

ASIAN DEVELOPMENT BANK

COUNTRY STRATEGY AND PROGRAM UPDATE 2005-2006

MONGOLIA

July 2004

CURRENCY EQUIVALENTS

(as of 31 May 2004)

Currency Unit	–	togrog (MNT)
MNT1.00	=	\$0.00086
\$1.00	=	MNT1,159.00

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CPRM	–	Country Portfolio Review Mission
CSP	–	Country Strategy and Program
CSPU	–	country strategy and program update
GDP	–	gross domestic product
IMF	–	International Monetary Fund
MDG	–	millennium development goals
OCR	–	ordinary capital resources
PRC	–	People's Republic of China
PRSP	–	poverty reduction and strategy paper
RDS	–	rural development strategy
SARS	–	severe acute respiratory syndrome
TA	–	technical assistance

NOTE{S}

- (i) The fiscal year (FY) of Mongolia ends on 31 December. FY before a calendar year denotes the year in which the fiscal year ends.
- (ii) In this report, "\$" refers to US dollars.

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I. CURRENT DEVELOPMENT TRENDS AND ISSUES

1. The most noteworthy developments in Mongolia since the latest country strategy and program update (CSPU) are the parliamentary elections in late June 2004 and the resolution of the pre-1991 debt to the former Soviet Union. The 11.4 billion transferable ruble debt was taken to be equivalent to the same amount in US dollars. The Russian Federation agreed to write off 98% of debt for an immediate cash payment of the balance of \$250 million. Mongolia was able to handle this payment in part by drawing down its foreign exchange reserves. Election spending and the need to service domestic debt created by the Russian debt settlement will exert pressure on the budget in the short term.

A. Recent Political and Social Developments

2. Preliminary results of parliamentary elections on June 27 indicate the ruling Mongolia People's Revolutionary Party won 36 of 76 seats, a sharp drop from the 72 seats it had held since 2000. The coalition of opposition parties took 36 seats. According to Mongolia's constitution, any party or coalition controlling a simple majority can form a new government. The final result will depend on how the four remaining seats align with the major parties.

B. Economic Assessment and Outlook

3. Owing to strong agricultural performance and a buoyant services sector, the economy grew by 5.5% in 2003. Agriculture, which still employs over 40% of the work force, grew by 4.5%, the first rise since 1999, as weather conditions improved after several harsh winters. In contrast, industrial expansion was disappointing at 0.9% due to weakness in the production of textiles and metal ores. Rapid development in Ulaanbaatar led to 8.0% growth in construction, and services increased by 8.6%. The regional outbreak of severe acute respiratory syndrome (SARS) reduced the gross domestic product (GDP) by an estimated 0.2 percentage points, mainly in the areas of tourism, transportation, and trade. Preliminary industrial growth data indicate continued growth in the first quarter of 2004. SARS also had an impact on consumer prices. Prices of imported food items from the People's Republic of China (PRC) increased sharply in the spring, pushing inflation up. However, moderate price rises in the second and third quarters brought down inflation to 4.7% by year-end. Money supply rose by 49.7% in response to faster economic growth and financial deepening. The fiscal deficit narrowed to 3.6% of GDP from 5.6% in 2002 as revenues exceeded the International Monetary Fund (IMF) target. In April 2004 the fiscal budget recorded a surplus after tax revenues rose markedly.

4. Total trade increased to \$1.45 billion in 2003, with merchandise exports up by 11.1% as a result of higher exports of gold, copper, and cashmere. This represented a turnaround from a 0.2% growth in exports in 2002. Imports also rose significantly by 7.0% in 2003, triggered by a growing demand for capital goods and food items. The trade deficit declined from 20.5% of GDP in 2002 to 18.9%. The current account deficit narrowed to 14.9% of GDP from 15.9%, while the overall balance of payments recorded an unusual deficit, reflecting the Russian debt's payment. Attracted by promising new gold prospects, foreign direct investment strengthened by 94% to \$113 million. Total trade performance in the first quarter of 2004 was strong.

5. In 2003, the total external debt increased from 88.3% to 103.7% of GDP, reflecting the resolution of the Russian debt. Since most of the debt consists of loans from multilateral or bilateral sources on concessional terms, the debt situation remains manageable. However, the new borrowing required to partially cover the Russian debt repayment increased the service

ratio from 4.8% in 2002¹ of exports to 34%. Overall, cancellation of the pre-1991 Russian debt is welcomed as it removes a considerable financial burden from Mongolia and is likely to raise confidence among foreign companies and foster investments. But concerns are raised on the short-term impact of the settlement in terms of macroeconomic stability in an election year, particularly in regard to fiscal stability and debt sustainability. Economic performance continued to be strong in the first quarter of 2004. Amendment of the 2004 budget to include provisions for interest costs and repayments of the debt incurred to settle the Russian debt will be necessary.

6. Projections about the economy rely on assumptions about the weather and commodity prices. Economic growth is expected to be close to 6% in 2005–2006. Manufacturing and mining are set to grow, helped by higher quality standards for cashmere production and meat processing and the start-up of a new significant gold mine. Construction and services are projected to expand in line with rapid development in the capital city. Tourism's recovery from a 21% drop in 2003, largely caused by SARS, will contribute to growth in the services sector. Detailed country economic, poverty and social, and environment indicators are provided in Tables A1.2, A1.3, and A.1.4.

C. Implication(s) for Country Strategy and Program

7. To support the achievement of the millennium development goals (MDGs), ADB must continue to help promote economic growth for job creation and improve the provision of essential services for the poor. Persistent poverty remains a major concern in the country's developmental path; a situation demanding focused ADB interventions. In light of the concessional nature of the stock of debt, Mongolia should be able to manage the increased servicing burden created by the Russian debt settlement. A new country strategy and program (CSP) is under preparation² to provide an updated framework to further identify and target future ADB interventions. The new CSP will take account of the significant recent demographic changes, accelerated rural to urban migration, structural changes in the economic system and new capacity building needs. More importantly, the new CSP will seek to address Mongolia's persistent high levels of poverty.

II. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM

A. Progress in Poverty Reduction

8. Mongolia was the first developing member country to enter into a poverty partnership agreement with ADB in March 2000. The document, which adopted the MDGs as its strategic goals, has served as the general strategic framework guiding ADB operations in the country. However, poverty remains unchanged and greater efforts are needed to translate growth into reduced poverty incidence. Continued growth is helping to lift living standards, but the benefits are not equally distributed among the population, as revealed by widening income inequality and unchanged poverty incidence.

9. The Government completed the PRSP in 2003, known in Mongolia as the Economic Growth Support and Poverty Reduction Strategy. The strategy aims to reduce urban-rural disparities, foster sustainable human development and pro-poor growth, and promote good

¹ The dramatic increase is explained mainly by the fact that until the first quarter of 2004, statistics recording the stock of external debt did not include the, at that time, unresolved stock of pre-1991 Russian debt.

² Completion expected in early 2005.

governance through the strengthening of further private sector developments and public expenditure efficiency gains.

10. In 2003 the Government presented to the United Nations General Assembly the first Mongolian Millennium Development Goals Progress Report. The country has made good progress in addressing non-income poverty, with increasing school enrollment rates, declining infant and under-5 mortality rates, and improved overall health care. Maternal mortality is declining, though it remains high compared with that of other countries at similar income levels. The benefits of improvements have not been shared equally, however. Rural areas and settlements of urban *ger* (Mongolian traditional tents) on the outskirts of Ulaanbaatar lag well behind established urban areas in nearly all health and education indicators. In terms of gender equality, Mongolia has higher enrollment rates for women than for men at all levels of education, but women are underrepresented in private sector management and in the top echelons of government. The most challenging goal is to halve the incidence of poverty by 2015.

