

ASIAN DEVELOPMENT BANK

**COUNTRY ASSISTANCE PLAN
(2000-2002)**

MONGOLIA

December 1999

FOREWORD

The Country Assistance Plan describes the planned program of assistance by the Asian Development Bank for [Mongolia](#) covering the three-year period 2000-2002. It includes loan and technical assistance projects, as well as possible cofinancing from other donors. The CAP was prepared by the ADB between April and June 1999, in close consultation with the Government of [Mongolia](#), and other stakeholders, including non-government organizations. The CAP was discussed with the Board of Directors in October 1999. The assistance plan described in the CAP is only indicative and may be revised to reflect more recent developments.

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CURRENCY EQUIVALENTS

(as of 30 November 1999)

Currency Unit	—	Tugrik (Tug)
Tug1.00	=	\$0.00093
\$1.00	=	Tug1,076

Since May 1993, the value of the Tugrik has been determined using a floating exchange rate.

ABBREVIATIONS

ADB	-	Asian Development Bank
ADF	-	Asian Development Fund
COS	-	Country Operational Strategy
CPI	-	Consumer Price Index
ESAF	-	Enhanced Structural Adjustment Facility
FDI	-	foreign direct investment
GDP	-	gross domestic product
HSDP	-	Health Sector Development Program
IMF	-	International Monetary Fund
IPF	-	indicative planning figure
MAG	-	Mongolia Assistance Group
PIU	-	project implementing units
RETA	-	regional technical assistance
TA	-	technical assistance
UNDP	-	United Nations Development Programme
VAT	-	value added tax

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December.
- (ii) In this Report, "\$" refers to US dollars.

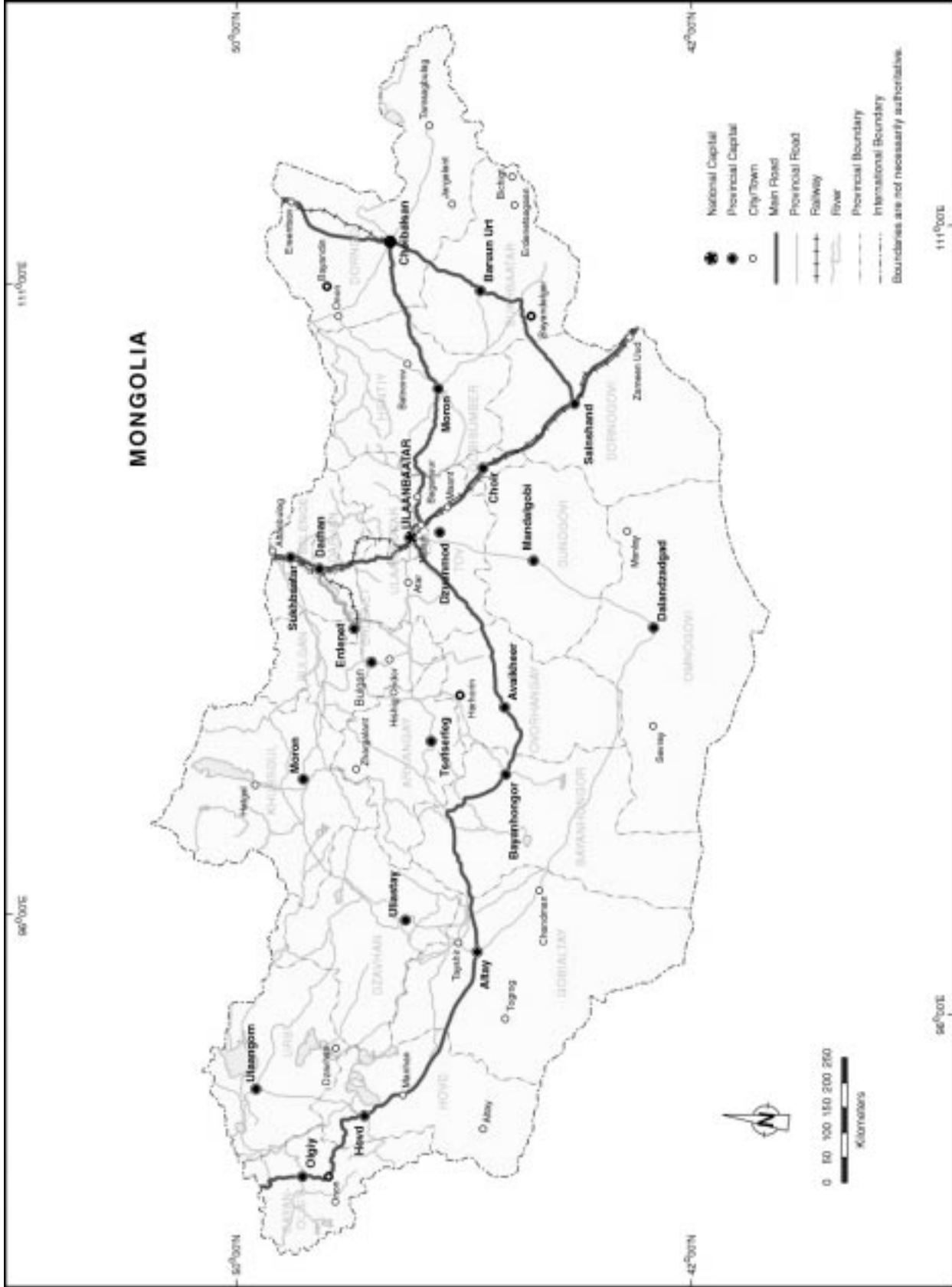
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MONGOLIA

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MONGOLIA



- National Capital
 - Provincial Capital
 - City/Town
 - Main Road
 - Provincial Road
 - +—+—+— Railway
 - ~ River
 - - - Provincial Boundary
 - - - - International Boundary
- Boundaries are not necessarily authoritative.



115°00'E

90°00'E

50°00'N

42°00'N

115°00'E

90°00'E

MONGOLIA

I. Country Performance Assessment

A. Economic Performance Assessment

1. During 1998 Mongolia's success in achieving moderate economic growth and reducing inflation was offset by disappointing fiscal performance, a weakened external position and serious problems in the banking sector. Real gross domestic product (GDP) growth of 3.5 percent was a creditable performance in the face of the negative impact of the Asian and Russian crises and falling prices for key export commodities, including copper, gold and cashmere. With inflation reduced to 6 percent, in late 1998, the Bank of Mongolia allowed a small depreciation in the exchange rate (5 percent). However, the fiscal position deteriorated sharply after the collapse of commodity prices reduced tax revenues. In July the Government responded by introducing a value added tax (VAT) of 10 percent; the VAT was increased to 13 percent one month later. Burdened by extremely high levels of non-performing loans, three major banks face insolvency. Due to the growing fiscal pressures and the difficulties in the banking system, towards the end of the year the Government began to run arrears on payments on its domestic and external debt and had difficulty meeting salary and other payments. As Mongolia's terms of trade worsened, the external current account moved from a slight surplus in 1997 to a deficit equivalent to about 12 percent of GDP in 1998. Detailed economic performance indicators are shown in Appendix 1.

2. The 1999 budget approved by Parliament in late 1998 envisaged a decline in the deficit to 8.9 percent of GDP compared to about 11 percent in 1998. The 1999 budget, however, did not fully anticipate the falling tax base of key commodities and the likely expenditure pressure due to the banking sector reforms and public sector employment retrenchments. Therefore, in May 1999 a supplementary budget was approved, which includes measures to raise revenues and lower expenditures to cut the fiscal deficit and clear debt service arrears. Passage by Parliament of the supplementary budget and further actions in bank restructuring were preconditions for disbursement of the second annual arrangement under the International Monetary Fund's (IMF) three year (1998-2000) enhanced structural adjustment facility (ESAF). The IMF's Board approved the second annual arrangement on 16 June 1999.

3. The Government has successfully introduced numerous reforms spanning a broad range which are supporting the achievement of macroeconomic stability. Structural reforms undertaken are encouraging private sector-led growth. A bank restructuring and reform program has been implemented, although the sector needs further restructuring and consolidation. Public administration is being streamlined, the privatization program has been accelerated, tax reforms are being implemented, and the trade regime is among the most liberal in the world. The Government abolished all import duties except on tobacco and alcohol effective June 1997. However, due to the deterioration in the fiscal position, a temporary uniform 5 percent import tariff was introduced in May 1999. The Government plans to further consolidate the banking sector and to persevere with macroeconomic stabilization policies within the framework of the ongoing ESAF program. With the major structural reforms either completed or underway, the Government is now beginning to address issues related to long-term development prospects and poverty reduction.

4. Despite the continuing negative effects of exogenous shocks, expectations are that the economy is maintaining its resilience and that real GDP growth in 1999 will be 3.5 percent, the same as last year. The main impetus was expected to come from private sector development in

the industry and service sectors. Agricultural production, however, is likely to suffer from fuel shortages during the harvest season, caused by restricted supplies from Russia. During the first nine months of the year, inflation reached almost 11 percent, compared with 8 percent for the same period last year. The acceleration in inflation reflects the fuel shortages, a gradual nominal depreciation of the exchange rate during the year, and the imposition in May 1999 of a uniform 5 percent import tariff, made necessary by the weakened fiscal situation.

