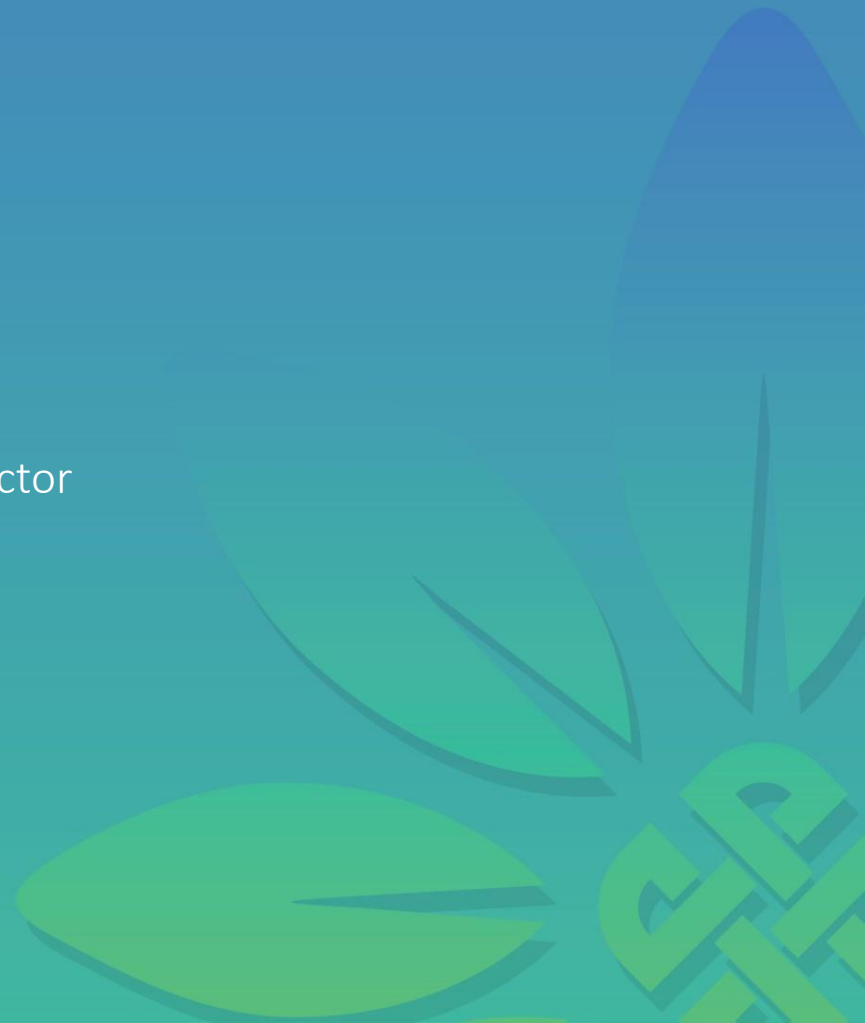




Mongolia:
Enhancing Resource
Management through
Institutional Transformation

Policy Fundamentals for the Natural Resources Sector

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Overview

1. About me.
2. Why is a rigorous policy development process important for the public service working in Natural Resources Development field?
3. What are the unique elements of resource development policy and programs?
4. What is Policy Development? (Canadian/International model).
5. The Policy and Delivery Roadmap (Discussion based on Petroleum Policy)
 - Overview
 - Initial Problem Statement, Validated Problem Statement
 - Objectives and outcomes
 - Development, analysis, options evaluation and instruments
 - The Decision
 - Program design, legislative drafting, implementation planning
 - Implementation
 - Monitoring and Evaluation
6. Policy Skills
7. Summary

1) About Me:

- Canadian Public Service Executive (Ontario Province, Yukon Territory)

34 Years experience

Roles included leadership of large, decentralized organizations, policy and legislation, program design and delivery, finance and administration and regulatory affairs.

Deputy Minister positions (non political position) -- Consumer Service, Research and Innovation, Northern Development and Mines and Energy Mines and Resources.

- Past President of the Institute of Public Administration of Canada
- Consultant specializing in Extractive Industry advice and strategy
- Editor in Chief of Canadian Government Executive Magazine
- Live in Owen Sound Ontario Canada
- Not an Engineer or Technical Expert in Petroleum Industry

2) Why is Policy Development so important in the Resource Development Field?