B. Progress in the Country Strategy and Program Focus Areas

11. The previous CSPU identified agriculture, finance, public sector reform, social services, as strategic focuses of ADB operations in Mongolia. It also highlighted the importance of involving Mongolia more actively in subregional cooperation. The ongoing CSP process will allow ADB to have a systematic review of its operations in the country, taking into account important recent economic and social developments. Looking to the future, the challenge will be to remain engaged in key areas under a limited loan and technical assistance (TA) envelope. It is envisaged that ADB's future strategy will focus on themes rather than specific sectors, and will result in a narrow range of sector interventions. From this perspective the following themes are considered: (i) capacity building and governance reform (ii) private sector development (iii) internal migration and its implications for rural and urban development (iv) efficient delivery of social sector services and (v) subregional cooperation.

1. Capacity Building and Governance Reform

12. Mongolia has a relatively large public sector, measured against a relatively small population of 2.47 million. Public administration is highly decentralized: 21 *aimags* (provinces), and the Ulaanbaatar capital city administration are further subdivided into 346 *soums* (districts) and 1,681 *baghs* (villages) that provide services at the lower tiers of the government. Over 7,000 public sector entities rely on budgetary support in Mongolia, or about one public sector agency for every 350 people.

13. Mongolia has embarked on a complex reform process involving public sector financial management and civil service reform. The Government formulated a comprehensive program of public sector governance reforms to be implemented over 10 years starting from 1999, supported by ADB-financed Governance Reform Programs I and II. In the transition from governance by bureaucracy to governance by the rule of law, Mongolia has enacted a large body of legislation to improve the environment for private sector development, including a state-of-the-art mining law, a new banking law, and a revised foreign investment law. But there is a lag between enactment and application of laws and regulations, both in the government and in the judiciary. ADB has undertaken a country governance assessment that highlights the need for strengthening the Government's institutional capacity to implement the Public Sector Management and Finance Law, a framework to guide comprehensive and systematic reforms across the public sector. TA and a new program loan, Governance Reform III, are programmed to assist the country in the years ahead.

2. Private Sector Development and Financial Sector

14. The private sector in Mongolia has grown considerably since 1991. Starting virtually from zero, the private sector now generates about 85% of GDP, and more than 90% of all enterprises are privately owned. Progress was achieved through a decade-long program of privatization and the creation of an enabling environment generally supportive of new private enterprises. Nevertheless, according to ADB's recently completed private sector assessment, substantial challenges remain if Mongolia is to integrate fully with world markets and raise GDP to rates that will permit significant levels of poverty reduction. Most challenges are institutional, although there remain concerns about the course of fiscal and monetary policy. Throughout the private sector, skill levels are low; technology is obsolete or highly inefficient; and governance standards related to accounting, financial analysis and reporting, environmental consciousness, and investor relations are still poor. Most of the basic institutions needed in a market economy have been created, but often they do not receive sufficient resources to ensure robust internal development. Commercial laws are modeled after laws in developed markets, some with a different legal system, and have not been effectively harmonized. Laws generally provide a relatively basic structure and lack accompanying regulations, leading to excessive discretion and a growing problem of corruption.

15. A sound banking sector is crucial to foster private sector development. After a decade of bank failures, confidence in the sector in Mongolia began to improve from 2000. The privatization of Trade and Development Bank and recovery and privatization of Agriculture Bank, as well as entry of several healthy commercial banks have all contributed to increased mobilization of domestic savings, a gradual fall in the still high lending rates, and increased credit. The past few years have also witnessed a dramatic increase in nonbank financial institutions including credit cooperatives and financing companies, but the sector lacks an adequate regulatory framework. Recent growth in the number of banks and rapid expansion of outstanding credit are becoming a cause for concern. Increased competition and a planned doubling of capital adequacy requirements will spur consolidation in the sector, but whether that process is orderly will depend on the discipline of the regulator. In 2005, Financial Sector Program III aims to help the Government strengthen the regulatory and supervisory framework for nonbank financial institutions, and to address the remaining policy and structural impediments to the development of the sector.

3. Internal Migration and Implications for Urban and Rural Development

16. In recent years the share of the total population living in Ulaanbaatar has substantially increased, with undocumented but visual evidence of continued in-migration from rural areas and the central region to Darkhan, Edenet, and especially Ulaanbaatar, over the past 4 years. If this trend continues, half of the population of the country will live in Ulaanbaatar before 2015. The majority of the migrants is in the economically active age groups, 15-40 years, and represent a disproportionately high share of the urban unemployed. According to the 2000 census, the primary reason for migration to cities is search for employment, followed by access to education. Health indicators show that the general health status of migrants to Ulaanbaatar has not improved relative to conditions in the migrants' areas of origin. This is an indication of the pressures placed on public services due to the rapid urbanization of the population. The pressure on infrastructure is equally severe, with a housing shortage, and large communities living without adequate water supplies, sanitation, or transport. A construction boom in Ulaanbaatar indicates some private sector response to the demand for housing and office space, and the new land law should be a crucial step in promoting mortgage-backed lending. A

TA in 2005 will address the human resource and regulatory constraints to implementing ambitious land reforms.

17. Agriculture is a vital sector of the economy, accounting for 20% of GDP and over 40% of employment. While poverty statistics indicate a relatively even distribution of the poor between rural and urban areas, some challenges unique to rural areas are masked. For example, delivery of social services including public health programs and education has declined markedly in rural Mongolia relative to urban centers. With the exception of mining, jobs created through domestic and foreign investment, and expansion of the services sector have occurred mainly in Ulaanbaatar, while many of jobs were lost in rural areas with closure of factories (meat processing in particular) and privatization of state farms and herds. The crop subsector also collapsed after privatization due to high risks of rain-fed irrigation, poor management, lack of inputs such as quality seed, competition from neighbors, and lack of access to affordable credit for maintaining or replacing machinery. These shortcomings demand a holistic approach and an innovative rural development strategy. The goal will be not only to develop a more market-oriented and sustainable agriculture sector capable of attracting private sector investments, but also to reduce poverty by providing the rural population with increased income opportunities, rural infrastructure, access to credit, and social services. To respond to this challenge, a new ADB intervention is planned in 2006, Agriculture Sector Development Program II.

18. The Government's response to rapid urban migration and geographically unbalanced growth is described in the rural development strategy (RDS) and law, adopted in 2003. The RDS divides the country into five economic regions, each with one or two cities designated as growth pillars. The strategy is supposed to guide future investments by the Government and aid agencies, and is also reflected in recently approved development policies for agriculture and livestock, and a number of infrastructure initiatives. A recent advisory TA³ examined the RDS in detail and concluded that it needs better grounding in economic analysis. Some of the information needed to assess the viability of the RDS as currently conceived will become available by the end of 2004, including (i) a World Bank-financed nationwide investment climate survey, (ii) the results of the living standards measurement survey and its poverty analysis, (iii) the ADB-financed labor force survey, and a joint ADB-World Bank participatory poverty assessment. These studies will inform the CSP and guide ADB response to the rural-urban development challenge.

4. Social Sectors Services

19. As a major thrust to reduce poverty, ADB has been active in improving provision of essential social services to the poor—education, health, municipal services, and social security services. Apart from supporting rehabilitation and construction of social infrastructure, ADB has placed increased emphasis on policy and institutional issues to improve the efficiency and sustainability of service delivery systems and to ensure improved access of the poor, through integrated interventions for public sector reforms in general, and for specific social sectors in particular. A project preparatory TA for further intervention in the health sector is tentatively programmed for 2006. In the education sector, following the success of the Education Sector Development Program, and in parallel to the implementation of the Second Education Sector Development Project, ADB has been working jointly with the Government and external funding agencies to explore the possibility of taking a more strategic and sector-wide approach to coordinate their activities. A new education loan has been programmed for 2005 accordingly.

³ ADB. 2003. *Technical Assistance to Mongolia for Capacity Building for Integrated Regional Development Planning*. Manila (TA 3938).

20. The challenge resulting from internal migration calls for a review of the geographical focus of ADB support to ensure that social services are provided to meet the emerging needs in the expanded population centers on a timely basis. It should be recognized that this migration is driven by the forces of the market economy, and should lead to a generally more rational distribution of the population within the country in accordance with economic opportunities. Further support is provided through additional TA and a new project loan, Urban Development III, to facilitate economic growth in urban areas, enhance the access of the poor to urban services, and improve urban environmental management.