5. Of major concern is the sharp increase in the fiscal deficit, which in the first seven months of 1999 was double that recorded for the same period in 1998. The full impact of corrective measures introduced under the supplementary budget adopted in May 1999 is yet to be felt. There has been a sharp curtailment in capital expenditure. Complicating the fiscal position is the pressure on the Government to grant a general wage increase of 15 percent to all civil servants. Improved public expenditure management will be addressed under the Asian Development Bank's (ADB) proposed Governance Reform Program.

B. Assessment of Socio-Environmental Performance

1. Poverty Issues

6. The incidence of poverty and unemployment, virtually nonexistent prior to 1990, has increased rapidly because of the cessation of financial aid from the Council for Mutual Economic Assistance countries and the resulting economic and financial crises, high inflation, problems faced by state-owned enterprises, labor retrenchment, and the inadequacy of the social safety net. The Government's ability to finance the social safety net has been significantly impaired due to budget constraints. Moreover, because of severe fiscal difficulties, the quality and delivery of basic health, education, and other social and urban services have deteriorated.

7. It is estimated that 36 percent of the population is below the poverty line. Although the official unemployment rate is about 7 percent and declining, a more realistic rate might be closer to 20 percent.

8. The Mongolian authorities have prioritized addressing the social costs related to the transition process and strengthening the social safety net to reduce the adverse impact of poverty and unemployment. Macroeconomic stabilization and economic growth are recognized as preconditions to address poverty reduction and employment generation. All ongoing projects funded by external assistance and the budget are under review by the Government to examine the effectiveness of funds utilization and their targets and impacts; where necessary, poverty reduction and social safety net projects will be redesigned. Ongoing ADB projects are supporting the Government's efforts to reduce poverty and generate employment in the areas of school rehabilitation, vocational training, health sector reforms, social insurance and pension reforms, strengthening local governments and decentralization, and employment generation. The ADB-financed Education Sector Development Program was designed to mitigate social costs associated with a staff rationalization plan in the education sector by developing and financing a comprehensive compensation package.

2. Gender Issues

9. Women occupy a high status in Mongolian society, are well-educated and well-represented in most occupations and have equal or better access than men to education and employment opportunities. Female enrollment is higher than males at most levels, including university education. The introduction of the tuition fee system in higher education has not

resulted in gender imbalance in enrollment. Labor retrenchment has not impacted more adversely on women than on men. However, in education and health where approximately 70 percent of staff are women, implementation of civil service reform including a staff rationalization plan should be handled in a way which minimizes, to the extent possible, adverse social consequences. There is evidence that women have been more adversely affected than men by the deteriorating health and child care services and nearly 60 percent of individuals living in female-headed households are poor, compared with a poverty rate of 31 percent for those living in male-headed households. Women are also increasingly being affected by alcohol-related violence during the transition to a market economy.

3. Human Development

10. During the socialist regime, Mongolia was able to promote human development. In just under 70 years, Mongolia expanded health and education coverage to virtually all its population, even in the furthest outreaches of its vast and sparsely populated territory. However, with the economic and fiscal difficulties overtaking the country since 1990, this significant achievement has been placed in jeopardy. The Government recognizes that deterioration of human development indicators through the running down of health and education and social services will constrain future economic growth and the nation's development. Widespread poverty can hinder the growth of local markets and depress savings, constraining growth in the longer term. Hence, the Government places high priority on human development as an integral part of the nation's development strategy. The Government also recognizes that the transformation to a market-oriented economy requires new skills that are not widely available in the present work force. ADB has emerged as one of the major donors in the area of human development and support has been extended to a wide range of sectors such as agriculture, education, health, roads, and energy. Institution and capacity building and training will continue to be a focus of future ADB operations in Mongolia.

4. Environment

11. Because of the disregard for environmental concerns prior to 1990, environmental pressures have risen (e.g., water and air pollution, deposits of toxic wastes, desertification, deforestation, groundwater depletion, soil erosion, and overgrazing). Since 1990 the philosophical and legislative position of the Government with respect to environmental issues has changed. There is now greater concern for the environment and new legislation has been adopted. The institutional, monitoring, and enforcement framework is, however, still weak. ADB has been providing technical assistance to help the Government deal with these issues and to incorporate environmentally sound technologies and subcomponents within ADB-financed projects. ADB has been helping the Government to strengthen the environmental management capability including reviewing the comprehensive environmental law, developing national environmental standards, institutionalizing the environmental impact assessment process, strengthening environmental monitoring capabilities, preparing a permit system, and developing a public awareness and information program. The environmental impact of livestock production on the ecological systems is an important issue and ADB has assisted Mongolia to formulate policies, strategies and an action plan for sustainable management of the extensive livestock production systems.

C. Governance: Sound Development Management

12. Several important measures have been taken by the Government to enhance participation in the development process and to increase accountability through civil service reform. The Government's efforts to bring about a rapid transition to a market economy have resulted in increased competition and the use of market forces for allocation of resources. The Government has taken a number of important measures to improve public sector management. The Government is withdrawing from resource allocation in the productive sectors and encouraging expansion of the private sector. In keeping with this role, there has been considerable downsizing in Government ministries and agencies. The Government initiated civil service reform including the reorganization of the government system and operation, staff rationalization, and improvement of public financial management. Local governments have slowly been given greater authority and autonomy, although their fiscal and staff resources are limited. The Government has launched a far-reaching program of privatization of state assets. It is also making efforts to broaden the tax base, strengthen revenue collection, and control expenditures. The Government is committed to the principles of access to information and transparency in the decision-making processes. There are, nevertheless, institutional and administrative constraints to achieving these goals which are gradually being addressed. In December 1999 the Board approved the Governance Reform Program Loan to support major administrative and financial management reform in the public sector.

D. Implementation Assessment

1. The Portfolio

13. Since Mongolia joined ADB in 1991, ADB operations have grown steadily in terms of volume and the number of sectors covered in accordance with the operational strategy. ADB is Mongolia's second largest source of donor assistance after Japan. By 31 December 1999, ADB had approved 21 loans, amounting to \$427.5 million. Lending operations have been dominated by program loans (28.6 percent by number and 32 percent by amount), which have supported policy reforms and infrastructure rehabilitation projects. All public sector loans are from ADB's concessional facility, the Asian Development Fund (ADF). In the mid-1990s ADB lent an average of \$60 million-\$65 million per year to Mongolia, but political uncertainties prevented new project approvals in 1998.

14. The transportation and communications sector accounted for 31.5 percent of the total lending to Mongolia, followed by the finance and industry sector with 23 percent, the energy sector with 22 percent, the agriculture sector with 9 percent, and the social sectors with 9 percent.

15. By 31 December 1999, ADB had provided 89 technical assistance (TA) grants totaling \$45.3 million. TAs have helped to improve governance, build institutional capacity, support policy and institutional reforms, and develop the legal and regulatory framework and human resources and to prepare investment projects in a wide range of sectors.

16. ADB's development impact is evident in many sectors in Mongolia, particularly in policy leverage shown in sector reforms, capacity building, institutional strengthening, and support of good governance. In key infrastructure sectors such as energy, and transport and communications, ADB's policy dialogue assisted the Government in (i) separating policy and regulatory functions from operations; (ii) commercializing management and operations; and (iii) improving tariff adjustments and cost recovery. In industry and agriculture sectors, ADB's

program loans assisted the Government in implementing difficult policy and reform agendas covering liberalization of prices, deregulation of the trade regime, and development of a legal and regulatory framework. In the social sectors, ADB is helping the Government to rationalize structures and facilities, promote cost recovery, and privatize provision of social services wherever possible.

17. Despite the economic uncertainty, fiscal constraints, and institutional weaknesses in all sectors, ADB's portfolio in Mongolia is, in general, performing satisfactorily and implementation is proceeding on schedule. A high proportion of ADB lending has been through program loans. Release of the second tranches of program loans in the industry, agriculture and education sectors demonstrate the Government's commitment to and capability for implementing difficult policy and sector reforms. A six-month delay in release of the second tranche of the Financial Sector Program has been caused by the intensity of the problems facing the sector; mitigating steps were agreed to during the review for the release of the second tranche. One project (Special Assistance Loan in 1991) has been postevaluated and rated generally successful. Because of the generally good portfolio performance, it has not been necessary to undertake any "spring cleaning". Technical assistance completion reports demonstrate that the ADB-funded TAs achieved their objectives and have significantly contributed to supporting policy and sector reforms, strengthening institutions and capacity building, and developing the legal and regulatory framework and human resources in a wide range of sectors. Detailed portfolio performance indicators are given in Appendix 2.

