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**Terms of Reference  
Consultancy to carry out a technical audit for the Local Development Fund-financed sub projects  
The Third Sustainable Livelihoods Project (SLP3)**

1. **BACKGROUND**

The Government of Mongolia (GoM) is implementing the “Third Sustainable Livelihoods Project” (SLP3), which is funded by the International Development Association (IDA) and the Swiss Agency for Development and Cooperation (SDC). SLP3 is the last stage of a12-year program, the build-up of which would be determined by the performance of program components and the pace of institutional reform and capacity building at all administrative levels.

Within the broad framework of the Program, the specific project development objective under SPL3 is “*to improve governance and community participation for the planning and delivery of priority investment in rural areas of Mongolia*.” SLP3 comprises the following components:

1. Capacity building for Local Governance and Livelihoods;
2. Good Governance Performance Based Support Program;
3. Project Management, Monitoring and Evaluation.

The Project focuses on supporting participatory processes and building capacity in the governmental structure to successfully implement the Local Development Fund (LDF) introduced under the Integrated Budget Law (IBL) of 2011. In particular, it introduces an incentive mechanism to promote good governance at the soum level, rewarding those soums that embrace the participatory processes and incorporate good practice elements into their planning, budgeting, execution, monitoring and evaluation and fiduciary processes. The SLP3 principal beneficiaries are rural citizens throughout Mongolia, who would benefit from improved local governance and the implementation of the LDF.

The LDF scheme was designed to provide financial resources targeted to improve rural well-being, including for herders residing in remote locations distant from soum centers. The IBL specifies eligible areas for investment under the LDF and also includes a negative list. Furthermore, the IBL explicitly specifies that local governments must utilize LDF allocations in accordance with citizen priorities as identified through a robust process of community participation in budget preparation and execution, a major step forward in the empowerment of citizens and a major reform in the citizen-government relationship.

Since its launch in 2013, there have been over 20,000 sub-projects completed across Mongolia in all 330 soums with the support of the LDF financing (Table 1).

**Table 1: Number of sub-projects completed by fiscal years**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Fiscal year | 2013 | 2014 | 2015 | 2016 | 2017 |
| Number of sub-projects | 5,307 | 5,268 | 4,119 | 4,161 | 3,069 |

1. **OBJECTIVE**

The objective of this assignment is to independently and objectively assess the ***technical quality and sustainability of the sub-projects*** financed under the LDF at the soum level, and to identify best practices and lessons learned for future planning, implementation and maintenance of sub-projects. In the assessment, the consultant is expected to measure: (i) quality and cost effectiveness of the infrastructure created (e.g. construction, goods and equipment) including quality of the relevant technical specifications; (ii) sustainability of the infrastructure 3 years after construction including adequacy of the operations and maintenance (O&M) arrangements; and (iii) adherence to environmental and social safeguards requirements.

1. **SCOPE OF WORK**

To achieve this objective, the main scope of work of the Consultant (a firm) will include the design of the technical audit, supervision and quality control of the field teams to carry out the audit, data analysis and report writing. A presentative sample of LDF sub-projects will have to be covered by the audit.

The assignment will involve developing, in consultation with SLP3 Project Implementation Unit (PIU) under the Ministry of Finance (MOF) – the Client, an appropriate sampling methodology as well as a detailed methodology and tools to be used for the audit. The Consultant will train and supervise field teams who will collect data using the audit tools developed, conduct field execution, handle entry of data, analyze the findings, prepare draft reports, present key study findings in a one-day workshop to the Client, and prepare the final report incorporating the relevant feedback.