5. Subregional Cooperation

21. Mongolia's landlocked status and remoteness from major markets clearly constrain its economic development. Long-term economic development and living standards are very much dependent on how well the country can take advantage of emerging opportunities and integrate its economy with those of its immediate neighbors. Economic recovery in the Russian Federation and continued strong economic growth in the PRC offer the prospect of intensifying economic links in a range of areas. Economic cooperation between Mongolia and its neighbors can be based on developed market principles and using models of subregional cooperation developed by ADB in other subregions. ADB has begun this process with regional TAs to support cooperation between three eastern provinces of Mongolia and one prefecture of the PRC, and to establish a regional cooperation mechanism for prevention and control of dust and sandstorms in northeast Asia. In addition, to link the road systems between the Russian Federation and the PRC through major Mongolian economic centers, priority has been given to the completion of the north-south trunk road under the Regional Road Development Project. TA also will be provided to assess the viability of a newly proposed corridor between Xinjiang province in the PRC and the Russian Federation through western Mongolia. Inclusion of Mongolia in the Central Asia Economic Cooperation Forum was a major step forward in 2002, but the scope for joint projects is likely to be limited. A more comprehensive approach to subregional cooperation with a focus on Mongolia will be explored under the new CSP.

C. Highlights in Coordination of External Funding and Partnership Arrangements

22. ADB has been, and remains, the lead agency among the external funding agencies in many sectors, particularly in the social sectors. During 2003 ADB, the World Bank, and the Government of Japan further strengthened coordination efforts at country strategy level through tripartite consultations. ADB and the World Bank succeeded in improving information sharing and policy and operational coordination, and in coordinating their sector and thematic analysis during strategy formulation, particularly in the areas of country performance assessment, governance reforms, sector interventions, and procurement. In addition the two agreed to undertake joint portfolio reviews and harmonization of procurement. Collaboration with other external funding agencies has also been strengthened, particularly through the Mongolia Resident Mission proactive approach. An updated development coordination matrix is in Table A1.5.

23. At the Mongolia Consultative Group Meeting in November 2003, the Government agreed to establish working groups to pursue harmonization in Mongolia. Subsequent workshops hosted by the Ministry of Finance and Economy established working groups for infrastructure (focusing initially on transport, and cochaired by ADB and the World Bank), social sectors (focusing initially on health and education and cochaired by ADB and Japan), private sector development, and overall aid coordination (cochaired by the United Nations).

24. In conjunction with its lending program, ADB will continue to actively seek cofinancing, particularly from grant and concessional cofinancing sources, to effectively address the thematic priorities for ADB operations in Mongolia. To support the indicative lending program for 2005, specific efforts will be made to explore cooperation and cofinancing opportunities for the Third Education Sector Development Project.

III. PORTFOLIO MANAGEMENT ISSUES

A. Portfolio Performance

25. As of 31 December 2003, the active portfolio totaled \$235.8 million, for 16 ongoing loans at various stages of implementation, comprising four program loans, nine project loans, and three sector development programs. By many performance indicators, the loan portfolio is performing well, and both contract awards and disbursements ratios are above ADB average. All projects have satisfactorily progressed toward development objectives and only one, Loan 1743: Second Financial Sector Program, was rated partly satisfactory for implementation progress. In terms of disbursements, some projects substantially exceeded projections while others disbursed less. Detailed data are in Tables A1.6-A1.9.

B. Performance Monitoring and Evaluation

26. Following the 2002 Country Portfolio Review Mission's (CPRM) Action Plan, the Government made efforts to rationalize the use of loan funds and introduce mechanisms for better monitoring of implementation progress. The Government has completed 16 of the 20 project-specific actions agreed upon during the 2002 CPRM, and established a working group to amend the Public Procurement Law of Mongolia. In addition, Parliament approved the Aid Coordination Law in 2003. To strengthen portfolio management, a quarterly portfolio review mechanism has been introduced. This mechanism, conducted at Mongolia Resident Mission, has proven an effective means to enable project managers to share experiences and highlight portfolio issues for attention and timely remedial actions by the Government or the concerned offices at ADB headquarters. In late 2003, in the context of the most recent CPRM, a new action plan was agreed upon with the Government to address the remaining implementation concerns. The plan set out general and project-specific measures including the following: (i) streamlining procurement procedures, (ii) improving financial management within project management units; (iii) selecting qualified private sector audit firms for project audits and (iv) preparing more accurate and timely quarterly progress reports.

IV. COUNTRY PERFORMANCE AND ASSISTANCE LEVELS

A. Proposed Lending Level

27. Based on the cross-country performance assessment under the policy of performance-based allocation of Asian Development Fund (ADF) resources and overall ADF resources availability, the annual indicative lending level proposed is \$28 million for 2005 and \$35 million for 2006 (Appendix 2). However, allocation of ADF funds will depend on the revised performance-based allocation policy, to be finalized later in 2004. Hence, the annual allocation is subject to change. The updated pipeline for the indicative lending program 2005–2006 Table A1.10 and the concept papers are on Appendix 2. For reference, the 2004 assistance program for lending products and services in Table A4.1 and Table A4.2.

B. Nonlending Program

28. The TA program is supportive of the strategic thrusts pursued by the lending program and is based on the availability of \$1.9 million annually. Given that the CSP being prepared may possibly result in a change of strategic priorities, the 2006 TA program has been scaled back for now. ADB is committed to proactively explore cofinancing opportunities. Special efforts will be made to explore cofinancing resources for additional TA projects to supplement the TA programs attached hereto. The updated nonlending assistance programs for 2004–2007 are in Table A1.11 and the concept papers are in Appendix 3.

C. Summary of Changes to Lending and Nonlending Program

29. As for changes with respect to the previous CSPU, in 2004 the processing of the Crop Production Project has been discontinued due to ADF allocations constrains and difficulties to identify appropriate components for the intervention. In addition, Governance Reform III has been reclassified as a standby project in 2006. The TA program has been adjusted accordingly.

COUNTRY AND PORTFOLIO INDICATORS, AND ASSISTANCE PIPELINE

Table A1.1: Progress Toward the Millennium Development Goals and Targets

Goals and Targets	Country Status
<p>Goal 1: Eradicate Extreme Poverty and Hunger</p> <p>Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than \$1/day.</p>	<p>Poverty remains widespread in the country despite efforts to reduce it. According to the 1998 living standards measurement survey (LSMS), the most recent data on income poverty, 35.6% of the population was below the income poverty line in 1998, marginally lower than 36.2% in 1995. Urban poverty has increased dramatically during the last 4-5 years, with rural to urban migration putting pressure on social services in the outskirts of the city. Poverty data from a new survey conducted in 2003 are yet to be completed.</p>
<p>Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.</p>	<p>Data on <i>average</i> caloric intake per person show an increasing trend since 1992, when average caloric intake was below the minimal requirement of 2,100 kcal per person per day. By 2000, average intake had exceeded that basic requirement by around 15% due largely to an increase in the supply of wheat through trade and food aid. Daily intake of members of poor households is 1,784 kcal, compared with the reported standard of 2,900 kcal for the average Mongolian.</p>
<p>Goal 2: Achieve Universal Primary Education</p> <p>Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.</p>	<p>Net primary enrolment rates plummeted from around 98% in 1989 to 82% in 1992, before rebounding in 1993 to gradually reach 91% in 2000. If the annual rate of increase since 1994 of 2% of constant linear growth continues through 2015, the MDG target of universal enrollment in primary schools will be met. School enrolment indicates an unusual “reverse gender gap”, favoring girls in both enrollment and completion rates mainly due to the withdrawal of boys in rural areas to assist in income-earning activities such as herding, and to the collapse of the vocational education system. However, there are differences across the country. In 2000, net primary enrollment had reached 96% in urban areas compared with 85% in rural areas. In the majority of <i>soums</i> (districts) primary enrollment rates were below 90%.</p>
<p>Goal 3: Promote Gender Equality and Empower Women</p> <p>Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.</p>	<p>At the primary level, gender discrepancies hardly exist. At the secondary level and above, however, gender discrepancy is in favor of females. In 2001, gross enrollment ratios were 90% for girls and 80% for boys at the primary and secondary levels. The MDG of improving gender parity will be attained by 2010 if the trend continues.</p>
<p>Goal 4: Reduce Child Mortality</p> <p>Target 5: Reduce by two thirds, between 1990 and 2015, the under-5 mortality rate.</p>	<p>Infant and under-5 mortality declined by half in 1992–2000: infants from 63.4 to 32.8 per 1,000 live births, under-5 from 87.5 to 42.4 per 1,000 live births.</p>