2. Issues in Project Implementation

18. Despite the economic uncertainties, fiscal constraints and general institutional weakness, ADB's loan portfolio in Mongolia is generally satisfactory with implementation proceeding on schedule. The Government and ADB recognize that the country's implementation and absorptive capacity is limited. Lack of counterpart funds limit project implementation. Policy and institutional support in all sectors continues to be required. All ADB projects are accompanied by substantial capacity building TAs to address policy and sector reforms, strengthen institutional and staff capabilities, and develop legal and regulatory frameworks. The Government's commitment and ownership of the projects has also been crucial for the success of ADB's Mongolian portfolio.

19. Some projects have experienced delays in loan signing and effectiveness as well as in the establishment and maintenance of project implementation structure. These include (i) delays in preparing legal opinions and subsidiary loan agreements due to the Government's and the executing agencies' unfamiliarity and inexperience with these exercises; (ii) delays in obtaining approval from the Parliament; (iii) general difficulties in identifying technically qualified staff with English proficiency; (iv) high turnover rate of staff in the executing agency; (v) frequent reorganization of the Government structure; and (vi) budgetary constraints to sanction the project implementing units (PIUs). Physical implementation delays reflect delays in (i) recruiting consultants; (ii) preparing bid evaluations; (iii) opening letters of credit; (iv) procuring local materials; (v) paying import taxes resulting in materials and equipment being impounded by customs (this issue was eventually resolved when the Government lifted virtually almost import taxes and duties in July 1997); (vi) implementing projects because of the seasonal constraints and the effect of harsh winters on project implementation; and (vii) difficulties caused by some contractors.

20. Some of the contributing factors for successful project implementation include (i) the use of advance action for recruitment of consultants and procurement; (ii) the early establishment of

PIU as conditions for loan negotiations and the Board approval and training of staff in advance; (iii) close monitoring of the project by frequent review missions and consultations with the Government and the executing agencies; and (iv) substantial use of international consultants for detailed design and project implementation and its knowledge and skills transfer to local counterpart staff.

II. Country Operational Strategy

21. The Country Operational Strategy (COS) for Mongolia prepared in 1994 aimed at facilitating the transition to a market economy by: (i) creating an environment in which a competitive and efficient market economy can flourish; (ii) developing the human resources and skills necessary for a market economy; and (iii) developing the infrastructure needed for a market economy. During 1999, preparation of a new COS was undertaken. In summary, the new strategy, places poverty reduction at the same level of importance as the need to foster economic growth, as the main objective of the strategy. It further emphasizes the need to incorporate elements of good governance in any project supported by ADB. Recognizing the success of the first COS to foster a transition to a market economy, the new strategy places its main emphasis on private sector to lead the economic growth process and to reduce poverty. However, unlike the first COS, which achieved an increasing share for private sector in the GDP mainly through privatization, the new COS will attempt to revive and expand economic activity within the existing private sector while continuing with privatization. The new COS will be finalized in the first quarter of 2000.

III. Sector Strategies

A. Agriculture

22. ADB is supporting a broad range of policy and institutional reforms in the agriculture sector. Under the Agriculture Sector Program (1995), policy and sector reform measures were successfully undertaken to (i) develop competitive markets by formulating and implementing an agriculture sector strategy, promote markets for land use rights, remove impediments to free prices in agricultural products, limit Government's role in agricultural markets, and ensure the sustainability of the extensive livestock sector; (ii) provide institutional support to facilitate competitive markets by transferring Government ownership to the private sector or family-operated farms, revitalize and develop the short-term and medium-term credit and financial institutions servicing the agriculture sector, and streamline and reorient public sector institutions; and (iii) address social and environmental concerns by identifying and mitigating social and environmental impacts related to the agriculture sector reforms. ADB is working with the Government to identify additional policy reforms, capacity-building measures, and investments to increase agricultural and livestock production in a sustainable manner. The establishment of a cadastral survey and land registration system is critical for future agriculture development, management of natural resources, urban and rural development, and broadening the local government's revenue base.

B. Infrastructure

23. Developing physical infrastructure continues to be a priority for the Government because of the obstacles for the development of an efficient economy posed by the current infrastructure. ADB's strategy focuses on: (i) separating policy/regulatory functions from operations; (ii) commercializing management and operations; (iii) institutional strengthening and human resource development; (iv) upgrading sector planning and improving management capabilities

and performance; (v) improving tariff adjustments and cost recovery; (vi) improving operation and maintenance; and (vii) addressing environmental issues. The level of investment in physical infrastructure needs to be addressed in the context of the Government's limited fiscal resources. Limitations on ADB's available resources and introduction of private sector participation in provision of infrastructure services point to more selective and limited assistance being provided to infrastructure under the new COS.

1. Energy

24. In the energy sector, ADB's strategy has centered on adjusting energy tariffs towards full cost recovery levels, improving the Energy Authority's financial performance, commercializing operations in the energy sector, and promoting energy conservation. Loans have been provided to rehabilitate an existing power plant, improve energy conservation, and modernize the district heating and steam systems. An adequate supply of heat during the harsh winter months is essential in Ulaanbaatar which is the coldest capital in the world. ADB's future lending to this sector will be determined in the context of the new COS. However, ADB will continue to play an important role through provision of TAs to support restructuring of the sector and ensuring efficient use of energy resources. The TAs will also provide capacity building for the Ministry of Infrastructure Development and the Energy Authority to ensure sustainable development of the sector.

2. Transport and Communications

25. In the civil aviation sector, as a result of ADB's policy dialogue, several major reforms have been implemented: (i) airline operations have been separated from the operation and management of the civil aviation infrastructure; (ii) the Civil Aviation Authority has been established as a separate corporation; (iii) air navigation charges for domestic and international flights have been introduced and passenger service charges have been set at the levels consistent with international standards; (iv) the foundations of a commercial accounting system have been introduced; (v) two new private airlines have commenced operations; and (vi) the Civil Aviation Authority's organizational structure and operating practices have been progressively adapted to obtain greater conformity with international practices, particularly in areas related to air safety. Further ADB assistance to this sector is not envisaged.

26. In the telecommunications sector, with ADB assistance, time-bound sector restructuring and financial plans are successfully being implemented. The legal and regulatory framework was strengthened under the Telecommunications Law. Posts and broadcasting have been separated from the telecommunications business. The Mongolian Telecommunications Company has been partially privatized and commercial operating practices have been introduced. A privately owned cellular network service has been established and value added and basic services have been progressively deregulated. No further ADB assistance is planned for this sector.

27. ADB's strategy now focuses on the road sector, and more specifically on the north-south transport corridor through Ulaanbaatar linking the country with Russia and PRC. Developing this corridor will promote sustainable economic growth, providing more employment opportunities and generating additional incomes in poor areas thus contributing to poverty reduction. A loan project is being implemented to rehabilitate the 300 km main road from Ulaanbaatar to Altanbulag on the Russian border. The Second Roads Development Project, further developing the corridor, was approved in December 1999. The policy dialogue focuses on: (i) minimizing uncertainties in road funding by changing the Road Fund's legal and administrative

arrangements, including the enactment of legislation for adjusting the percentage of fuel tax allocated to the Road Fund and the establishment of an autonomous Road Board; (ii) improving medium- to long-term cost recovery practices (e.g., by introducing road-user charges); (iii) promoting policy reform and institutional strengthening; (iv) supporting capacity building through training and human resources development; (v) facilitating privatization and private sector participation in road maintenance and development; and (vi) introducing new design and construction standards.

3. Finance

28. The problems of the financial sector, unless successfully addressed, will jeopardize the Government's macroeconomic stabilization program, and restrict the recovery of the productive sectors as well as the development of the private sector. Thus, strengthening the financial sector constitutes a key feature of ADB's strategy. The ongoing Financial Sector Program is addressing the key policy and reform issues in the banking sector including (i) strengthening financial intermediaries by facilitating the operational and financial restructuring of banks; (ii) upgrading skills in commercial banks; (iii) strengthening the legal and regulatory framework, improving supervision and the regulation of banks and non-bank financial institutions, improving the financial information on bank's improving debt recovery, and facilitating enforcement; (iv) improving the regulatory capability of the central bank; and (v) improving the efficiency of financial intermediation by reducing the Government's involvement in commercial bank operations and establishing market-determined interest rates.

29. The reform programs are aimed at creating a sound financial system, which can effectively mobilize and channel resources to finance productive activity and overall economic recovery. The reform agenda is on-going and further actions are required to support: (i) restructuring and privatization of banks; (ii) consolidation of the banking sector through the merger and closure of smaller banks; (iii) resolving the viability of Savings Bank (lending restrictions remain in place); (iv) strengthening the legal and regulatory environment for non-bank financial institutions; and (v) phasing out bank restructuring bonds.

