

- **Recommendations for Systemic Change:**

1) Legislate structured “public consultation” periods in policy making;

2) Strengthen City Government competencies in policy analysis which considers internal and external sources and experience, to inform decision-making.

Procedural vulnerabilities

Property Registry

The property registry and disposal process was identified as a procedural vulnerability to corruption. More specifically, gaps in the control of the process from property acquisition to disposal reveal opportunities for waste, fraud, and abuse of public assets. Examples include disposal of vehicles, computers, or cellphones prior to the end of their useful life for private use (rather than for example, donation or auction), incomplete or never complete projects that have been initiated (and paid for), the equipment or components of which are never entered into the property registry and go missing, or procurement of 10 vehicles, only 9 of which are registered. Absence of a tightly-controlled process from acquisition to disposal presents multiple opportunities for abuse. An annual audit of the registry is said to identify inconsistencies between assets in place and the registry.

Recommendations to consider for reducing vulnerabilities to corruption in public property registry and disposal include:

- **Procedural Recommendations:**

1) Mandate prompt delivery of copies of all signed contracts concerning moveable and immovable property to the property registry department;

2) Require the registration of moveable and immovable property as a precedent to the payment of contract invoices;

- **Process Recommendations:**

1) Ensure oversight over the moveable and immovable property of city-owned enterprises, possibly by the Property Registry Department in conjunction with civil society organizations and other independent entities.

- **General Recommendations:**

1) Strengthen policy and procedures for the *disposal* of moveable and immovable property;

2) Strengthen policy and procedures for *privatization of public property* (including city owned enterprises), including for example, the decisions regarding which assets shall be privatized and transparency of the process of privatization.

Permits

Permit issuance was identified as a procedural vulnerability to corruption. Corruption manifests itself in the form of bribery for special treatment, such as receiving permits to establish businesses in a particular location or to expedite the permit-receipt process. An example of this is in the city health agency, where historically some permits have been awarded in violation of the law which requires certain location restrictions on permitting for pharmacies. Since some locations are more profitable for private pharmacies than others, there is a vulnerability to bribery for receiving a permit in a particular location, leaving other locations underserved. Second, when a large number of permits or licenses are required, opportunities for corruption increase. Reducing the number of permits and licenses required for a particular action can reduce the number of opportunities for corruption. The Mongolia National Chamber of Commerce has developed a proposal to remove 700 out of 1000 required permits and licenses for business which it views as potentially redundant or unnecessary.

Recommendations to consider for decreasing vulnerabilities to corruption and corrupt practices in the issuance of permits include:

- **Human Resources Recommendations:**
 - 1) Cross-train and randomly rotate civil servants engaged in permitting decisions periodically.
- **Procedural Recommendations:**
 - 1) Publicly post permit fees, processes, and application pipeline;
 - 2) Establish thresholds for public consultation in the awarding of permits;
 - 3) Regularly and publicly publish permits granted, including at the submit location of the permit, for example, a posted bulletin on the building indicating that a permit is pending or approved, the number of the permit, and the name of the applicant/awardee.
- **Process Recommendations:**
 - 1) Undertake a review of the number of permits required for top ten permits for which applications are received to streamline the process (efficiency) and reduce (if possible) the number of decision points (opportunities for corruption).

Procurement

The acquisition process or procurement was identified as an area of procedural vulnerability to corruption as a process which spans multiple organizations. The first area of vulnerability is in the development of the terms of reference or technical requirements for a procurement action, usually prepared by the implementing agency. Over- or under-specification creates opportunities for corruption. Over specification, for example by specifying a particular brand or process that only one bidder can provide, can favor a particular bidder in a competitive process and under specification can create opportunities for corruption where a wide degree of judgment might be required in the evaluation process. Moreover, terms of reference and technical requirements must be kept confidential so as to avoid providing undue advantage to any bidder who might have preferential access to such requirements before other

competitors. Underspecification can also leave open vulnerabilities relating to value for money as expectations of quantity or quality may be overlooked. The Procurement Agency indicated that they are providing training to both contracting agencies and potential bidders in the process and things like writing terms of reference and specifications.