Goals and Targets	Country Status
<p>Goal 5: Improve Maternal Health</p> <p>Target 6: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.</p>	<p>Despite the reduction of 20% in 1992—2000, rates of maternal mortality are still high in Mongolia at 120 per 100,000 live births in 2000. The Government aims to reduce maternal mortality to 110 per 100,000 live births by 2006, but the current rate of reduction is not sufficient to meet the MDG target. A serious obstacle is lack of medical services to woman in remote locations.</p>
<p>Goal 6: Combat HIV/AIDS, Malaria, and Other Diseases</p> <p>Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS.</p> <p>Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.</p>	<p>Mongolia has an extremely low recorded prevalence of HIV/AIDS. However, the country faces a number of risk factors that predispose it to the risk of infection: (i) a young population; (ii) relatively high, and increasing, incidence of sexually transmitted infections, the major communicable diseases in the country; (iii) growing number of sex workers; and (iv) high rates of infection in neighboring countries.</p> <p>Tuberculosis (TB) is the third most prevalent infectious disease in Mongolia. The reported cases of tuberculosis increased from 79 to 141 per 100,000 between 1990 and 2001 largely due to increasing poverty. It will be possible to halt the spread of TB, though it may be some time before the prevalence levels reported in 1990 are attained.</p>
<p>Goal 7: Ensure Environmental Sustainability</p> <p>Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.</p>	<p>Land/pasture degradation, air pollution, low energy efficiency, deforestation, and decreasing biodiversity currently are the most pressing environmental problems for Mongolia. The establishment of the National Council for Sustainable Development (NCSD) has been an important initiative and manifestation of a commitment to sustainable development. Under the guidance of NCSD, both the national and provincial governments have prepared their respective Agenda 21 for development. These plans are now awaiting implementation, which, in turn, depends on macroeconomic conditions, policies to attract investment, and international agencies' help in realizing the plans.</p>
<p>Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water.</p>	<p>Based on LSMS data, about half of the population in 1998 received water from unsafe sources such as unprotected wells, rivers, rain, or snow. Water used by inhabitants of 40% of all settlements is below any safety standard. Lack of access to safe water is one cause of the high incidence of diarrhea, which is closely connected to child malnutrition and mortality</p>
<p>Target 11: By 2020, achieve a significant improvement in the lives of at least 100 million slum dwellers.</p>	<p>There are wide disparities in access to basic heating, water supply, and sanitation facilities between traditional dwellings (<i>gers</i>), and conventional housing. The population and housing census of 2000 revealed that 18,000 households lack any housing of their own and share with other households, and that 4,300 people are homeless, a third of those being children and youths under 19. Deteriorating conditions of urban housing have worsened over the previous decade due to the shocks of the economic transition and the growing urbanization of poverty.</p>

HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, kcal = kilocalories, LSMS = living standards measurement survey, MDG = millennium development goal, NCSD = National Council for Sustainable Development.

Table A1.2: Country Economic Indicators

Item	Fiscal Year				
	1999	2000	2001	2002	2003
A. Income and Growth					
1. GDP per Capita (\$, current)	383.9	396.0	419.1	454.5	477.3
2. GDP Growth (% , in constant prices)	3.2	1.1	1.0	4.0	5.5
a. Agriculture	4.2	(14.9)	(18.5)	(10.7)	4.5
b. Industry	1.1	2.7	16.5	4.7	0.5
c. Services	3.5	18.6	8.2	12.2	8.6
B. Saving and Investment (current and market prices, % of GDP)					
1. Gross Domestic Investment	37.0	36.2	35.8	29.0	—
2. Gross National Saving	14.2	9.8	8.5	9.5	—
C. Money and Inflation (annual change)					
1. Consumer Price Index ^a	10.0	8.1	8.0	1.6	4.7
2. Total Liquidity (M2)	31.7	17.6	27.9	42.0	49.6
D. Government Finance (% of GDP)					
1. Revenue and Grants	28.8	34.4	39.4	38.4	40.7
2. Expenditure and On lending	39.4	42.1	43.9	44.4	45.2
3. Overall Fiscal Surplus (deficit)	(10.6)	(7.7)	(4.5)	(5.9)	(4.5)
E. Balance of Payments					
1. Merchandise Trade Balance (% of GDP)	(12.5)	(14.4)	(16.7)	(20.5)	(18.9)
2. Current Account Balance (% of GDP) ^b	(13.2)	(17.4)	(16.6)	(15.9)	(14.9)
3. Merchandise Export (\$) Growth (annual % change)	(1.7)	18.0	(2.3)	0.2	11.1
4. Merchandise Import (\$) Growth (annual % change)	(2.6)	19.1	2.5	8.6	7.1
F. External Payments Indicators					
1. Gross Official Reserves (including gold, \$ million) ^c -weeks of imports	116.9	140.7	160.1	225.9	129.0
	10.7	11.9	13.1	17.0	8.4
2. External Debt Service (% of exports of goods and services)	9.3	4.5	5.3	4.9	34.0
3. Total External Debt (% of GDP) ^c	93.9	81.2	88.8	88.3	103.7
G. Memorandum Items					
1. GDP (current prices, MNT billion)	925.3	1,018.9	1,115.6	1,240.8	1,362.5
2. Exchange Rate (MNT/\$, average)	1,022.0	1,077.0	1,097.7	1,110.3	1,147.0
3. Population (million)	2.36	2.40	2.43	2.46	2.49

— = not available, GDP = gross domestic product, MNT = togrog.

^a Annual percentage change (period average).

^b Excludes official transfers.

^c 1999–2002 excludes unresolved claims owed to the Russian Federation.

Sources: Mongolian authorities and the International Monetary Fund.

Table A1.3: Country Poverty and Social Indicators

Item	Period		
	1990	1995	Latest Year
A. Population Indicators			
1. Total Population (million)	2.1	2.3 (1996)	2.5 (2003)
2. Annual Population Growth Rate (% change)	2.4	1.3	1.2 (2003)
B. Social Indicators			
1. Total Fertility Rate (births/woman)	4.1	3.1	2.1 (2002)
2. Maternal Mortality Rate (per 100,000 live births)	—	1.4 (1997)	1.2 (2002)
3. Infant Mortality Rate (below 1 year/1,000 live births)	73	67	23.0(2003)
4. Life Expectancy at Birth (years)	62.7	64.2	63.6 (2003)
a. Female	64	—	66.5 (2003)
b. Male	61	—	60.79 (2003)
5. Adult Literacy (%)	97.8	98.1	97 (2003)
a. Female	—	—	97.5 (2003)
b. Male	—	—	98 (2003)
6. Primary School Gross Enrollment (%)	97.2	88.1	91(2000)
7. Secondary School Gross Enrollment (%)	87.7	68.0	—
8. Child Malnutrition (% below age 5)	12.3	—	12 (2000)
9. Population Below Poverty Line (%)	—	—	35.6 (1998)
10. Population with Access to Safe Water (%)	—	—	60 (2000)
11. Population with Access to Sanitation (%)	—	74	25 (2000)
12. Public Education Expenditure (% of GDP)	12.9	6.0	3.9 (2002)
13. Human Development Index Rank	113	113	117 (2003)
14. Gender-Related Development Index Rank	—	—	95 (2001)
C. Poverty Indicators			
1. Poverty Incidence	—	36.3	35.6 (1998)
2. Percent of Poor to Total Population			
a. Urban	—	38.5	39.4 (1998)
b. Rural	—	33.1	32.6 (1998)
3. Poverty Gap	—	—	3.1 (1990-2001)
4. Poverty Severity Index	—	4.8	5.6 (1998)
5. Inequality (Theil L Index)	—	—	—
6. Human Poverty Index Rank	—	—	19.1(2001)
	—	—	36 (2001)

— = not available, GDP = gross domestic product

Sources: United Nations Development Programme Mongolia. 2004. *Human Development Report Mongolia 2003*; National Statistical Office of Mongolia. 2004. *Labour Force Survey With Child Activities Module 2002--2003*; 2004. *Mongolia Millennium Development Goals: National Report on the Status of Implementation*; National Statistical Office of Mongolia. 2004. *Statistical Yearbook 2003*.