C. Social Infrastructure and Environment

1. Health

30. The Health Sector Development Program (HSDP) is helping the Government reform the health sector to ensure its sustainability in a market economy. With cost-efficiency and universal access to quality essential services as priorities, the HSDP seeks to re-orient the health sector by: (i) focusing on primary health care rather than hospital services; (ii) developing an effective referral system to provide quality services as needed rather than provide universal access to poor standard services; (iii) introducing mechanisms and regulations to maximize private-sector entrepreneurship in health service delivery through payment of providers, licensing and accreditation; and (iv) creating hospital boards. Family group practices in urban areas, and structural reorganization of the health facilities in rural and urban areas are major components of the reforms. These reforms require intensive training of health personnel. ADB has also provided support for improving the Health Insurance Law and in developing the National Health Policy. In particular, ADB is trying to create a dynamic and efficient partnership between the public and the private sectors, to harness the strengths and qualities of both sectors, and to ensure that each is participating in the most cost-effective way to improve access and quality of the services. The HSDP is progressing well and is fully on schedule. Additional support to extend and strengthen the reforms, and to improve service quality, is envisaged through the

Second Health Sector Development Program (TA in 2000, loan in 2002). Particular attention will be given to mitigating the social costs of the reforms that disproportionately affect women, because they constitute the majority of the staff in the education and health sectors. Impact analysis will pay specific attention to women, ensuring collection of data and indicators disaggregated by gender.

2. Education

31. The Education Sector Development Program is assisting to make the education sector more effective, responsive, and sustainable. Major policy issues that ADB is helping address include rationalizing structures and facilities, reducing overstaffing, promoting cost recovery and private sector provision of education services, financing the needed investments in secondary and higher education, and strengthening management capabilities in the sector as whole. The Program was designed to mitigate social costs associated with a staff rationalization plan by developing and financing a comprehensive severance package. The Government is preparing an updated Education Sector Strategy 2001-2005 with the support of ADB TA. Follow-up support is planned to strengthen ongoing sector reforms with emphasis on basic and nonformal/distance education, market driven vocational education and strengthening science and technology at tertiary level. Particular attention will be given to mitigating the social costs of the reforms that disproportionately affect women, because they constitute the majority of the staff in the education sectors. Impact analysis will pay specific attention to women, ensuring collection of data and indicators disaggregated by gender.

32. The ongoing education and health sector development programs demonstrate that the SDP is a very efficient mechanism for straightening sector reforms in full partnership with the Government, as well as for addressing investment needs. Accordingly, it is planned that follow-up interventions in these sectors will employ the SDP modality to reinforce appropriate sector policies.

3. Urban Development

33. In the urban development sector, the Provincial Towns Basic Urban Services Project is provided for rehabilitating basic urban infrastructure, which includes water supply, sanitation, solid waste, and bathhouses in the five provincial towns in western Mongolia. Improving town planning and cost recovery and commercializing service delivery were important elements in ADB's agenda for policy dialogue for the sector. Further support for the development of urban services is planned with a follow-on project.

4. Environment

34. The operational strategy for Mongolia acknowledges that ADB's support for stand-alone environmental projects will be limited; the support for environmental improvement will be provided through its sector operations, especially in agriculture. This approach will be followed in ADB's operations during 2000-2002. At a minimum, all ADB projects will be designed to have no negative environmental impact, or if they do will incorporate mitigating measures; wherever possible, proactive environmental components will be included in ADB financed projects.

D. Governance Dimensions of ADB Operations

35. ADB has played an active part in helping the Government to redefine its role in the emerging market economy and improve governance through policy reforms and capacity

building in several key sectors such as banking, agriculture, telecommunications, civil aviation, transport, power, housing, education, and health. ADB has provided substantial technical assistance to develop accounting and financial management systems in key infrastructure sectors and to improve legal and regulatory frameworks. Among the laws that were drafted with assistance from ADB are the: Telecommunications Law, Energy Law, Education Law, Environment Law and Regulations, Housing Policy Law, Housing Privatization Law, Condominium Law, Audit Law, Civil Aviation Regulations, Law on Private Land Ownership, Land Settlement Act, Land Registration Act, and Cadastral Survey Regulations. Technical assistance has also been provided to strengthen taxation, improve accounting and audit systems, develop local procurement capacities, strengthen local governments and decentralization, enhance the state statistical system, and retrain legal professionals. To assist the Government in implementing far-reaching public administration reforms, substantial policy advice and technical assistance have been provided in the areas of civil service reforms and drafting the comprehensive Public Sector Management and Finance Act.

36. The Government requested ADB's support for its program of governance reforms through a program loan, which was approved in December 1999. The Government is firmly committed to enhancing governance and currently is in the process of adopting resource and performance-based accounting systems and implementing comprehensive public administration reforms largely patterned on the New Zealand model. The program covers the key reform areas of (i) civil service reforms; (ii) privatization; (iii) local government reforms; and (iv) legal reforms. In the housing sector, technical assistance is proposed to enhance the transparency of restructuring housing finance institutions through support for creation of a housing development fund. The Parliament has also established an anticorruption working group with the objective of strengthening legislation in this area. ADB is liaising closely with the working group with a view to assisting its work.

E. Gender Dimensions of ADB Operations

37. In operationalizing ADB's gender and development strategy for Mongolia, due consideration is given to the severe economic and financial difficulties that the country has been facing as well as the massive economic transformation that the country is going through. Macroeconomic stabilization and structural reforms are key issues affecting the Mongolian gender and development strategy. There are pressing needs in all sectors but financial, institutional and human resources are limited. It is, therefore, necessary to design a well-focused, realistic, and operational gender and development strategy that reflects the current constraints in Mongolia and also ADB's relative strengths in sectors.

38. The overall objective of ADB's gender and development strategy is to assist women in adjusting to the transition to a market economy and minimizing social costs. The Education Sector Development Program and the Health Sector Development Program were designed to mitigate social costs associated with staff rationalization plans by developing and financing a comprehensive compensation package to address gender issues specifically and ensure women's equal access to training and retraining programs. In the Employment Generation Program, access to credit and training has helped to facilitate the adjustment of women to the market-oriented economy. ADB has also supported the social safety net and health and social insurance reforms by better targeting the most vulnerable groups and women. A number of non-government organizations dealing with issues of concern to women have emerged in Mongolia, the services of which can be incorporated in project designs and implementation to enable women to have better access to credit and training. ADB TAs have assisted in developing reliable gender indicators in the national statistics and poverty data.

F. Private Sector Operations

39. With equivalent of 60 percent of GDP now in the private sector and a basic market oriented legal and regulatory framework in place, it is appropriate to examine opportunities for private sector operations. The development impact of a number of ADB's public sector operations is to improve the incentive framework for greater private sector participation in economic activity by enhancing the policy, legal, regulatory, and institutional framework, as well as by redefining the role of Government. Although there have been no private sector operations to date in Mongolia, ADB and the Government are exploring possibilities and ADB's Private Sector Group participated in the 1999 country programming mission. It was agreed that ADB's private sector strategy in Mongolia should be to provide assistance to (i) financial and capital market institutions; (ii) infrastructure projects; and (iii) industrial, agro-business and other projects including small and medium enterprises and tourism projects.

IV. Subregional Economic Cooperation

40. ADB is implementing a Regional Technical Assistance (RETA), involving ADB's Central Asian DMCs and Xinjiang Uygur Autonomous Region of the PRC, with the aim of strengthening cooperation in transportation, energy and trade facilitation. In view of the common issues of economic transition and landlocked status, ADB is facilitating Mongolian participation as observers in selected workshops to be held under the RETA. Mongolia, with Russia, PRC, Republic of Korea, and People's Democratic Republic of Korea, is participating in the Tumen River Subregional Economic Development Program under United Nations Development Programme (UNDP) assistance. Since two of the five participants are not member countries, ADB's role is rather limited in the Program. Priority investment proposals identified under the Tumen River Program include road and railway projects.

V. Donor Activities and Aid Coordination

41. Access to concessional external resources is essential for economic recovery and sustained growth in Mongolia. With a large fiscal deficit and the need to build up adequate foreign exchange reserves, substantial net capital inflows are required. While foreign direct investment (FDI) will meet some of these needs, the amount of FDI is expected to be modest and concentrated in a few sectors (e.g., minerals). The IMF, ADB and the World Bank have worked closely together to support the Government's macroeconomic stabilization and reform program since 1991. Concessional assistance from the donor community will continue to be critical. At the Assistance Group Meeting in June 1999, about \$320 million in external assistance was pledged for the next 18 months (July 1999 – December 2000) with Japan (\$115 million), ADB (\$76 million) and the World Bank (\$52 million) as the three largest donors.

42. ADB has taken a lead role in several key sectors (education, health, finance, roads, telecommunications, power, air navigation, and housing). Among its activities, ADB has financed preparation of several sector master plans that provide frameworks within which to coordinate donor assistance. ADB has provided assistance to strengthen the Government's capability to prioritize and coordinate projects proposed for external assistance. The World Bank has provided assistance to the transport, coal and mining sectors, poverty alleviation, privatization, and state-owned enterprise reform. Japan, the largest bilateral donor, has financed critical imports and provided assistance for the rehabilitation of the power plants, railways, urban transportation, and water supply sectors and has provided assistance for health equipment, human development, and environmental issues. The UNDP and other UN agencies are playing

an important role in the areas of health and population, poverty alleviation, and human development and management capacities. UNDP is also active in facilitating local donor coordination.