The second area of procurement vulnerability is in the tender evaluation process. Because Mongolian Procurement Law requires award for lowest price and because limitations on asset size have been lifted for bidders to encourage competition, there is a need to incorporate quality into the selection process and evaluation criteria. Corruption erodes value by providing citizens with less than they paid for. Erosion of value may come for example in the form of pricing that is not reasonable, as might result from market collusion, or poor quality, as might result from acceptance of work by a corrupt inspector. In these cases, the public is not receiving full value for the projects and services they pay for and progress is impeded.

The Procurement Agency indicated that it is incorporating quality by trying to impose licensing and insurance requirements on potential bidders. Absence of clear criteria for evaluation and a scoring system, identified in the request for proposal or bidding documents, can leave the process vulnerable to corruption because it relies on a large degree of subjectivity by evaluation panels, the members of which may or may not have the requisite technical expertise for the task. Second is the need for competency in the evaluation process, or ensuring that panel members have the necessary skills to effect a clean process, including identifying the presence of possible conflict, collusion, or fraud therein. Incorporation of quality measures in the tender and evaluation processes, while important for the assessment of value for money, can also introduce complexity and vulnerabilities into the process if not otherwise controlled.

The third area of procurement vulnerability is in the contract management process. Contract management is usually a function performed by the implementing agency and includes actions such as ensuring compliance with contract terms, filing, contract amendments, and approval of invoices. Corruption may also invade this process through for example, modifications in contracted scope, rates, quantities, and key staff.

Recommendations to consider for decreasing vulnerabilities to corruption in procurement include:

- **E-auctions and Electronic Market Research:** E-auctions are one method that has been used in municipalities to improve transparency in public procurement, as the process is visible both to all bidders and to the general public. There are varying types of E-auctions that could be used for public procurement. Higher-priced procurement projects (for example, those above 3000 EUR) might be best suited for an electronic web-based auction house, while lower-cost projects (for example, those between 3000 and 400 EUR) might benefit from the use of so-called “electronic market research”. Benefits of E-auctions include savings of time and labor for both bidders and municipality administrators, the establishment of impartiality and fairness through the elimination of human influence or input, and the accessibility of the information round-the-clock, as the process and relevant documentation are accessible to anyone viewing the online site. Natural checks in the system include the ability to verify whether the winning bid was in fact linked to a corresponding contract and invoice. (Note: There are some areas when public procurement cannot be guided by selection process based upon the best/lowest price. For example, there are some services where the criteria of best price cannot serve the purpose of delivering satisfactory services or goods, like in marketing and PR services, legal services, etc.)

- **E-Auctions Map:** Public procurement tenders that are location-based could be represented as pins on a google-based map. Each pin would be accompanied by basic information about public procurement and cross-linked to the corresponding part of electronic archive (tender proposal, process of the tender/bidding, electronic auction, contract, inspection report, invoice etc.)
- **Human Resources Recommendations:**
 - 1) Reduce the number of staff involved in preparing bidding documents, including specifications and cost estimates.
 - 2) Remove staff with conflicts of interest⁴ from conflicted bidding actions, including development of terms of reference and specifications; incorporate confidentiality provisions into contracts with those whose expertise informs terms of reference or technical specifications (e.g. design consultants), engage technical experts in the drafting of terms of reference and technical specifications.
 - 3) Centralize contract management staff for practice development.
 - 4) Ensure that all staff know the rules of confidentiality.
 - 5) Require contract manager to attend inspections.
- **Procedural Recommendations:**
 - 1) Establish an individual and cumulative threshold for contract amendments requiring additional approvals.
 - 2) Require at least two approvals for amendments and invoices (technical specialist and supervisor);
 - 3) Issue formal amendments to bidding documents to all bidders in the same format. Inform bidders as to how any amendment will be issued prior to the closing date.
- **Process Recommendations:**
 - 1) Incorporate price reasonableness analysis into the procurement evaluation process to assist in the assessment of value for money and/or the presence of collusion.
 - 2) Initiate public signage on site which indicates the name of the contractor, award date, and contracted amount to facilitate public monitoring (*Note:* this has been effective in Washington, DC road improvement projects).
 - 3) Incorporate performance benchmarks into contracts.
- **Recommendations for Systemic Change:** Incorporate the option of quality considerations into certain procurement processes (a change to the Procurement Law).