Table A1.4: Country Environment Indicators

Indicator	1995	2000	Latest Year
A. Energy Efficiency of Emissions			
1. GDP/Unit of Energy Use (PPP\$/kgoe)	—	—	—
2. Traditional Fuel Use (% of total energy use)	—	4.3 (1997)	—
3. Carbon Dioxide Emissions			
a. Tons	—	—	—
b. Tons per Capita	3.5	4.1	4.1 (2000)
B. Water Pollution: Water and Sanitation			
1. % Urban Population with Access to Safe Water	—	77	90.8 (2003)
2. % Rural Population with Access to Safe Water	—	30	34.4 (2003)
3. % Urban Population with Access to Sanitation	—	46	39.8 (2003)
C. Land Use and Deforestation			
1. Forest Area (million hectares)	—	18.2	18.2 (2000)
2. Average Annual Deforestation			
a. Km ²	—	600	520 (2003)
b. % Change	—	0.5	0.4 (2003)
3. Rural Population Density (people/km ² of arable land)	—	75 (1999)	87 (2001)
4. Arable Land (% of total land)	0.8	0.8 (1999)	0.8 (2001)
5. Permanent Cropland (% of total land)	0.1	0.1 (1999)	0.1 (2001)
D. Biodiversity and Protected Areas			
1. Nationally Protected Area			
a. Million Hectares	12.6 (1996)	20.5 (2000)	20.6 (2003)
b. % of Total Land	8.0 (1997)	13.1(2000)	13.4 (2003)
2. Mammals (number of threatened species)	—	12	13 (2003)
3. Birds (number of threatened species)	—	16	8 (2003)
4. Higher Plants (number of threatened species)	—	0 (1997)	15 (2003)
5. Reptiles (number of threatened species)	—	—	0 (2003)
6. Amphibians (number of threatened species)	—	—	0 (2003)
7. Butterflies	—	—	1 (2003)
E. Urban Areas			
1. Urban Population			
a. Million	—	1.4 (2001)	1.5 (2003)
b. % of Total Population	60.8	56.7 (2001)	58.4 (2003)
2. Per Capita Water Use (liters/day)	—	200-250	250-270 (2003)
3. Wastewater Treated (%)	—	—	40 (2003)
4. Solid Waste Generated per Capita (kg/day)	—	—	0.6 (2002)

— = not available, GDP = gross domestic product, kg = kilogram, kgoe = kilograms of oil equivalent, km² = square kilometer, PPP = purchasing power parity.

Source: Department of Sustainable Development and Environment, Ministry of Nature and Environment, Mongolia; World Bank. 2002. *Mongolia Environmental Monitor*; World Bank. 2003. *Land Resources and their Management*; World Bank. 2004. *World Development Indicators 2004*; United Nations Environment Programme. 2002. *State of the Environment: Mongolia 2002*; National Statistical Office of Mongolia. 2004. *Statistical Yearbook 2003*.

Table A1.5: Development Coordination Matrix

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
Agriculture	<ul style="list-style-type: none"> • Ongoing sector development program • Sector strategy ADTA (2004) 	<p>World Bank: Ongoing sustainable livelihood project, with second phase planned for 2007 on pastoral risk management; community investment fund for cofinancing and execution of investments in basic infrastructure and social service provision; rural microfinance services; assistance in formulating rural development strategy and livestock insurance law.</p> <p>EU TACIS: Ongoing project on crop-livestock systems. Planned projects include rural development in Dorngobi, Sukhbatar, and Gobi Sumer <i>aimag</i> using ADB's Agricultural Sector Development Project as a model.</p> <p>Germany: GTZ supports rural development through the rural self-help initiative, as well as development of multipurpose cooperatives, and privatization of veterinary services.</p> <p>International Fund for Agriculture Development: Rural Poverty Reduction Programme of \$19 million.</p> <p>Japan: JICA will continue to support rural development, including well rehabilitation in the Gobi region. JBIC is considering support for rural finance and for SMEs.</p> <p>UNDP: Takes the lead in aid coordination for rural development and pasture/livestock risk management and improvement.</p> <p>United States: Provided substantial quantities of food aid (wheat), which is monetized via public auction, with the proceeds used to fund aid projects.</p> <p>USAID/US Government: Under the Gobi Initiative, USAID works actively with herder groups in the southern 30% of the country to create and strengthen herding and other agriculture-related businesses. It is also embarking on a remote sensing-based forage prediction project to map likely forage conditions 30-90 days in advance. Under the USDA wheat program, rural agricultural development activities are occurring in northern and western aimags (provinces); a major dairy project is taking place near the capital; and agricultural</p>

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
Energy	<ul style="list-style-type: none"> • Heat efficiency project • Renewable energy ADTA and pilot/ demonstration projects in select soums (districts) 	<p>research and outreach projects are expected in the near future.</p> <p>World Bank: Active in coordinating aid activities in the energy sector, the World Bank has a \$30 million investment project for reducing of distribution system losses and improving revenue collection; improving reliability and financial sustainability of electricity distribution system in Ulaanbaatar and 7 aimags; implementing of energy sector reforms.</p> <p>Japan: JBIC provided a loan to the power sector in 1995. Currently has a project for rehabilitating of Power Plant 4 as a part of that loan. Also supports rehabilitation of power plants in <i>soum</i> centers.</p> <p>Germany: GTZ and KfW focus on renewable energy in Zavkhan and Khuvsgul aimags, building a new small hydropower plant and rehabilitating an existing hydropower plant. GTZ continues with qualifying of power plant staff. KfW provides loans totaling €20 million (€1=\$.0846274) to the transmission grid, dispatch center, and Darkhan power plant.</p> <p>UNDP: Will provide a straw bail-building project for energy efficiency.</p> <p>USAID: Funds the Economic Policy Reform and Competitiveness Project (EPRC), which has a major energy sector-restructuring component Current work focuses on commercializing the 16 individual entities, and preparing them for privatization.</p> <p>EBRD: Providing a long-term privatization advisor.</p> <p>Kuwait Fund and OPEC Fund: Jointly financing hydropower projects.</p>
Finance	<ul style="list-style-type: none"> • Supporting policy and sector-based reforms • Rural sector financing • ADB first private sector investment in Mongolia in the Trade and Development Bank 	<p>World Bank: Active in aid coordination in the sector, it supports the implementation of Financial Sector Adjustment Credit (\$32mn) to improve commercial bank risk management and payment systems, government debt servicing and payments in rural areas, commercial bank term-lending capacity, upgrading Credit Information Bureau.</p> <p>DFID: Plans to provide TA to Credit Mongol with a capital injection of €500,000 as part of the EU TACIS program.</p> <p>USAID: From 2000 to 2003, USAID played a vital</p>