43. Six meetings of the Mongolia Assistance Group (MAG) were held in Tokyo up to 1997. At the seventh meeting, held in Mongolia in June 1999, it was agreed that the meetings would be restructured as Consultative Group Meetings, with the World Bank as the Chair. The meetings are an important mechanism for aid coordination among donors. At the most recent MAG, it was agreed that thematic groups will be established to cover the key areas of governance, financial sector, and the social sectors, including poverty. The groups will include representatives from Government, civil society, the private sector and donors. Donors could participate in the groups on a voluntary basis. ADB is playing the lead facilitating role for the thematic group on governance.

VI. Cofinancing and Catalyzing External Resources

44. As agreed under the IMF ESAF program, the Government is limiting its external borrowing to concessional sources. ADB will seek grant or soft cofinancing for all projects included in the operational program. ADB has been active in arranging cofinancing which, by the end of 1998, amounted to \$31.5 million (about 8.5 percent of total ADB lending to Mongolia) for projects in the telecommunications and energy sectors. Major sources of cofinancing have included Kreditanstalt fur Wiederaufbau, Nordic Development Fund, Norway, Danish International Development Authority, and Spain.

VII. ADB's Operational Program

45. The level of ADB's lending to Mongolia will depend on (i) ADF availability; (ii) the Government's continuing efforts to improve macroeconomic management and implement structural reforms; (iii) satisfactory project performance of ADB's Mongolian portfolio; (iv) the status of project preparation; and (v) availability of counterpart funds. Due to ADB's ADF resource constraints since 1998, the annual indicative planning figures (IPFs) for Mongolia were reduced by about one third to \$40 million. However, in the medium term Mongolia is expected to have the demand for, and capacity to absorb, a higher level of ADB concessional assistance to meet its development needs. Negotiations for the seventh replenishment of ADB's ADF will commence in October 1999. Thus, although the programmed levels of assistance for 1999 and 2000 reflect the resource constraints, the IPF for 2001 and 2002 is programmed at \$60 million.

46. The pipeline shows significant support for projects with cross-cutting concerns. During 2000-2002, 25 percent of projects will support social and environment concerns as primary development objectives. The proposed loan and TA pipeline for 2000-2002 is summarized in Table 1 and detailed in Appendix 4, and a breakdown by type and sector is in Appendix 5. Project profiles for firm 2000 loans are attached as Appendix 6.

Table 1: Lending and Technical Assistance Program, 2000-2002**A. Public Sector Lending Program**

	1998 (Actual)		1999 (Actual)		2000		2001		2002	
	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)
Lending Program ^a	-	-	2	50.0	4	49.9	3	50.0	3	60.0
ADF	-	-	2	50.0	4	49.9	3	50.0	3	60.0
OCR	-	-	-	-	-	-	-	-	-	-
Lending Pipeline ^b	-	-	-	-	4	49.9	3	50.0	3	60.0
ADF	-	-	-	-	4	49.9	3	50.0	3	60.0
OCR	-	-	-	-	-	-	-	-	-	-

B. Technical Assistance Program

	1998 (Actual)		1999 (Actual)		2000		2001		2002	
	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)
TA Program ^a	7	3,060.0	8	4,125.0	7	4,990.0	5	4,000.0	4	2,800.0
TA Pipeline ^b	-	-	-	-	7	4,990.0	5	4,000.0	4	2,800.0

^a The Program is comprised of the firm projects.

^b The Pipeline consists of the Program (firm projects) and standby projects. In 2001 and 2002, there is no distinction between firm and standby.

VIII. Economic and Sector Work Program

47. ADB's economic and sector work will continue to be closely linked with key operational and policy issues and capacity building efforts. The Country Economic Review for Mongolia will be updated. Work on formulating the new COS will be completed in the first quarter of 2000.

IX. Local Cost Financing

48. The Government has made considerable effort to mobilize limited domestic savings and borrow external resources to finance its recurrent and capital expenditures. Although the macroeconomic stabilization program is expected to improve the Government's fiscal position, the availability of counterpart funds will remain constrained. ADB will continue financing up to 80 percent of total project costs, including the provision of local cost financing. Since the beginning of its operations in Mongolia, ADB financing has covered 72 percent of total project costs. About 10 percent of ADB financing has been for local currency costs. The remainder of the project costs has been met by concessional cofinancing (12 percent) and by domestic resources (16 percent). ADB will continue to mobilize concessional cofinancing and use ADB-financed local cost financing to minimize the fiscal impact of project lending in Mongolia.

MONGOLIA
COUNTRY PERFORMANCE INDICATORS

Item	1994	1995	1996	1997	1998
ECONOMIC INDICATORS					
A. Income and Growth					
1. GDP per Capita (US dollars, current)	303.4	414.3	455.6	390.4	–
2. GDP Growth (% in constant prices)	2.3	6.3	2.4	4.0	3.5
3. GDP Share (% in current prices)					
a. Agriculture	36.9	36.8	36.8	33.5	32.8
b. Industry ^a	32.6	30.5	24.4	27.5	27.5
c. Services	30.5	32.7	38.8	39.0	39.7
B. Money and Inflation					
		(annual percent change)			
1. Consumer Prices (end of period)	66.3	53.1	53.2	20.5	6.0
2. Broad Money (M2)	79.4	32.8	25.9	32.5	-1.7
C. Government Finance					
		(percent of GDP)			
1. Revenue and Grants	28.3	33.7	27.8	29.5	27.3
2. Expenditure and Net Lending	51.1	37.8	36.0	38.1	38.9
3. Overall Surplus/Deficit (-)	-22.8	-4.1	-8.2	-8.6	-11.6
D. Balance of Payments					
1. Current Account Balance (% of GDP) ^b	-5.8	-5.5	-10.0	1.3	-11.4
2. Export (\$) growth (annual percent change)	0.3	32.3	-12.8	34.3	-22.9
3. Import (\$) growth (annual percent change)	-1.1	32.0	4.5	5.4	1.7
E. External Payments Indicators					
1. International Reserves (M\$) ^c	–	67.9	54.0	89.6	74.9
- weeks of imports	–	7.2	5.5	8.7	7.1
2. External Debt Service ^d	8.6	12.1	11.8	6.3	6.9
3. External Debt (% of GDP) ^e	61.3	52.8	54.0	63.7	72.3
Memorandum Items:					
GDP (current prices, billion Tugriks)	283.4	429.2	586.5	758.9	875.8
Exchange Rate (Tugrik per US\$, annual average)	412.7	450.0	584.0	795.0	854.0

– = Not available; GDP = Gross Domestic Product

^a Includes construction and manufacturing.

^b Excludes official transfers.

^c Refers to net official reserves.

^d As percentage of exports of goods and services.

^e Excludes debt of Tug 10 billion owed to the Russian Federation and other former Council for Mutual Economic Assistance (CMEA) countries.

Sources: State Statistics Office, Bank of Mongolia, Ministry of Finance, IMF estimates, and World Bank.

MONGOLIA
COUNTRY PERFORMANCE INDICATORS

Item	1985	1990	Latest Year
POPULATION INDICATORS			
Total Population (millions)	1.9	2.1	2.4 (1997)
Annual Population Growth Rate (% change)	2.4	2.5	1.4 (1997)
SOCIAL INDICATORS			
Total Fertility Rate (births per woman)	5.5	4.6 (1989)	2.7 (1995)
Crude birth rate	38.2	36.4 (1989)	23.7 (1995)
Crude death rate	10.3	8.4 (1989)	7.3 (1995)
Maternal Mortality Rate (per hundred thousand live births)	147.7	124.3 (1989)	185.2 (1995)
Infant Mortality Rate (below 1 year; per '000 live births)	75.9	64.1	39.6 (1997)
Life Expectancy at Birth (years)	63	63 (1989)	63.8 (1995)
Female	65	66 (1989)	65.4 (1995)
Male	61	60 (1989)	62.1 (1995)
Literacy Rate of Over-15 Year Old (%)			
Female	94.9 (1989)	96.9 (1992)	96.3 (1996)
Male	98.2 (1989)	98.6 (1992)	97.5 (1996)
Primary School Enrollment (Gross, % of school age population)	80	79	94 ^a (1997)
Female/Male	83/77	83/75	95/93 ^a (1997)
Secondary School Enrollment (Gross, % of school age population)	84	80	57 ^a (1997)
Female/Male	83/84	81/79	65/48 ^a (1997)
Poverty Incidence (as % of population)		14.5 (1991)	36.0 (1998)
Population with Access to Health Services (%)	-	95 (1989)	95 (1995)
Population with Access to Sanitation (%)	-	74 (1992)	74 (1995)
Public Education Expenditure as % of GDP	-	19.6	5.6 (1996)
Public Health Expenditure as % of GDP	-	10.6	3.7 (1996)
Human Development Index	-	0.578	0.669 (1995)
Human Development Ranking	-	100	101 (1995)
ENVIRONMENTAL INDICATORS			
Forest and Woodland (as % of total land area)	5.0	9.7 (1989)	9.9 (1995)
Forest Area Burned by Fire (1,000 ha)	33.3	649.8 (1989)	130.0 (1995)
Production of Fuel wood and Charcoal (1,000 cubic meter)	2,236	1,521 (1989)	631.2 (1995)
Annual Fresh Water Withdrawals (as % of water resources)	270	289 (1989)	300.0 (1995)

- = Not available.