The field the survey is expected to be carried out in September-October 2018, and the review and analysis will take another month after the field survey. The study will cover the following detailed tasks:

#### *Technical Design Quality (Fit-for-Purpose) of LDF Sub-projects*

The Consultant will examine and rate engineering design specifications of the LDF sub-projects, and conformity with the concerned quality standards regulated by the national and local level government bodies. Key questions to answer include:

* What is the technical quality of the design? Have the construction design drawings been signed off by a qualified and certified Mongolian engineer to confirm that the design complies with the relevant Mongolian laws, regulations and standards. Assess the as-built condition, based on a fair engineering judgment, as good, fair or poor based on the list of key criteria to be developed for each major type of sub-projects to be checked as the basis for the technical quality assessment.
* Is the design as constructed “fit for its intended purpose” in the view of the end-users? Were end-users consulted in the design of the facilities? Record the response of the end-users to these questions.
* Did the design and the actual construction built under the LDF consider accessibility for disabled people within the community?
* What is the quality of materials/inputs and are these consistent with the Bill of Quantities (BOQ) and specification in the bidding documents?
* Did the sub-projects follow the technical specifications and scope as designed? Were any critical design elements, such as latrines, ventilation, emergency gates dropped?
* What construction documentation exists to show that the sub-project meets the design and specification requirements? Has each beneficiary community been provided with a complete set of As-Built Drawings?
* Have all technical requirements been met and defects addressed before sub-projects are handed over to communities? Has a signed Hand-Over Certificate been prepared with a copy of the signed-off final inspection checklist attached?
* Did the sub-projects take into account Digital Rights Management (DRM) and copyright measures? If so, how?

#### *Cost Effectiveness*

The Consultant will examine the cost effectiveness of the LDF sub-projects in comparison to comparable investments funded by other donors or the Government of Mongolia (GoM) e.g. line ministries, World Bank, ADB, SDC, JICA and UNDP. BOQ, designs, specifications and other relevant project documents will be reviewed and necessary data be collected to assess the unit costs of constructions in terms of unit area or unit length, beneficiary, etc. The unit costs of LDF investments will be compared against comparable investments, controlling for different transport costs, local construction capacity, contractor tax liability and other significant determinants of costs, in order to allow a meaningful comparison of the unit cost of sub-projects. Specifically, the Consultant will assess the following:

* How does the unit costs compare between the LDF sub-projects and comparable infrastructure built by GoM or other projects? Care should be exercised and the report should demonstrate that only comparable cost items are assessed across different investments.
* Which specific designs, materials and processes may be altered to reduce the unit cost of LDF sub-projects without significantly reducing quality or benefit?
* Are investments implemented through the citizens’ participatory procurement method account more competitive than those implemented by contractors, when the cost of capacity development and supervision, tax liabilities, and the cost and quality of Operation and Maintenance (O&M), are taken into account?
* Are there community and/or other financial or in-kind contributions, and if yes, how much were they, how were they calculated, what forms did these contributions take and what percent of total costs?
* Where community and/or other financial or in-kind contributions are expected in the sub-project documents,
  + Did the contributions actually occur and were they accounted for properly?
  + Is the size of community contributions reasonable for the size of investments?
  + Were there additional community contributions not reported?
  + Assess whether contractors were ever paid for the part of works carried out with community contributions.
* Were community contributions and/or other financial or in-kind contributions an important factor in determining the cost-effectiveness of LDF sub-projects relative to similar sub-projects supported by others?
* Is there a significant difference between LDF sub-projects and investments funded by other entities in terms of the costs for materials, transport, labor and other inputs?
* Based on sound engineering judgment, and in comparison to comparable investments financed by other entities, were LDF sub-projects designed to maximize community benefits through the employment of local labor, procurement of local materials, or other means?
* Based on sound economic judgment, and in comparison to comparable investments financed by other entities, were LDF sub-projects designs and specifications selected to maximize value for money? Would other designs, technologies or methods have provided greater value?