Rigorous policy development significantly reduces the risk of bad decisions and is imperative in the resource development field because:

- Allocating non-renewable resources to best and highest need can be contentious.
- Natural Resource policy is complex and requires difficult trade-offs for politicians. How government deals with the use of its natural resources can define future prosperity and social values.
- Allocating State Owned Resources to Private Industry, causes debates over what is a “fair share” for the state. Major contributor to State and Local Budgets and GDP.
- Science based and technical – difficult to communicate prone to misunderstanding and misinformation.
- Requires balancing of economic development, social and environmental considerations – e.g. key to commitments to sustainable development goals, climate change policy and workforce development.
- Strategic to the national interest, energy security and international relations.
- Platform for growth, foreign investment, trade and workforce development. Need to find a balance to incentivise deployment of capital with environmental and social objectives (Cost and Predictability for Industry)
- Promoting and regulating the Extractive Industries is challenging – Competition for global risk-capital deployment (high-risk, high-returns business), sophisticated and highly profitable.
- Risk of corruption (real and perceived), stakeholder opposition to projects, CSR concerns, long term environmental liability, reputational risk to the State etc.
- Highly cyclical industry with a high multiplier (e.g. service and supply sector)
- State and regional interests can diverge.
- Etc.

Probably the most complex policy field.....

3) Unique Elements of Resource Development Policy and Programs

Foundations necessary for Resource Development Policy and Programs:

- **Geoscience Data** and understanding of the resource – Drives everything!
- **Environmental baseline data.** Understand progressive impact on environment through life cycle of project.
- **Socio-economic, workforce knowledge.**
- In Depth, independent knowledge and analysis of **global markets and industry trends** and how those apply.
- Understanding of **Stakeholder Interests**:
 - *Local Government*
 - *Community Interests*
 - *Industry, professional associations*
 - *Environmental NGO's*
 - *Transparency and other watchdog NGO's*
 - *Media*
- **Political Environment** (e.g. pro development, pro environment?)
- Ability to connect across Ministry/Agency/Department mandates. **Clear accountabilities and outcomes agreed to.**
- Design and deployment of appropriate **policy instruments** and regulatory approaches, measure and evaluate over time. Prospecting, exploration and production might need different regulatory approaches.
- **Skilled staff** with necessary technical and management experience to deal with Industry

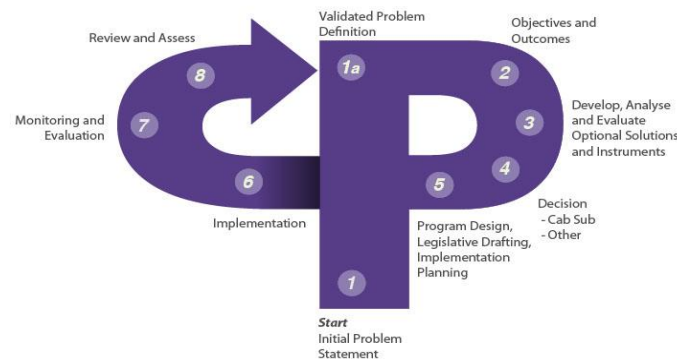
4) What is Policy Development?

Policy Defined:

- Policy is a system of courses of action, regulatory measures, laws, programs and funding priorities concerning a given topic approved by a government. Policy is commonly spelled-out in constitutions, legislative acts, and court decisions.
- Policy making can be described as a dynamic, and interactive system through which public problems are identified and countered by creating new policy or by reforming existing public policy.

Stages of the Policy Cycle:

- Developing and implementing policy is a process with a series of stages that progress in sequence. **Applies to both new policy and updates and revisions to exiting policy.**
- In practice, however, policy making is rarely linear. You may get to the point of analyzing options only to find that there has been a change in an underlying factor that will send you back to redefine your objectives. This can take time and resources. In general though, it is helpful to think of the process as a cycle with clear stages and a feedback loop.



4) What is Policy Development?