^a Gross enrolment ratio refers to the number of enrolled in a level of education, whether or not they belong to the relevant age group, expressed as a percentage of the population in the corresponding age group for that school level.

Sources: National Statistical Office of Mongolia and UNDP: Human Development Report for Mongolia, 1997.

MONGOLIA
PORTFOLIO PERFORMANCE

Table 1: Implementation, Disbursement Performance and Post Evaluation Results
Public Sector Projects only
(as 31 December 1998)

A. Project Portfolio	Net Loan Amount (\$ million) (%)		Total (No.) (%)		Rating (No.) ^a							
					Implementation Progress				Development Objectives			
					HS	S	PS	U	HS	S	PS	U
Agriculture and Natural Resources	3.7	1.3	2	12.5	-	2	-	-	-	-	2	-
Energy	89.5	32.7	3	18.8	-	3	-	-	-	2	1	-
Finance and Industry	36.8	13.5	2	12.5	-	2	-	-	-	-	2	-
Transport and Communications	105.5	38.5	4	25.0	-	4	-	-	-	3	1	-
Social Infrastructure	38.2	14.0	5	31.2	-	5	-	-	-	-	5	-
Multisector/Others	-	-	-	-	-	-	-	-	-	-	-	-
Total	273.7	100.0	16	100.0	0	16	0	0	0	5	11	0

B. Disbursements	OCR	ADF	Total
(1) Total funds available for withdrawal (\$ mn, active loans only)	-	273.1	273.1
(2) Disbursed amount (\$ mn, cumulative, active loans only)	-	142.0	142.0
(3) Percentage disbursed [(2)/(1)] (%)	-	52.0	52.0
(4) Disbursements (\$mn, active loans only, Jan-Dec 1998)	-	31.9	31.9
(5) Disbursement ratio (%) ^b	-	20.3	20.3

C. Net Resource Transfers (\$million)	OCR	ADF	Total
Net transfer in 1995	-	49.1	49.1
Net transfer in 1996	-	33.0	33.0
Net transfer in 1997	-	65.9	65.9
Net transfer in 1998	-	29.9	29.9

D Post-Evaluated Projects (By Year of Approval)	1968-1977		1978 - 1987		1988-1998		1968-1998	
	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)
1. Postevaluation Rating								
Rated Generally Successful (GS)	-	-	-	-	1	100.0	1	100.0
Rated Partly Successful (PS)	-	-	-	-	-	-	-	-
Rated Unsuccessful (US)	-	-	-	-	-	-	-	-
Total	-	-	-	-	1	100.0	1	100.0
2. Postevaluation Rating by Sector (1968-1998)								
		GS		PS		US		Total
	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)
Agriculture and Natural Resources	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-
Finance and Industry	1	100.0	-	-	-	-	1	100.0
Transport and Communications	-	-	-	-	-	-	-	-
Social Infrastructure	-	-	-	-	-	-	-	-
Multisector/Others	-	-	-	-	-	-	-	-
Total	1	100.0	-	-	-	-	1	100.0

^a HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory.

^b Ratio of disbursement during the year over the undisbursed net loan balance less cancellations at the beginning of the year. Effective loans during the year have been added to the beginning balance of undisbursed loans.

MONGOLIA
PORTFOLIO PERFORMANCE

Table 2: Status of Project Implementation
Public Sector Projects Only
(as of 31 December 1998)

Sector ^a	Project Title	Net Loan Amount		Approval Date Date (mm/yy)	Effectivity Date Date (mm/yy)	Closing Date		Physical Progress (% complete)	Cum Contract Awards (\$ million)	Cumulative Disbursement (\$ million)	Project Performance Rating ^b	
		OCR	ADF			Original	Revised				Implementation	Development
		(\$ million)				(mm/yy)					Progress	Objective
AGR	Employment Generation 1290-MON (SF) Seg. 1	-	3.05	Dec-93	May-94	Dec-97	Dec-98	-	3.00	2.36	S	PS
AGR	Employment Generation 1290-MON (SF) Seg. 2	-	0.60	Dec-93	May-97	Dec-97	Dec-98	-	0.03	0.04	S	PS
ENE	Power Rehabilitation	-	38.22	Nov-94	Jul-95	Jun-98	Jun-99	45	36.98	30.10	S	S
ENE	Energy Conservation	-	9.75	Nov-96	Jan-98	Jun-01	-	10	5.34	0.68	S	S
ENE	Ulaanbaatar Heat Efficiency	-	41.52	Sep-97	Nov-98	Jun-03	-	-	1.40	-	S	PS
I&F	Financial Sector Program Loan	-	33.91	Dec-96	Jan-97	Jun-99	-	-	16.88	16.88	S	S
I&F	Upgrading Skills and Systems of Commercial Banks	-	2.91	Dec-96	Jan-97	Dec-99	-	55	0.76	0.22	S	S
T&C	Ulaanbaatar Airport	-	37.30	Oct-93	Jan-94	Sep-98	-	100	35.25	36.20	S	S
T&C	Telecommunications	-	24.32	Jun-94	Aug-94	Dec-99	-	75	23.63	18.68	S	S
T&C	Roads Development	-	22.59	Aug-95	Dec-95	Jun-00	-	3	21.37	11.30	S	S
T&C	National Air Navigation Development	-	21.29	Sep-95	Dec-95	Dec-99	-	65	16.72	15.41	S	PS
SOC	Education Sector Development Program	-	6.16	Dec-96	Mar-97	Sep-00	-	-	6.16	6.16	S	S
SOC	Education Sector Development Project	-	8.65	Dec-96	Mar-97	Sep-02	-	7.0	2.28	1.50	S	S
SOC	Provincial Towns Basic Urban Services	-	7.06	Sep-97	Aug-98	Jun-02	-	-	1.30	0.20	S	S
SOC	Health Sector Development Program	-	4.08	Nov-97	Apr-98	Jun-01	-	-	2.00	2.00	S	S
SOC	Health Sector Development Project	-	12.29	Nov-97	Apr-98	Jun-03	-	-	0.08	0.28	S	S
	Total	0.0	273.70						173.18	142.01		

^a Sector:

- AGR: Agriculture & Natural Resources
- ENE: Energy
- SOC: Social Infrastructure
- I&F: Industry and Finance
- T&C: Transport and Communications

^b HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory.

Source: COPP.

MONGOLIA
OVERALL EXTERNAL ASSISTANCE

External Source (\$ million)	1994-1998 (Cumulative Commitments) ^a		1999 Program ^b	
	Loan/Credit	TA	Loan/Credit	TA
A. Multilateral Assistance				
ADB	274.7	29.4	76.0	8.0
IBRD	108.7	-	52.0	-
IMF	48.0	-	17.0	-
EU TACIS	-	14.3	-	5.3
UNDP	-	14.6	-	4.3
UNFPA	-	-	-	2.5
IFAD	5.1	-	-	-
Subtotal	436.5	58.3	145.0	20.1
B. Bilateral Assistance				
France	-	5.9	-	0.1
Germany	45.1	9.5	-	9.3
Japan/JICA	46.0	4.4	115.0	-
South Korea	8.0	0.5	11.8	-
United States/USAID	-	66.8	-	16.0
Others	-	-	-	3.4
Subtotal	99.1	87.1	126.8	28.8
Total	535.6	145.4	271.8	48.9

^a For purposes of comparison, cumulative commitments were converted to US\$ using 31 December 1998 exchange rates.

^b Covers the period 01 July 1999 to 31 December 2000.

Sources: World Bank Group Resident Mission in Mongolia.

UNDP Mongolia: Mongolia Donor Compendium, May 1998.