1. *Operation and Maintenance (O&M)/ Sustainability*

The Consultant will carry out physical inspection of the infrastructure considered for the task #2 (*Cost effectiveness*) above representing a sufficient subset of the sub projects implemented in 2013-2015 as well as some sub-projects from 2016-2017, review their original O&M plans, assess the current conditions, and collect data on the O&M activities conducted, and their cost and source of financing, in order to identify factors that will help improve the sustainability of rural infrastructure investments. The Consultant will pay particular attention to the following:

* Are the current conditions of sample investments good, fair or poor?
* Have any major repair or restorative maintenance/rehabilitation works conducted since the completion of civil works or does the current condition require such works? If so, what are the causes of defects? Break down the causes of defects in environmental/ natural factors; technical defects in design, implementation or materials; and lack of proper maintenance.
* If any O&M works have been done, who did what O&M works, when and how much did they cost?
* Was any routine maintenance (wear and tear and/or replacement of consumables) carried out on the sub-project, and how much has been spent on maintenance each year since completion?
* Were the O&M plans developed? If so, is the quality adequate? Do the O&M plans adequately cover the O&M requirements over 3 – 5 years of operation, and clearly spell out specific O&M works, responsible agencies and expected cost, breaking down clearly typical scheduled maintenance works including capital repair?
* What are the implementation arrangements for the O&M? Are O&M committees in place and functioning? What are the roles and responsibilities (both financial and technical) of local government and communities? Are roles and responsibilities, financial and technical, clearly spelled out for direct beneficiaries/users and for the responsible government agencies? Are indirect beneficiaries also expected to contribute to the O&M?
* Was any training provided to local communities on O&M (including refresher training), and if so, what types of training were provided? Did communities request and/or receive technical support from local governments/related agencies on O&M?
* Is an O&M fund in operation? Who holds the funds, and who contribute how much? What is the current value of these funds? Are those expected to contribute able and happy to contribute?
* Is the O&M fund designed to cover all or most of the O&M works that should be conducted, including the cost of scheduled maintenance and capital repair?
* Assess whether applicable user fees are affordable to users and sustainable to finance longer-term O&M. Did the line ministries contribute to O&M expenses?
* Were necessary Government inputs (e.g., teachers and learning materials for schools, or health workers, drugs and equipment for dispensaries) provided adequately and in a timely manner?
* Did the community or contractor implementation modalities have any impact on O&M? What investment types are more suitable for community force account in terms of long-term cost-effectiveness? What conditions have to be met to make the model of community force account cost effective in the long run?

#### *Compliance with environmental and social safeguards of the LDF investments*

According to current regulation, the sub-projects, supported by the LDF have to comply with the national environmental assessment requirements. The consultant will need to consult with the earlier assessment report prepared by an Environmental Safeguard consultant hired by the SLP III. The consultant is also expected to assess the level of adherence to social safeguard measures set in the project Environmental and Social Management Framework (ESMF)[[1]](#footnote-1) including performance of the project-related GRM system. In particular, the Consultant should pay attention to the following:

* Proper documentation and recoding of Environmental Impact Assessment (regulated by Law on Environmental Impact Assessment and other related regulations) and the Safeguard Checklist, and the verification and monitoring by the aimag/soum LDF office and aimag level Environmental Department or State agencies.
* Loss of land or private assets, the scale of impact, whether or not they are addressed through voluntary donations and if so, whether all conditions of voluntary donations as provided in the sub-project proposal are met.
* Verification of whether the proposal of sub-project had the requirements related to disabled, socially vulnerable and indigenous people.
* Verification of whether any adverse environmental impacts occurred at the sub-project site, and how they were mitigated.

1. *Best Practices / Recommendations / Lessons learned*

* What examples of good practice can be drawn to enhance technical design quality, operation and maintenance and sustainability for future LDF sub-projects?
* What are the key threats to sustainability and what good practices can effectively address these threats?
* What are the key lessons learned from the sub-projects undertaken? What practices should be replicated and/or avoided in future sub-projects?
* Provide a list of key recommendations based on these good practices and lessons learned for the future design, implementation and maintenance of LDF sub-projects.