Preconditions and Organizational Success Factors:

- **Clear Mandate** and common understanding of the problem statement and objectives.
- **Realistic timelines** (seldom granted).
- **Fiscal Parameters**
- Leadership and **Executive Support**.
- Skilled, diverse **workforce with appropriate time allocated**.
- **Policy tools** and “lenses”:
 - Templates
 - “Lenses” or overarching goals (e.g. Gender Mainstreaming, Workforce objectives, Sustainable Development Goals)
 - Analytical tools and data.
- Knowledge of industry, markets and **stakeholder environment** and players.
- **Linking** of Policy Development and Program Delivery
- **Project management** tools

Discussion Topic:

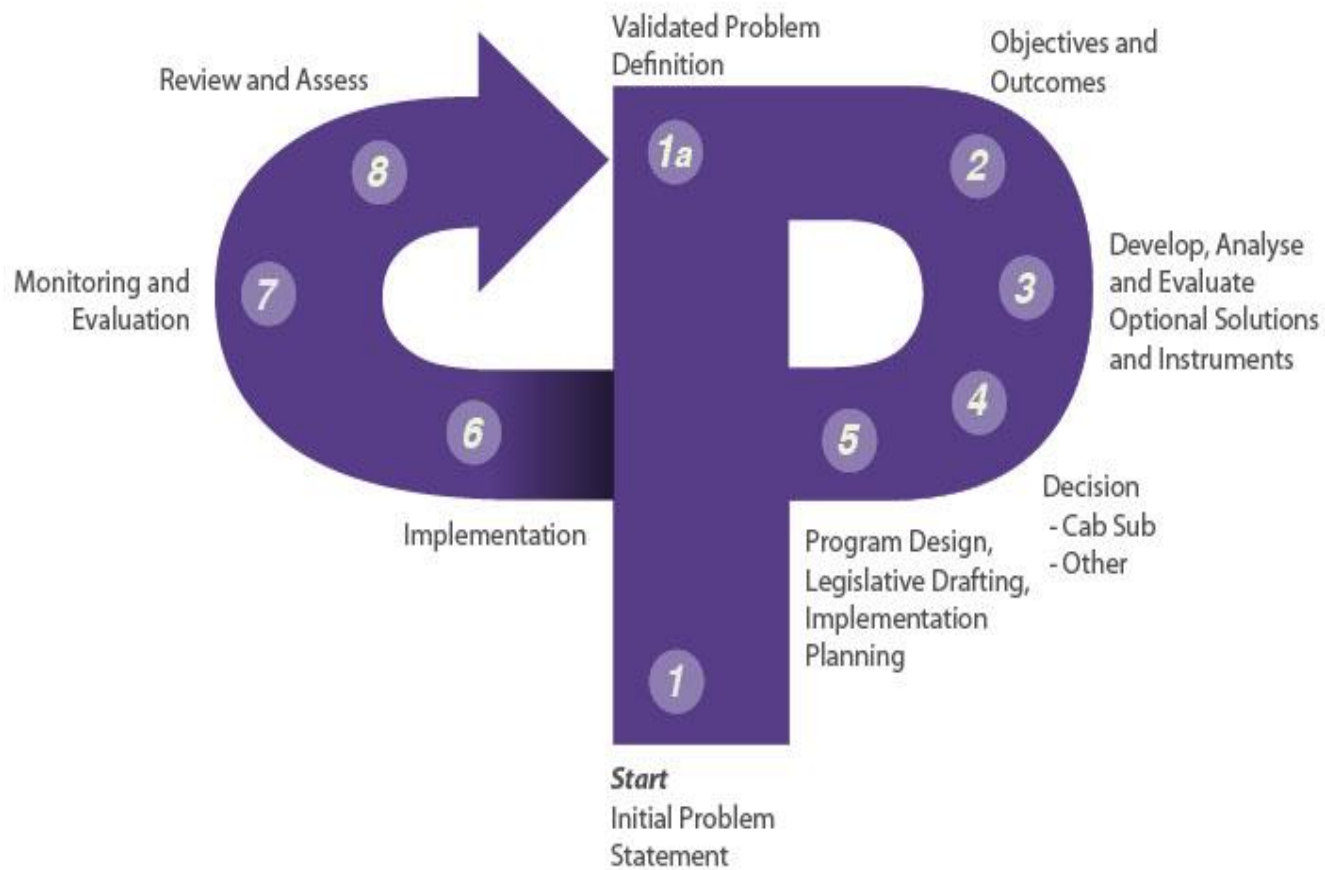
Are these preconditions in place for the work on the new Petroleum Policy?