MONGOLIA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002
(Amounts in \$ million)

Sector/Project Name	Strategic Dev't Objectives ^a		Responsible Division	Year of PPTA	PROJECT COST					
	Primary	Secondary			TOTAL	Bank		Gov't	Cofinancing (Others)	
						OCR	ADF			Total
2000 FIRM LOANS										
Agriculture and Natural Resources										
1. Cadastral Survey and Land Registration	ECO		AEAR	1995-1997	11.9	-	9.9	9.9	2.0	-
2. Agriculture Sector Development Program	ECO	POV	AEAR	1995-1997	18.0	-	15.0	15.0	3.0	-
Subtotal					29.9	0.0	24.9	24.9	5.0	0.0
Social Infrastructure										
1. Social Safety Net Development Program	POV		AEEH	1997	12.0	-	10.0	10.0	2.0	-
Subtotal					12.0	0.0	10.0	10.0	2.0	0.0
Finance										
1. Financial Sector Program Loan II	ECO	-	IEFI	2000	18.0	-	15.0	15.0	3.0	-
Subtotal					18.0	0.0	15.0	15.0	3.0	0.0
Total					59.9	0.0	49.9	49.9	10.0	0.0
2001 LOAN PIPELINE										
Agriculture and Natural Resources										
1. Rural Finance	POV	-	AEAR	1999	18.0	-	15.0	15.0	3.0	-
Subtotal					18.0	0.0	15.0	15.0	3.0	0.0
Social Infrastructure										
1. Education Development II	HD	-	AEEH	1998	18.0	-	15.0	15.0	3.0	-
2. Housing Sector Finance	HD	-	AEWU	2000	24.0	-	20.0	20.0	4.0	-
Subtotal					42.0	0.0	35.0	35.0	7.0	0.0
Total					60.0	0.0	50.0	50.0	10.0	0.0
2002 LOAN PIPELINE										
Social Infrastructure										
1. Provincial Towns Urban Services II	HD	-	AEWU	2000	24.0	-	20.0	20.0	4.0	-
2. Health Sector Development II	HD	-	AEEH	2000	24.0	-	20.0	20.0	4.0	-
Subtotal					48.0	0.0	40.0	40.0	8.0	0.0
Others										
1. Governance Reform Program II	HD	-	PE3	2001	24.0	-	20.0	20.0	4.0	-
Subtotal					24.0	0.0	20.0	20.0	4.0	0.0
Total					72.0	0.0	60.0	60.0	12.0	0.0

^a ECO = Economic Growth; HD = Human Development; and POV = Poverty Reduction.

MONGOLIA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)		
			Bank	Others	Total
2000 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1. Agriculture Sector Capacity Building	AEAR	AD	600.0	-	600.0
2. Capacity Building for Agriculture and Land Administration ^a	AEAR	AD	990.0	-	990.0
3. Rural Finance	AEAR	PP	700.0	-	700.0
	Subtotal		<u>2,290.0</u>	<u>0.0</u>	<u>2,290.0</u>
Finance and Industry					
1. Financial Sector Program Loan II	IEFI	PP	800.0	-	800.0
	Subtotal		<u>800.0</u>	<u>0.0</u>	<u>800.0</u>
Social Infrastructure					
1. Provincial Towns Urban Services II	AEWU	PP	700.0	-	700.0
2. Health Sector Development II	AEEH	PP	600.0	-	600.0
3. Housing Sector Finance	AEWU	PP	600.0	-	600.0
	Subtotal		<u>1,900.0</u>	<u>0.0</u>	<u>1,900.0</u>
Total			<u>4,990.0</u>	<u>0.0</u>	<u>4,990.0</u>
2001 TECHNICAL ASSISTANCE PROGRAM					
Energy					
1. Capacity Building for Revaluation of Energy Authority Assets	IEEN	AD	700.0	-	700.0
	Subtotal		<u>700.0</u>	<u>0.0</u>	<u>700.0</u>
Social Infrastructure					
1. Education Sector Capacity Building	AEEH	AD	800.0	-	800.0
2. Urban Services	AEWU	PP	900.0	-	900.0
	Subtotal		<u>1,700.0</u>	<u>0.0</u>	<u>1,700.0</u>
Transport and Communications					
1. Third Road Development	IETC	PP	800.0	-	800.0
	Subtotal		<u>800.0</u>	<u>0.0</u>	<u>800.0</u>
Others					
1. Governance Reform Program Loan II	PE3	PP	800.0	-	800.0
	Subtotal		<u>800.0</u>	<u>0.0</u>	<u>800.0</u>
Total			<u>4,000.0</u>	<u>0.0</u>	<u>4,000.0</u>
2002 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1. Agriculture/Rural Development	AEAR	PP	800.0	-	800.0
	Subtotal		<u>800.0</u>	<u>0.0</u>	<u>800.0</u>
Social Infrastructure					
1. Health Sector Capacity Building	AEEH	AD	800.0	-	800.0
2. Integrated Management of Urban Development	AEWU	AD	600.0	-	600.0
	Subtotal		<u>1,400.0</u>	<u>0.0</u>	<u>1,400.0</u>
Others					
1. Strengthening Auditing Capacity	PE3	AD	600.0	-	600.0
	Subtotal		<u>600.0</u>	<u>0.0</u>	<u>600.0</u>
Total			<u>2,800.0</u>	<u>0.0</u>	<u>2,800.0</u>

^a Piggy-backed to a loan.

MONGOLIA
LENDING PROGRAM BY TYPE AND SECTOR, 2000-2002

Classification	2000 (Firm)		2001-2002	
	No.	% ^a	No.	% ^a
I. By Type				
A. Economic Growth	2	50.0	-	-
B. Projects Directly Aimed at Social Concerns	1	25.0	6	100.0
C. Projects Directly Aimed at Environmental Concerns	-	-	-	-
D. Economic Growth-oriented Projects with Social and/or Environmental Concerns	1	25.0	-	-
Total	4	100.0	6	100.0
II. By Sector				
A. Agriculture and Natural Resources	2	50.0	1	16.7
B. Energy	-	-	-	-
C. Finance and Industry	1	25.0	-	-
D. Transport and Communications	-	-	-	-
E. Social Infrastructure	1	25.0	4	66.7
F. Others/Multisector	-	-	1	16.7
Total	4	100.0	6	100.0

^a rounded off.

MONGOLIA

PROJECT PROFILE				
1. Project Name: Cadastral Survey and Land Registration			2. Sector/Subsector: Agriculture and Natural Resources	
3. Dev. Objective: Primary: ECO Secondary: -				
4. Rationale & Objectives: The Project will create an institutional environment for the efficient issuance and administration of property and land lease certificates and other land-related documentation, for better collection of land fee payments and property taxes, for support of urban and agriculture development, and for support of the operation of a private land market. There is currently no provision for supporting infrastructure, e.g., cadastral maps, for a consolidated NLIS, which can provide crucial information to the already existing State Immovable Property Registry (SIPR). The NLIS is essential for an efficient property market, while secured title to land use and property will encourage investments and the ability to provide collateral. The NLIS will also service a range of users by providing information on different aspects of land and land management.			5. Beneficiary Participation in Formulation: N/A	
6. Scope: The Project will have two components: a cadastral survey and the design and establishment of the NLIS. The total area covered by the Project is about 3 million hectares (ha), covering settlement (urban) land areas and farmland (crop and intensive livestock farms, and livestock winter shelter sites). This constitutes about 2 percent of Mongolia and does not include pasture land.				
7. Estimated Cost & Financing Plan (\$):				Remarks
Financing (Source)	FC	LC	Total	
ADB	6.9	3.0	9.9	
Cofinancing	-	-	-	
Borrower	TBD	TBD	2.0	
Total	TBD	TBD	11.9	
8. Estimated Benefits and Beneficiary Groups: The Project will put in place a system to improve the issuance and administration of land leases and to support private property ownership. This is crucial for private investment in urban and agricultural areas and thus economic growth. Private sector beneficiaries include the architectural, insurance, legal, engineering, surveying, and estate agency professions, and farmers, as well as, in due course, persons interested in acquiring private land rights. Banking has an interest for mortgage/collateral purposes.				
9. Executing Agencies: Component A: State Agency for Geodesy and Cartography, Component B: Land Management Agency (LMA)			10. Project Implementation Period: Start: 2000 End: 2007	
11. Environment Category: C			12. Processing Year: 2000	

MONGOLIA

PROJECT PROFILE				
1. Project Name: Agriculture Sector Development Program			2. Sector/Subsector: Agriculture and Natural Resources/ Agricultural Support Services	
3. Dev. Objective: Primary: ECO Secondary: POV				
4. Rationale & Objectives: The program loan would support second generation reforms to further strengthen private sector activity. The investment loan would focus on delivering an integrated package of services to improve agricultural performance. The objectives are to revitalize agricultural growth and reduce poverty in rural areas.			5. Beneficiary Participation in Formulation:	
6. Scope: The Program will consist of policy and institutional reforms, as well as investment components in the areas of agricultural enterprise strengthening, credit production support, and institutional strengthening.				
7. Estimated Cost & Financing Plan (\$):			Remarks	
Financing (Source)	FC	LC	Total	
ADB	TBD	TBD	15.0	
Cofinancing	-	-	-	
Borrower	TBD	TBD	3.0	
Total	TBD	TBD	18.0	
8. Estimated Benefits and Beneficiary Groups: Beneficiaries are expected to include herders and farmers, and small- and medium-sized agribusiness enterprises.				
9. Executing Agency: Ministry of Agriculture and Industry and Bank of Mongolia			10. Project Implementation Period: Start: 2001 End: 2006	
11. Environment Category: B			12. Processing Year: 2000	