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		<p>role in reshaping and privatizing two of the country's largest four commercial banks (Trade and Development Bank and AgBank), and helped with UNDP to establish a creative and innovative third bank (XacBank).</p> <p>Germany: GTZ supports providers of financial services. KfW funds the consulting services of some commercial banks (Mongol Post Bank and Capitron Bank) and provides TA to Credit Mongol NBF and a capital injection totaling \$1.53 million.</p>
Social Infrastructure		
Education	<ul style="list-style-type: none"> • Sector development program • Basic education applications of ICT 	<p>World Bank: Focus on improvement of service delivery under the PRSC III (2006).</p> <p>Germany: GTZ implemented a \$1.5 million project to develop vocational education (2000–2002).</p> <p>Japan: JICA continues to support education with policy and planning support, upgrading of school facilities, and developing of ICT technologies, in partnership with ADB as cofinancier of the Second Education Development Project.</p> <p>NDF: In partnership with ADB, NDF is cofinancing the Second Education Development Project (\$4.8mn), focusing on science and vocational education and upgrading kindergartens and primary schools.</p> <p>Soros Foundation: Active in improving the quality of basic education and capacity building, with \$3 million grant financing provided since 1998.</p> <p>UNICEF: Active in school renovation, community-based approaches to early childhood and primary education, and teacher development.</p> <p>USAID: Funds limited training, including master's degree training in US for legal professionals and economists.</p>
Health	<ul style="list-style-type: none"> • Sector development program • Health insurance 	<p>World Bank: Supports the health sector privatization within Japan Policy and Human Resources Development Fund (PHRD) grant.</p> <p>UN agencies: WHO, which plans to shift to a more policy-oriented program of interest; UNFPA, which has a strong program for maternal health and sexually transmitted diseases, particularly HIV/AIDS; and UNICEF, which is ADB's partner in</p>

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		<p>the JFPR project on micronutrients.</p> <p>Germany: Improving Quality of Reproductive Health Services; Prevention of HIV/AIDS; early detection and prevention of SARS and Asian avian flu.</p>
Urban Development and Housing	<ul style="list-style-type: none"> • Urban sector development • Housing financing • Municipal services and public utilities • Cadastral survey and land registration 	<p>World Bank: Supports improvement of public utilities in Ulaanbaatar's <i>ger</i> (Mongolian traditional tent) areas, and reduction of air pollution and household costs through improvement of stoves in <i>ger</i> areas. Urban Services II was approved this spring.</p> <p>USAID: Supports business entrepreneurship in the peri-urban or <i>ger</i> areas of Ulaanbaatar, Darkhan, and Erdenet through the GER Initiative Project.</p>
Social Security	<ul style="list-style-type: none"> • Social security development program 	<p>World Bank: Will provide support to the social assistance program (in collaboration with ADB on SSDP implementation); pension policy reform under PRSC and ECTAC operations.</p>
Transportation and Communications	<ul style="list-style-type: none"> • Road sector – north south corridor 	<p>World Bank: Reconstruction of paved roads, upgrading and improvements of short road sections; the vehicle registration/ inspection system; Implementation of railways financial management system and training in management of contracts and planning techniques. In collaboration with ADB, will assist in preparing a transport strategy.</p> <p>Germany: KfW plans to make spot-improvements of regional roads in Darkhan/Selenge and Zavkhan <i>aimag</i>.</p> <p>Japan: JICA supports improvement of rural telecommunications. JBIC is expected to continue its support for roads and urban infrastructure.</p> <p>EU TACIS: Constructing Zamiin Uud bulk fuel transshipment facility.</p> <p>Kuwait Fund: Road improvement from Darkhan – Erdent – Bulgan – Moron.</p> <p>France: Rehabilitating a telephone network.</p> <p>USAID: Under the Gobi Initiative, publishes <i>Rural Business News</i>—one of the largest circulation periodicals in the country—and finances a range of television and radio programs.</p>
Poverty	<ul style="list-style-type: none"> • Poverty Partnership Agreement 	<p>World Bank: Implementing an \$18.7 million project for sustainable livelihood, including microfinance, sustainable pasture management, and small-scale</p>

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		<p>community-assisted civil work projects. A poverty assessment update is being prepared in 2004 while the Poverty Reduction Support Credit I and II are under preparation.</p> <p>IMF: Third PRGF review ongoing.</p> <p>UNDP: Focus on poverty reduction through the Poverty Research Group established within MOFE, continued support for household income and expenditure surveys, job promotion, rural microfinance, and revolving funds set up under the first national poverty reduction program.</p> <p>Germany: GTZ includes poverty reduction as a cross-cutting theme.</p>
Governance	<ul style="list-style-type: none"> • Governance reform program • Government procurement monitoring 	<p>World Bank: Focus on Public Administration and Civil Service Reform and Public Expenditure Management through PRSC I. Also supporting PSMFL implementation, improvement of Public Procurement Law; capacity building of the Civil Service Commission and MOFE for wage bill and establishment control; capacity building for the state audit and inspection system; strengthening the accounting capacity and capacity building for public expenditure management.</p> <p>UNDP: Focuses on democratic governance, including anticorruption measures, and disaster management by moving the national disaster management system from military to civilian oversight.</p> <p>USAID: Has two major governance projects—the Judicial Reform Program (\$10 million over 5 years) designed to upgrade the courts, train judges and lawyers, and broadly reform the judicial sector; and the Political Parties and Parliamentary Support Project, designed to train the two major political parties and help reform parliamentary procedures.</p> <p>UK: Supports strengthening of Mongolia's disaster preparedness system in coordination with UNDP.</p> <p>Germany: support to the development of the State Audit Board.</p>
Private Sector Operations	<ul style="list-style-type: none"> • Private sector assessment • First private sector investment in Mongolia in the Trade and Development Bank 	<p>World Bank: Provides credit line under Private Sector Development Credit to private enterprises in all economic sectors. PRSC-II will focus on the</p>

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
	<ul style="list-style-type: none"> • TA on Trade Policy Review and legislation to improve enabling environment of the insurance sector in 2003 	<p>regulatory environment for growth. To support PRSC-II, a mining study, a cashmere/ supply chain study and an investment climate study with modules covering PSI and rural development are being conducted.</p> <p>USAID: Two thirds of the overall program focuses on private sector-led economic growth, carried out through three projects: the EPRC provides advisory TA on trade, investment, sectoral and macroeconomic policies that contribute to a better business environment and regulatory framework; and the Gobi and GER projects expand economic opportunities for marginalized Mongolians by creating and strengthening businesses in the rural (Gobi) and peri-urban (GER) areas of the country.</p> <p>EBRD: TA on improving corporate governance practices and reform of the stock exchange. Also financing technical experts for some commercial banks.</p>
Environment	<ul style="list-style-type: none"> • Integration of environmental consideration into sector development projects, rather than development of stand-alone environmental projects, is adopted as an ADB strategy for lending activities. A study, Mongolia's Environment and Its Implications to ADB's Operations, was finished in 2001. The report was translated into the local language and published as an ADB document in October 2002. 	<p>World Bank: TA for capacity building in environmental management; publishing the Environment Monitor.</p> <p>UNDP: Focuses on sustainable natural resource management, including two new biodiversity projects in addition to the ongoing Easter Steppe project. The UN is also considering a desertification project for 2004–2005.</p> <p>USAID: Funds the Eastern Steppe Living Landscape project to promote sustainable conservation practices on the eastern Steppe.</p> <p>Germany: GTZ has a strong program on natural resource use and management for sustainable forestry and combating desertification.</p> <p>Japan: JICA continues to support environment projects.</p>
Regional Cooperation	<ul style="list-style-type: none"> • Regional economic cooperation between the People's Republic of China and Mongolia • Prevention and control of dust and sandstorms in Northeast Asia 	
Multisector/Other	<ul style="list-style-type: none"> • Aid coordination • Concept of regional development • Training of legal professionals 	<p>World Bank: For 2003, the World Bank envisages a study of growth in the economy and regional development. Supports Consultative Group</p>

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		<p>meetings as well as sector aid meetings. A new country assistance strategy has been approved in 2004.</p> <p>Germany: GTZ concentrates on economic reform and support to market-oriented structures, reforming economic law, developing export and trade oriented policy, developing small and medium-sized enterprises and human resources, protect and use natural resources and introduce land management. The regional focus for economic development will concentrate on Darkhan and Uliastay region.</p> <p>UNDP: Support for small-scale activities, including ICT and industry and trade policy.</p> <p>USAID: Supports civil society development in selected aimags through the Training, Advocacy Networking Program.</p>

ADB = Asian Development Bank, ADTA = advisory technical assistance, DFID = Department for International Development, EBRD = European Bank for Reconstruction and Development, ECTAC = Economic Capacity Building Technical Assistance, EPRC = Economic Policy Reform & Competitiveness Project, EU TACIS = European Union Technical Assistance to the Commonwealth of Independent States, GTZ = German Agency for Technical Cooperation, HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, ICT = information and communication technology, IMF = International Monetary Fund, JBIC = Japan Bank for International Cooperation, JFPR = Japan Fund for Poverty Reduction, JICA = Japan International Cooperation Agency, ICT = information and communications technology, KfW = Kreditanstalt für Wiederaufbau, MOFE = Ministry of Finance and Economy, NBF1 = nonbank financial institution, NDF = Nordic Development Fund, OPEC = Organization of Petroleum Exporting Countries, PHRD = Japan Policy and Human Resources Development Fund, PRGF = poverty reduction and growth facility, PRSC = Poverty Reduction Support Credit, PSI = Private Sector Investment, PSMFL = Public Sector Management and Finance Law, SARS = severe acute respiratory syndrome, SME = small and medium-sized enterprise, SSDP = Social Security Development Plan, TA = technical assistance, UN = United Nations, UNDP = United Nations Development Programme, UNFPA = United Nations Population Fund, UNICEF = United Nations Children's Fund, USAID = United States Agency for International Development, USDA = United States Department of Agriculture, WHO = World Health Organization.