⁴ The OECD report suggests that the Conflict of Interest Law on Mongolia excludes certain apparent and potential conflicts of interest. It includes prohibitions and restrictions related to the discharge of official duties but these overlook prohibitions on “private interests” and “related persons”. While the filing of income and asset declarations have been monitored, it is not clear the extent of review to which they are subject.

Other Recommendations

The assessment team identified several other areas in which the City Government could reduce opportunities for corrupt practices and corruption, as well as improve its general functioning and service-delivery, that are either overarching issues or do not relate directly to one of the vulnerabilities discussed above. These recommendations are listed below.

Recommendations to Further Improve Transparency

While the efforts made to date in increasing the transparency of City Government decisions and services are positive and notable, some additional considerations to improve transparency might include:

- Diversify the method of information dissemination beyond the current website-dominant strategy. The City Government could explore alternative forms of delivering information, such as community newspapers, town hall meetings, and focus groups, implementation of a text messaging system and smart phone applications, and allowing more two way communication, increasing not only information flow to the citizens, but from citizens as it may relate to performance of the whole city Government, elected officials, and civil servants.
- Balance good and effective external communication with internal communication within institutions. Information should be distributed vertically within and horizontally among institutions. At first the employees are trusted carriers of information and opinions to their family members, friends and the public. Secondly, corporate identity can build good will and increase prestige among civil servants. One impactful and inexpensive example is a newsletter distributed on a monthly (or bimonthly) basis in electronic format via email, as well as via a printed version within an institution. A newsletter serves a dual purpose within the municipality administration: UB City employees deserve to receive information and news about the municipality first hand, and municipal leaders, including the mayor, are provided a platform from which to reach out to employees in a more personal way.
- Publicly post budgets and prices/fees for all government services, not only on the website, but also locally. For example, post school budgets on schoolhouse doors and advertise the rules that govern central government transfers in community newspapers or khoroo administration bulletin boards.
- Make step-by-step procedural flow charts, required documents, and processing times publicly available can reduce information asymmetries and thereby reduce opportunities for rent-seeking and corruption.
- Host “Open-Door Days” in offices of high-ranking municipal officials, and publish the daily schedules of high-ranking municipal officials, to improve public understanding of job functions and responsibilities of UB’s leadership.

Recommendations to Improve the Delivery of Information to the Public

- **Procedural Recommendations:**
 - 1) Establish a consistent procedure for compliance with information requests. Civil society members noted significant variability in the ability to access public information. It was noted that some agencies over comply, while other agencies impose their own policies in terms of the extent to which they will comply. The example given was requested access to a civil servant’s curriculum vitae.
- **Suggested Tools and Technologies:**

1) *Text messaging - Intelligent Address System*: The vast majority of general population does own and use cell phones. Use this opportunity to communicate with your population. First, it is easy and relatively inexpensive to deliver essential information via text message. Second, in the event of emergency situations, communication text messaging has proven to be a very quick and effective way to reach the target community.

Recommendations to Improve Two-Way Communication with the UB Populace

- **Suggested Tools and Techniques:**

1) *Text messaging – Intelligent Address System*: Municipalities worldwide use systems whereby the public can use text messaging to express their opinions, ideas, or grievances to their municipality. For example, text messaging is used to collect feedback from the populace by sending a simple question out via text and the targeted community responds via text with their preferences, for example A or B or C.

2) *Electronic opinion pool*: This is a more sophisticated tool that can be used in cases where something bigger or more important is in question. For example when the population is directly choosing favorite project to be financed from city budget. Electronic opinion pool has a verification system, so only those who are eligible to vote (age, permanent residents, residents of specific district) will be able to cast a vote once.

3) *Smartphone applications*: Communication and follow up via smartphone or tablet. This is a modern and transparent way for members of the general public to submit a suggestion or report (including on grievances related to corruption) directly to their municipality. (See, for example, one very effective solution at www.citymonitor.sk)

Recommendations to Improve Recognition of Anti-Corruption Programs and Efforts

Look for Recognition. Apply for international, national, and local awards for UB's anti-corruption efforts. Recognition provides further credibility to your project and ensures that it is recognized as important by the UB city populace and the entire municipal staff.

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