MONGOLIA

PROJECT PROFILE				
1. Project Name: Social Safety Net			2. Sector/Subsector: Social Infrastructure	
3. Dev. Objective: Primary: POV Secondary: -				
4. Rationale & Objectives: To increase incomes and improve the quality of life of the very poor by improving the utilization of social welfare resources. This will be done by assisting the government in reforming the social safety net system and developing sustainable community livelihood plans and systems appropriate to the long-term needs of a market economy.			5. Beneficiary Participation in Formulation: Vulnerable persons and persons at risk of falling into or remaining in poverty in the process of social service rationalization are main beneficiaries and should be consulted through focus group sessions and other interactive methods.	
6. Scope: The Project will support the Government in implementing the social insurance policy reforms needed to ensure sustainability of the social safety net. This may include further rationalization and targeting of social services as well as development and financing of new social programs, including income generation and livelihood activities, that directly or indirectly reduce an individual's risk of being in long-term or critical poverty.				
7. Estimated Cost & Financing Plan (\$):			Remarks	
Loan Project Cost (\$m)		\$10.00		
Financing (Source)	FC	LC	Total	
ADB	10.0	TBD	10.0	
Cofinancing	-	-	-	
Borrower	TBD	TBD	2.0	
Total	TBD	TBD	12.0	
8. Estimated Benefits and Beneficiary Groups: The lowest 50 percent of the poor, including women and children, will benefit from opportunities provided to move out of conditions of poverty by new social programs. By improving the utilization of social welfare resources and developing sustainable community livelihood plans, per capita incomes of target households will be increased; primary school completion rates for boys and girls will be improved; maternal mortality rates will be reduced; and the number of female-headed households in poverty will be reduced. In addition, target communities will have increased access to rehabilitated social infrastructure (e.g. schools, clinics, and markets), and benefit from local participation in social development planning and decision making.				
9. Executing Agency: Ministry of Health and Social Welfare			10. Project Implementation Period: Start: 2001 End: 2005	
11. Portfolio Feedback: Reforming the social safety net, reducing poverty, and maintaining social solidarity are high priorities of the Government.			12. Expected Issues: Capacity of local governments to source, generate, and manage funds for priority social safety net activities.	
13. Environment Category: TBD			14. Processing Year:	
			TA	Loan
			1997	2000

MONGOLIA

PROJECT PROFILE					
1. Project Name: Financial Sector Development Program			2. Sector/Subsector: Finance		
3. Dev. Objective: Primary: ECO Secondary: -					
4. Rationale & Objectives: The Program seeks to develop a competitive, stable, and broad-based financial system emphasizing support to (i) deepen financial reforms based on improving asset quality in the banking system and increasing the efficiency of the financial intermediation process; and (ii) broaden financial reforms by establishing the supporting financial infrastructure needed to develop the debt and equity markets and the contractual savings institutions.			5. Beneficiary Participation in Formulation: N/A		
6. Scope: The Program will include measures to (i) foster improved governance and operations in the financial sector; (ii) improve the banking safety net; (iii) strengthen implementation of bank restructuring/privatization activities; (iv) enhance the regulatory and supervisory framework for non-bank financial institutions (NBFIs); (v) strengthen the legal, regulatory and institutional framework to develop the capital markets; and (vi) strengthen the legal regulatory and institutional framework to develop the contractual savings instructions.					
7. Estimated Cost & Financing Plan (\$):			Remarks		
Financing (Source)	FC	LC			Total
ADB	TBD	TBD			15.0
Cofinancing	-	-			-
Borrower	TBD	TBD			3.0
Total	TBD	TBD			18.0
8. Estimated Benefits and Beneficiary Groups: Successful implementation of the reforms and restructuring process and the re-establishment of a viable banking system will bring economy-wide benefits including increased output and employment.					
9. Executing Agencies: Ministry of Finance/Bank of Mongolia			10. Project Implementation Period: Start: 2000 End: 2003		
11. Environment Category: C			12. Processing Year: 2000		

ASIAN DEVELOPMENT BANK

**COUNTRY ASSISTANCE PLAN
(2000-2002)
PIPELINE UPDATE**

MONGOLIA

March 2000

MONGOLIA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002
(Amounts in \$ million)

Sector/Project Name	Strategic		Responsible Division	Year of PPTA	PROJECT COST					
	Dev't Objectives ^a				TOTAL	Bank		Gov't	Cofinancing (Others)	
	Primary	Secondary				OCR	ADF			Total
2000 FIRM LOANS										
Agriculture and Natural Resources										
1. Cadastral Survey and Land Registration	ECO		AEAR	1995-1997	11.9	-	9.9	9.9	2.0	-
2. Agriculture Sector Development Program	ECO	POV	AEAR	1995-1997	18.0	-	15.0	15.0	3.0	-
Subtotal					29.9	-	24.9	24.9	5.0	-
Social Infrastructure										
1. Social Safety Net Development Program	POV		AEEH	1997	12.0	-	10.0	10.0	2.0	-
Subtotal					12.0	-	10.0	10.0	2.0	-
Finance										
1. Financial Sector Program Loan II	ECO	-	IEFI	2000	18.0	-	15.0	15.0	3.0	-
Subtotal					18.0	-	15.0	15.0	3.0	-
Total					59.9	-	49.9	49.9	10.0	-
2001 LOAN PIPELINE										
Agriculture and Natural Resources										
1. Rural Finance	POV	-	AEAR	2000	13.0	-	10.0	10.0	3.0	-
Subtotal					13.0	-	10.0	10.0	3.0	-
Social Infrastructure										
1. Education Sector Development Program II	HD	-	AEEH	1998	18.0	-	15.0	15.0	3.0	-
2. Housing Sector Finance	HD	POV	AEWU	2000	19.0	-	15.0	15.0	4.0	-
Subtotal					37.0	-	30.0	30.0	7.0	-
Total					50.0	-	40.0	40.0	10.0	-
2002 LOAN PIPELINE										
Social Infrastructure										
1. Provincial Towns Urban Services II	POV		AEWU	2000	24.0	-	20.0	20.0	4.0	-
2. Health Sector Development II	HD	POV	AEEH	2000	24.0	-	20.0	20.0	4.0	-
Subtotal					48.0	-	40.0	40.0	8.0	-
Total					48.0	-	40.0	40.0	8.0	-

^a ECO = Economic Growth; HD = Human Development; and POV = Poverty Reduction.

MONGOLIA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)		
			Bank	Others	Total
2000 TECHNICAL ASSISTANCE PROGRAM					
<u>FIRM</u>					
Agriculture and Natural Resources					
1. Agriculture Sector Capacity Building	AEAR	AD	600.0	-	600.0
2. Capacity Building for Agriculture and Land Administration ^a	AEAR	AD	990.0	-	990.0
3. Rural Finance	AEAR	PP	700.0	-	700.0
	Subtotal		2,290.0	0.0	2,290.0
Finance and Industry					
1. Financial Sector Program Loan II	IEFI	AD	600.0	-	600.0
	Subtotal		600.0	0.0	600.0
Social Infrastructure					
1. Housing Sector Finance	AEWU	PP	600.0	-	600.0
2. Social Safety Net Institutional Strengthening	AEEH	AD	600.0	-	600.0
	Subtotal		1,200.0	0.0	1,200.0
	Total (FIRM)		4,090.0	0.0	4,090.0
<u>STANDBY</u>					
Social Infrastructure					
1. Provincial Towns Urban Services II	AEWU	PP	700.0	-	700.0
2. Health Sector Development II	AEEH	PP	600.0	-	600.0
	Subtotal		1,300.0	0.0	1,300.0
	Total (STANDBY)		1,300.0	0.0	1,300.0
2001 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1. Rural Finance Capacity Building	AEAR	AD	600.0	-	600.0
	Subtotal		600.0	0.0	600.0
Social Infrastructure					
1. Provincial Towns Urban Services II	AEWU	PP	700.0	-	700.0
2. Health Sector Development II	AEEH	PP	600.0	-	600.0
3. Education Sector Capacity Building ^a	AEEH	AD	500.0	-	500.0
4. Housing Sector Institutional Strengthening ^a	AEWU	AD	500.0	-	500.0
	Subtotal		2,300.0	0.0	2,300.0
Transport and Communications					
1. Road Sector Impact Study	IETC	AD	600.0	-	600.0
	Subtotal		600.0	0.0	600.0
Others					
1. NSO Capacity Building in Social Statistics	EDRC	AD	500.0	-	500.0
	Subtotal		500.0	0.0	500.0
	Total		4,000.0	0.0	4,000.0
2002 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1. Rural Sector Employment Generation	AEAR	PP	700.0	-	700.0
	Subtotal		700.0	0.0	700.0
Social Infrastructure					
1. Health Sector Capacity Building ^a	AEEH	AD	600.0	-	600.0
2. Integrated Management of Urban Development ^a	AEWU	AD	700.0	-	700.0
	Subtotal		1,300.0	0.0	1,300.0
Finance and Industry					
1. Financial Sector Program Loan III	IEFI	PP	700.0	-	700.0
	Subtotal		700.0	0.0	700.0
Others					
1. Governance Reform Program Loan II	PE3	PP	700.0	-	700.0
2. Procurement Governance	COPP	AD	600.0	-	600.0
	Subtotal		1,300.0	0.0	1,300.0
	Total		4,000.0	0.0	4,000.0

^a Piggy-backed to a loan.