1. **METHODOLOGY**

The Consultant will focus on the major types of infrastructure funded by the LDF including, but not limited to, water supplies (drilled, gravity and other), buildings (education, health, market and agriculture), roads, bridges, reserved grassland (fenced pastureland and hayland), electricity supplies, water pipe and irrigation works, tangible and moveable assets purchased, renovation of public facilities, etc. All 330 soums of 21 aimags and districts of Ulaanbaatar were covered by the LDF implementation, therefore, the technical audit will cover at the minimum, 250 sub-projects in 1/5 of all soums (a total of no fewer than 66 soums) of all 21 aimags.

The Consultant will develop a pre-determined list of sub-projects indicating the types and target numbers of sub-projects to be audited based on the information provided by the PIU.

The selection of the soums shall be carried out using a stratified random sampling method, employing the following criteria:

* Proportional representation of the number of sub-projects and investment amount;
* Geographic distribution of soums within the aimag and destination from aimag center (remote soums to form at least 50% of the sample with the remaining from the non-remote soums);
* 21 aimag center soums.

In each soums, the Contractor shall confirm with the soum officials the number and types of sub-projects completed under the LDF in years 2013-2017 and update a list of sub-projects that shows the type and progress of completion of the LDF sub-projects to be covered by the fieldwork. Then, the Consultant will choose 3-4 sub-projects according to the pre-determined list and conduct the technical audit.

Simultaneously, the Contractor will conduct the same audit on the similar infrastructure projects in the soum with financing sources other than the LDF in order to get information that will be used in the comparisonof LDF and non-LDF projects. The list of the similar infrastructure projects with financing sources other than the LDF should be developed prior to the fieldwork based on the information provided by the PIU/MOF.

Only tasks #1 Technical Design Quality (fit-for-purpose), #2 Cost Effectiveness and #4 Operation and Maintenance (O&M)/Sustainability have to be carried out for the comparable infrastructure projects with financing other than the LDF.

Reference documents to be provided to the Consultant will include:

* Laws and regulations governing implementation of the LDF;
* List of sub-projects completed between 2013-2017 to be provided by the Client and confirmed during the field work;
* List of similar projects completed between 2013-2017 with financing sources other than the LDF;
* Drawings and Technical specifications for sub-projects to be obtained during the field work;
* Annual Performance Assessment reports of all 330 soums carried out under the SLP3;
* Project Implementation Manual for the SLP3;
* Results Framework for the SLP3.

More information can be gained by visiting the LDF website://tusuv-oronnutag.mof.gov.mn/. The Consultant will, in close consultation with and under guidance of the Client:

* Plan and carry out the technical audit including the field work in a cost and time effective manner to achieve the objectives of the assignment within the given timeframe;
* Design the checklists and forms to be completed on-site based upon the Scope of Work in Section C above;
* Form 4 field teams, at the minimum, each with three members consisting of a civil engineer, a field researcher and a technical assistant who will carry out the data collection on-site and ensure the quality of their fieldwork; and
* Organize and carry out the report writing while ensuring the desired quality.

1. **CONTRACTOR AND Study Personnel Qualifications**

This section details the key traits of the desired contractor that the PIU has identified as important for the successful completion of activities outlined in this TOR. The Contractor should ideally possess the following characteristics:

* The Contractor shall have been operating as a financially autonomous legal entity (firm/Professional Association) in the field of technical auditing and inspections or other relevant sectors for at least 5 years. Audited financial statements for the last two years should be attached.
* Previous experience of conducting technical audit, compliance review or construction inspection. Past reports produced as result of similar consultancies in above mentioned fields should be submitted as evidence to confirm this requirement.
* Extensive experience with technical data collection and management of field works at the soum level. Past field work reports and reference contacts should be submitted as evidence.
* The availability of resources and ability to rapidly mobilize and coordinate a number of qualified staff in multiple locations at the same time.
* The Consultor should have enough equipment and capabilities in terms of human resource to enter and process the large amounts of data in a limited time period.
* Experience in communication and cooperation with local government officials at aimag and soum levels.
* Demonstrated experience in dealing with international development agencies.