Table A1.6: Portfolio Indicators—Portfolio Amounts and Ratings
(public sector loans, as of 31 December 2003)

Sector	Net Loan Amount		Total		Rating ^a											
					Highly Satisfactory		Satisfactory		Partly Satisfactory		Unsatisfactory		Potential Problem ^b		At Risk ^c	
	\$	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	(%)
Agriculture and Natural Resources	39.1	16.6	4	25.0	1	25.0	3	75.0	—	—	—	—	—	—	—	—
Energy	41.6	17.6	1	6.3	—	—	1	100.0	—	—	—	—	—	—	—	—
Finance	15.8	6.7	1	6.3	—	—	—	—	1	100.0	—	—	—	—	1	100.0
Industry and Nonfuel Minerals	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Multisector	13.7	5.8	2	12.5	—	—	2	100.0	—	—	—	—	—	—	—	—
Others	16.5	7.0	2	12.5	—	—	2	100.0	—	—	—	—	—	—	—	—
Social Infrastructure	82.9	35.2	5	31.3	—	—	5	100.0	—	—	—	—	—	—	—	—
Transport and Communications	26.1	11.1	1	6.3	—	—	1	100.0	—	—	—	—	—	—	—	—
Total	235.8	100.0	16	100.0	1	6.3	14	87.5	1	6.3	—	—	—	—	1	6.3

— = not available, No. = number.

^a One rating for implementation progress and development objectives, based on the lower rating of either.

^b Potential problem loans are satisfactory loans but have four or more risk factors associated with partly satisfactory or unsatisfactory performance.

^c A loan is "at risk" if it is rated as partly satisfactory, as unsatisfactory, or as a potential problem.

Table A1.7: Portfolio Indicators—Disbursements and Net Transfers of Resources
(public sector loans, as of 31 December 2003)

Disbursements and Transfers	OCR	ADF	Total
Disbursements^a			
Total Funds Available for Withdrawal (\$ million)	—	211.0	211.0
Disbursed Amount (\$ million, cumulative)	—	89.9	89.9
Percentage Disbursed (disbursed amount/total available)	—	42.6	42.6
Disbursements (\$ million, latest year)	—	39.8	39.8
Disbursement Ratio (%) ^b	—	24.0	24.0
Net Transfer of Resources (\$ million)			
1999	—	44.5	44.5
2000	—	29.9	29.9
2001	—	27.5	27.5
2002	—	22.7	22.7
2003	—	34.5	34.5

— = not available, ADF = Asian Development Fund, OCR = ordinary capital resources.

^a Includes ongoing loans and loans with disbursements in 2003.

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

Table A1.8: Portfolio Indicators—Evaluation Rating by Sector
(1996–2003)

Sector	Highly Successful		Successful		Partly Successful		Unsuccessful		No Rating		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	0	0.0	0	0.0	2	100.0	0	0.0	0	0.0	2	100.0
Energy	0	—	0	—	0	—	0	—	0	—	0	—
Finance	0	0.0	1	100.0	0	0.0	0	0.0	0	0.0	1	100.0
Industry and Nonfuel Minerals	0	0.0	1	50.0	1	50.0	0	0.0	0	0.0	2	100.0
Multisector	0	—	0	—	0	—	0	—	0	—	0	—
Others	0	—	0	—	0	—	0	—	0	—	0	—
Social Infrastructure	0	—	0	—	0	—	0	—	0	—	0	—
Transport and Communications	2	66.7	1	33.30	0	0.0	0	0.0	0	0.0	3	100.0
Total	2	25.0	3	37.5	3	37.5	0	0.0	0	0.0	8	100.0

— = not available, No. = number.

Source: Asian Development Bank project/program audit reports.

Table A1.9: Portfolio Implementation Status
(public sector loans, as of 31 December 2003)

No.	Sector	Loan No.	Seg	Title	Net Loan Amount		Approval Date (dd/mm/yy)	Effective Date (dd/mm/yy)	Closing Date		Progress (% complete)
					OCR (\$ million)	ADF (\$ million)			Original (dd/mm/yy)	Revised (dd/mm/yy)	
1	AGR	1736		Cadastral Survey and Land Registration		10.6	27-Jan-2000	27-Sep-2001	31-Dec-2007		30
2	AGR	1821		Agriculture Sector Development Program-Program Loan		7.3	21-Dec-2000	20-Jun-2001	30-Sep-2003		
3	AGR	1822	1	Agriculture Sector Development Program-Project Loan	}	4.9	21-Dec-2000	20-Jun-2001	30-Sep-2006		40
			2	Agriculture Sector Development Program-Project Loan		6.2					
4	AGR	1848		Rural Finance		10.1	25-Oct-2001	29-Jul-2002	30-Jun-2009		1
5	ENE	1548		Ulaanbaatar Heat Efficiency		41.6	25-Sep-1997	24-Nov-1998	30-Jun-2003	30-Jun-2005	55
6	TC	1700		Second Roads Development		26.1	30-Sep-1999	2-Mar-2000	31-Jan-2005	31-Jan-2006	33
7	SI	1908		Second Education Development		16.0	6-Aug-2002	19-Nov-2002	30-Jun-2008		15
8	SI	1847	1	Housing Finance (Sector)	}	11.1	18-Oct-2001	15-May-2002	30-Jun-2007		30
			2	Housing Finance (Sector)		6.1					
9	SI	1907		Integrated Development of Basic Urban Services in Provincial Towns		23.0	6-Aug-2002	25-Nov-2002	30-Jun-2008		10
10	SI	1569		Health Sector Development		11.5	4-Nov-1997	20-Apr-1998	30-Jun-2003	30-Sep-2003	100
11	SI	1998		Second Health Sector Development Project		15.1	5-Jun-2003	24-Nov-2003	31-Dec-2008		0
12	FIN	1743		Second Financial Sector Reform Program		15.8	22-Jun-2000	11-Dec-2001	30-Jun-2002	31-Dec-2003	
13	MUL	1836		Social Security Sector Development Program (Program Loan)		4.7	28-Aug-2001	21-Feb-2002	30-Apr-2007		15
14	MUL	1837		Social Security Sector Development Program (Project Loan)		9.1	28-Aug-2001	21-Feb-2002	31-Oct-2005		
15	OTH	2010		Second Phase of the Governance Reform Program (Program Loan)		14.4	14-Oct-2003		31-Dec-2005		
15	OTH	2011		Capacity Building for Government Reform Program		2.1	14-Oct-2003		31-Mar-2007		0
Total						235.8					