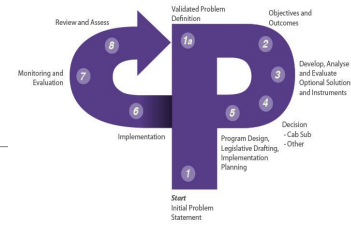
What are the realities of deadlines and political direction and how does this effect the policy development cycle?

Does the working group have the correct representation?

5) Policy Development and Delivery Process

A Policy Development Roadmap (Ontario, Canada Model consistent with International Best Practice):





5) Policy Development and Delivery Process

Phase 1. The Problem Statement (Defining, Describing, Testing and Validating the Working Hypothesis):

- Investment at this stage will ensure parties agree **on what problem is being solved** and will ensure buy-in, better decisions and more timely, sound outcomes. Frequently receives little attention. **This applies equally to new and revised policy.** Steps include:
 - Develop **initial problem statement** by analysis of symptoms and why action is needed – The Working Hypothesis.
 - Collect and validate **evidence**. Policy is based on evidence, not hearsay, assumptions or the desires of one stakeholder.
 - Test and refine** the working hypothesis with the whole team by applying evidence and options analysis, (e.g. jurisdictional scan, market and financial analysis, risk assessment, consultation, political direction).
 - Develop **final Problem Statement and validate with all involved** including decision makers.
- Forms the “go-forward” working assumption.

Discussion Topic:

Why is the Petroleum Policy of Mongolia being revised?

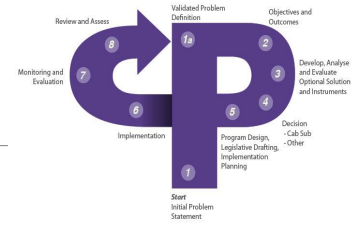
Was the old policy having desired outcome and what were its limitations and strong points?

What are industry, local views on the policy?

Does the Petroleum Law support the policy?

Did programs, regulatory instruments, accountability structure exist, implemented and have the desired effect?

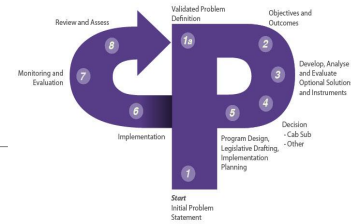
Etc.



5) Policy Development and Delivery Process

Phase 2. Setting Objectives and Outcomes:

- Objectives and Outcomes – **Clear statement(s)** of what needs to be done to address the problem and the expected effect.
- Objectives become **the test for evaluating options**.
- Discussion Topic:
 - Can you think of a type of objective from the review of the Petroleum Policy?
E.g:
 - Expand unconventional petroleum exploration activity to....
 - Ensure fees and royalties model is equitable and well managed....
 - Build up the Mongolian Petroleum Supply and Service Industry...
 - Improve compliance with workforce and local business objectives...
 - Enhance Mongolia's international reputation and share of global Oil/Gas Investment...



5) Policy Development and Delivery Process

Phase 3. Policy Options and Instruments (Develop, Analyse and Evaluate):

- Decision makers must be **presented with options** to achieve the objectives set out.
- **Criteria must be established** to demonstrate how each option is being assessed and how the recommended option was arrived at. Criteria may include impacts on mandates of other organizations, environmental impacts, other government priorities, stakeholder reaction, ease of implementation, cost and likelihood of success.
- At this stage, thought should also be given to **how to make the policy happen**. Instruments such as financial incentives, regulations with penalties, tools to achieve voluntary compliance, financial accountability mechanisms, contracting arrangements are all examples of instruments that should be analysed to achieve results.
- Organizations and **staff responsible for program delivery must be engaged** in the development of the instruments to ensure that they have a higher likelihood of success and are costed properly.

Discussion Topic:

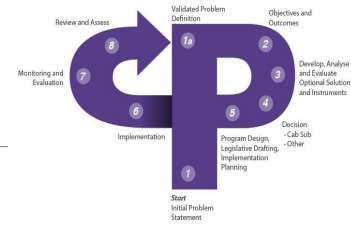
Are there other basic options available different than those spelled out in the old version of the Petroleum Policy?