To undertake this study, the Consultant/Contractor is expected to have the following personnel dedicated to the assignment:

Team Leader/Head Engineer (1 person)

Duties and responsibilities:

1. Guide the audit efforts and oversee its effective implementation;
2. Design and schedule all technical audit tools and field implementation;
3. Oversee technical aspects including sampling, field staff training, field audit execution, data collection, data entry, and variable aggregation and descriptive reports;
4. Participate directly in the oversight of fieldwork, through site visits, review of progress and review of primary data;
5. Liaise with the Client to ensure smooth planning and coordination of all activities;
6. Manage budgets and expenses;
7. Prepare, refine and finalize Technical, Cost Effectiveness and Sustainability, Audit Framework & Methodology and Work Plan according to the agreed-upon timeline;
8. Ensure that appropriate resources are made available and managed in order to achieve the objectives of the contract;
9. Ensure that implementation of technical audit activities are in accordance with WB and GoM policies and procedures;
10. Other tasks and responsibilities, as requested by the Client.

Qualifications:

1. Must have an advanced degree in civil engineering;
2. Demonstrated ability to lead and manage a multi-disciplinary team, and to achieve specific and measurable results;
3. A minimum of 10 years of experience in managing rural infrastructure and construction;
4. Ability to deal effectively with stakeholders at all levels, including government staff at soum, aimag, and national level;
5. Experience in monitoring and evaluation of similar community development projects in the country is an asset;
6. Proven experience in developing reports to international organizations;
7. Fluency in Mongolian and English, both written and oral.

Database Manager (1 person)

Duties and responsibilities:

1. Developing Audit Execution Data entry systems or CAPI interfaces;
2. Supervise the data entry process, as needed;
3. Ensure data quality through entry check and logic check, etc.;
4. Prepare documentation of technical audit database including metadata;
5. Support the Team leader and the Economic Analyst Lead in data processing.

Qualifications:

1. A university degree in a relevant subject or equivalent experience;
2. Demonstrated experience in database design and entry systems and data consolidation and quality control, preferably involving survey data;
3. Proven experience with CAPI if it is deployed by the contractor,
4. Excellent written and verbal communication skills in Mongolian

Field Engineers (at the minimum, 4 people)

Duties and responsibilities:

1. Conduct technical audit execution in the field;
2. Collect, analyze, evaluate and interpret technical audit data;
3. Other tasks and responsibilities, as requested by Team Leader and Economic Analysis Lead.

Qualifications:

1. Must have a degree in civil engineering;
2. Experience in construction, appraisal and review of rural infrastructure in the country;
3. Experience in monitoring and evaluating similar community development projects of different types (water system, road and schools, among others) is advantageous;
4. Familiarity with national and IFI environmental and social safeguards requirements would be advantageous,
5. Ability to communicate effectively.

Field Researchers (at the minimum, 4 people)

Duties and responsibilities:

1. Conduct technical audit execution in the field;
2. Collect, analyze, evaluate and interpret technical audit data;
3. Other tasks and responsibilities, as requested by Team Leader and Economic Analysis Lead.

Qualifications:

1. Must have a degree in Statistics, Social Sciences, Mathematics or other related discipline;
2. Experience in field research, quantitative and qualitative data gathering, processing and analysis;
3. Ability to communicate effectively.

Field Technical Assistants (at the minimum, 4 people)

Duties and responsibilities:

1. Assist to the Field Engineers and Researchers in conducting fieldwork;
2. Assist in data collection and data entry in the field.

Qualifications:

1. A university degree in a relevant subject or equivalent experience;
2. Experience in data collection, auditing and fieldwork;
3. Ability to do data entry and paperwork;
4. Ability to communicate effectively.
5. **SCHEDULE, REPORTING AND COORDINATION**

The assignment is expected to commence in August 2018 and will continue for four (4) months. The Consultant will be selected in accordance with the *World Bank Guidelines: Selection and Employment of Consultants by World Bank Borrowers, October 2006*.

In order to collect the data and produce required reports, the Contractor must propose a timetable to the Client for the submission of all deliverables to be completed. The table below shows an indicative timetable for submission of expected deliverables. The schedule outlined in this timeline is negotiable depending on the Contractor’s ability to mobilize staff and develop the needed survey tools. Please note that weekly progress reports shall be provided by the Contractor to the Client that is not included in the table below.

**Table 2: Indicative Timetable for Submission of Deliverables**

|  |  |  |
| --- | --- | --- |
| Activity (Deliverables) | Week after the commencement of the contract | Payment Schedule (percentage of contract value) |
| Commencement of the contract after signature | Week 0 | N/A |
| Implementation plan, work plan and field staff training plan and receives comments | Week 1 | N/A |
| Draft Technical, Cost Effectiveness and Sustainability Audit framework and methodology including sampling frame, audit guide/questions, and work plan submitted tothe Client | Week 2 | N/A |
| Technical, Cost Effectiveness and Sustainability Audit framework and methodology including sampling frame, audit guide/questions, and work plan submitted to the Client for comments and clearance | Week 3 | 10% |
| Checklists and questionnaires tested in the field and outcomes submitted for the Client’s comments and clearance. | Week 4 | 10% |
| Field Staff Training | Week 5 | N/A |
| Fieldwork begins | Week 6 | 10% |
| Preliminary dataset for the first 20% of completed soums  Contractor receives comments on the preliminary dataset from the PIU | Week 8 | 30% |
| Contractor resolves any problem with the preliminary dataset | Week 9 | N/A |
| Data collection finishes | Week 10 | N/A |
| Submit Draft Technical, Cost Effectiveness and Sustainability Audit Report for the Client’s comments and datasets with supporting documents.  The report should include: a) executive summary; b) purpose of the assignment; c) methodology; d) findings; e) conclusions and recommendations; and f) annexes with data tables including photos and brief description of each sub-project audited. | Week 12 | 20% |
| Final Technical, Cost Effectiveness and Sustainability Audit Report. Presentation of key findings of the Technical Audit, final datasets and Power Point Presentation of the key findings and recommendations | Week 15 | N/A |
| The Client verifies that deliverables (i.e. the final versions of the report, datasets and PPT presentations submitted in soft and hard copies) comply with the TOR | Week 16 | 20% |

All reports must be submitted in both English and Mongolian, whereas progress reports and other intermediary documents can be submitted in Mongolian. Presentations are to be made in either Mongolian and/or English, as specified by the Client. All reports and other intermediary documents shall be sent to [uuganbayar.b@slp3.mn](mailto:uuganbayar.b@slp3.mn) as the main recipient at the Client and [ulziisaikhan.d@slp3.mn](mailto:ulziisaikhan.d@slp3.mn) on the cc.

**CONTRACT CONDITIONS:** If you firm/professional association possess the above qualifications, please submit the expression of interest, with a detailed introduction of your firm/similar work experience history no later than 12:00 PM, 13 August 2018. Submitted documents will not be returned to the firm/professional association. If you need any further details, please feel free to contact us.

**Contact address:** Jigjid Banzragch, Procurement Specialist, Third Sustainable Livelihoods Project, Room #510, Ministry of Finance, Government Building No.2, S. Danzan Street 5/D, Ulaanbaatar 15160, Mongolia; Tel: +(976)-70009828 (office); E-mail: [jigjidb@slp3.mn](mailto:jigjidb@slp3.mn)

1. Chapter VII of SLPIII project implementation manual, 2016. [↑](#footnote-ref-1)