Are the Instruments (e.g. PSA) achieving what they set out to do and are they suitable for all sectors of the Petroleum Industry?

Have enforcement activities been working and are penalties adequate?

Does the Petroleum Law need to be amended?

Are the accountabilities clear across the government for implementing the Policy?



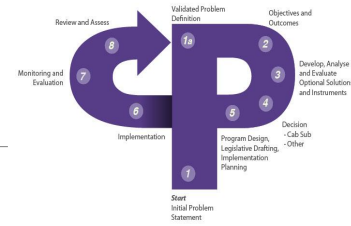
5) Policy Development and Delivery Process

Phase 4. Decision:

- Final decisions on the recommended policy must be made by Cabinet or delegated officials through a defined process to meet the needs of the State as they see it. This **process must be honoured** and decisions documented to provide the necessary legal authority to proceed, to direct follow up action and to allocate financial and human resources.
- **Specific decisions** that direct further action (e.g. changes to the law, regulations, communications) **must be articulated**.
- All **written material** and briefings should be professionally delivered in a clear fashion, absent of bias and must be supported by evidence.

Discussion Topic:

What is the critical path to get approvals on the New Petroleum policy and who needs to be briefed along the way?



5) Policy Development and Delivery Process

Phase 5. Program Design. Law, Implementation Planning:

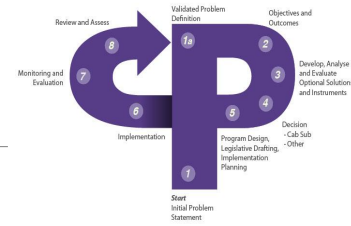
- Programs, guidelines, procedures, action plans, business practices and budgets should be developed with the **involvement of staff responsible for delivery**.
- A detailed **implementation/action plan and “roll-out” plan** is often necessary to ensure smooth implantation.
- Development of a **Results Based Management approach**, supporting performance/outcome measures should be considered at this stage.
- A **communications strategy** should be prepared to ensure effected staff, other Ministries/Agencies, and stakeholders are informed of what is changing and why.

Discussion Topic:

Who is responsible for delivering the new Petroleum Policy and how can they be involved?

Are there existing implementation/action plans, procedures or business practices that need to be reviewed and updated?

How will we communicate the changes to the existing Petroleum Industry and to the International Investment Community?



5) Policy Development and Delivery Process

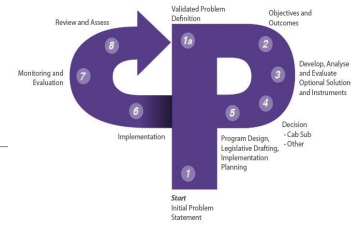
Phase 6. Implementation:

- **Smooth implementation** of any policy generates stakeholder and public confidence.
- An **accountability model and action plan** should be in place to support implementation.
- **Working groups and staff** should remain as a resource to support implementation through initial stages.

Discussion Topic:

How will the new policy be implemented? Are implementation players knowledgeable and if not how can they be brought up to speed?

Will achievement of new the new Petroleum policy be included in staff performance objectices?



5) Policy Development and Delivery Process

Phase 7. Monitoring and Evaluation:

- Measurement of a new policy against select measures is the **basis for further course correction and achieving desired results.**
- **Evaluation plans** should be developed and reviewed annually in cooperation with Audit staff.

Discussion Topic:

Has the old Petroleum Policy had measures and have these been evaluated?

Could the updated policy benefit from performance measures?
What are the complications of setting those measures?

6) Policy Skills

- Problem Solving.
- Political Acuity – ability to understand and appreciate political priorities and sensitivities.
- Strategic thinking – ability to understand long-term vision and apply it to daily work.
- Collaboration – ability to collaboratively with team members, stakeholders, partners, colleagues.
- Data analysis.
- Research.
- Communications – ability to convey information clearly through a variety of means.
- Project Management.
- Policy, Legislation, Regulations process knowledge.

7) Summary

- This presentation covered the basic Canadian and International Best practice for Policy and Delivery Development.
- Rarely are public servants able to follow this entire process due to timing constraints, competing priorities, political direction and other factors.
- But an understanding of each of the elements of the process can strengthen the policy work and implementation planning being carried out.