No.	Sector	Loan No.	Seg	Title	Cumulative Contracts/ Commitments (\$ million)	Cumulative Disbursements (\$ million)	Rating		Problem ^a	At Risk ^b
							IP	DO		
1	AGR	1736		Cadastral Survey and Land Registration	1.8	1.7	S	S	No	No
2	AGR	1821		Agriculture Sector Development Program-Program Loan	7.3	7.3	S	S	No	No
3	AGR	1822	1	Agriculture Sector Development Program-Project Loan	2.1	2.6	HS	HS	No	No
			2	Agriculture Sector Development Program-Project Loan	2.9	2.9	S	S	No	No
4	AGR	1848		Rural Finance	0.0	0.5	S	S	No	No
5	ENE	1548		Ulaanbaatar Heat Efficiency	34.2	17.9	S	S	No	No
6	TC	1700		Second Roads Development	22.5	10.8	S	S	No	No
7	SI	1908		Second Education Development	1.5	1.7	S	S	No	No
8	SI	1847	1	Housing Finance (Sector)	3.1	4.2	S	S	No	No
			2	Housing Finance (Sector)	1.2	1.0	S	S	No	No
9	SI	1907		Integrated Development of Basic Urban Services in Provincial Towns	0.7	0.6	S	S	No	No
10	SI	1569		Health Sector Development	11.1	11.2	S	S	No	No
11	SI	1998		Second Health Sector Development Project	0.0	0.0	S	S	No	No
12	FIN	1743		Second Financial Sector Reform Program	15.8	15.8	PS	PS	No	Yes
13	MUL	1836		Social Security Sector Development Program (Program Loan)	0.6	0.8	HS	S	No	No
14	MUL	1837		Social Security Sector Development Program (Project Loan)	2.0	2.0	S	S	No	No
15	OTH	2010		Second Phase of the Governance Reform Program (Program Loan)	0.0	0.0	S	S	No	No
15	OTH	2011		Capacity Building for Government Reform Program	0.0	0.0	S	S	No	No
Total					106.8	81.0				

ADF = Asian Development Fund, AGR = agriculture, DO = development objective, ENE = energy, FIN = finance, IP = implementation progress, MUL = multisector, OCR = ordinary capital resources, OTH = others, PS = partly satisfactory, S = satisfactory, Seg = segment (pertaining to loans with more than one withdrawal authority), SI = social infrastructure, TC = Transport and Communications, U = unsatisfactory.

^a "Yes" for loans with four or more risk factors associated with partly satisfactory or unsatisfactory performance.

^b A loan is considered "at risk" if it is rated as "PS" or "U" in either implementation progress or development objectives, or if it is a potential problem loan.

Table A1.10: Assistance Pipeline for Lending Products, 2005–2006

Sector Project/Program Name	Poverty Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)			
						ADB		Gov't.	Cofi- nancing
						OCR	ADF		
2005 Firm Loans									
Education									
Education Sector Development Project III	PI	GAD/ISD/ GOV	ECSS	2004	14.0	14.0	14.0		
Subtotal					14.0	14.0	14.0		
Finance									
Financial Sector Program III	OTH	ECG/GOV /PSD	ECGF	2003	14.0	14.0	14.0		
Subtotal					14.0	14.0	14.0		
Total					28.0	28.0	28.0		
2006 Firm Loans									
Agriculture and Natural Resources									
Agriculture Sector Development Program II	OTH	ECG	ECAE	2005	20.0	20.0	20.0		
Subtotal					20.0	20.0	20.0		
Multisector									
Urban Development III	PI	ISD	ECSS	2004	15.0	15.0	15.0		
Subtotal					15.0	15.0	15.0		
Total					35.0	35.0	35.0		
Standby									
Governance Reform III	OTH	GOV/ECG	ECGF	2006	12.0	12.0	12.0		

ADB = Asian Development Bank, ADF = Asian Development Fund, ECAE = Agriculture, Environment and Natural Resources Division, ECG = sustainable economic growth, ECGF = Governance, Finance, and Trade Division; ECSS = Social Sectors Division, ECTC = Transport and Communications Division, GAD = gender and development, GOV = governance, ISD = inclusive social development, OCR = ordinary capital resources, OTH = others, PI = poverty intervention, REG = regional cooperation.

Table A1.11: Assistance Pipeline for Nonlending Products, 2005–2006

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2005							
Agriculture and Natural Resources							
1. Agriculture Sector Development Project	ECAE	PP	TA	450		450	
2. Capacity Building for Land Privatization	ECAE/MNRM	ID	TA	300		300	
Subtotal				750		750	
Finance							
1. Support for Financial Sector Program	ECGF	ID	TA	450		450	
Subtotal				450		450	
Multisector							
1. Urban Development III	ECSS	PP	TA	450		450	
Subtotal				450		450	
Law and Public Sector Management							
1. Strengthening the Collection of Poverty and MDG Indicators in Mongolia	ERD	ID	TA	300		300	
Subtotal				300		300	
Total				1,950		1,950	
Standby							
1. Governance Reform III	ECGF	PP	TA	500		500	
2006							
Health, Nutrition, and Social Protection							
1. Health Sector Development III	ECSS	PP	TA	500		500	
Subtotal				500		500	
Law and Public Sector Management							
1. Governance Reform III	ECGF	PP	TA	500		500	
Subtotal				500		500	
Industry and Trade							
1. Capacity Building for Trade Facilitation	ECGF	ID	TA	300		300	
Subtotal				300		300	
Total				1,300		1,300	

ADB = Asian Development Bank, ADF = Asian Development Fund, ECAE = Agriculture, Environment and Natural Resources Division, ECGF = Governance, Finance and Trade Division, ECOC = Operations and Coordination Division, ECSS = Social Sectors Division, ECTC = Transport and Communications Division, ERD = Economics and Research Department, ETSW = economic, thematic and sector work, ID = institutional development, JSF = Japan Special Fund, MNRM = Mongolia Resident Mission, OCR = ordinary capital resources, PP = program or project preparatory, TA = technical assistance.

CONCEPT PAPERS FOR LENDING PRODUCTS

This appendix contains the concept papers for the following lending products:

- (i) Table A2.1: Financial Sector Program III
- (ii) Table A2.2: Education Sector Development Project III

**Table A2.1: Financial Sector Program III
Concept Paper**

Date: 14 June 2004

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input checked="" type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input checked="" type="checkbox"/> Other</p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Financial Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p><input type="checkbox"/> Other</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Governance, Finance, and Trade Division, East and Central Asia Department</p>								
<p>5. Responsible ADB officer(s): Sona Shrestha</p>								
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: The Government, with support from multilateral financial institutions, has been reforming the financial sector since 1995. Mongolia was among the first few transition economies to liquidate nonviable state-owned banks. ADB had a lead role through the Financial Sector Program (FSP), approved in 1996, under which the Government strengthened banking sector supervision, liquidated and restructured four nonviable banks, and established the Mongolian Asset Restructuring Agency to deal with problem assets. Subsequently, in 1999, the Government formulated the second phase of reforms – the Financial Sector Reform Program (FSRP) supported by ADB's Second Financial Sector Program (FSP II) loan, and World Bank's Financial Sector Adjustment Credit (FSAC). Under the agreement, FSAC was to focus on the banking sector, and FSP II on selected banking sector reform measures and overall sector development. In particular, FSP II has supported (i) the strengthening of corporate governance in banks, (ii) improved loan collateral, (iii) the introduction of an interbank market, and (iv) institutional strengthening of the Mongolia Stock Exchange Commission (MSEC).</p>								

b. Goal and purpose: Building on the reforms undertaken under FSP and FSP II, this loan will help the Government formulate and design a program to promote the sound and orderly development of the nonbank financial sector. To this end, the program will focus on strengthening the regulatory and supervisory framework for nonbank financial institutions (NBFIs), and addressing remaining policy and structural impediments to the development of the sector.

c. Components and outputs: Key components will include (i) strengthening the regulatory and policy framework for the development of the nonbank financial sector, including NBFIs, insurance sector, pension funds and capital market; (ii) improving investor protection and confidence in the stock exchange; and (iii) facilitating domestic savings mobilization through the development of contractual saving institutions.

d. Expected results and deliverables: Key outputs will include (i) a unified nonbank financial regulator with adequate legal powers and resources; (ii) an effective anti-money laundering regime; (iii) privatization of the stock exchange; (iv) risk-based prudential standards for insurance companies; and (iv) a draft law on the establishment of voluntary private pension plans.

e. Social or environmental issues or concerns: To be determined

f. Plans for disseminating results/deliverables: Ongoing dialogue with the government and other stakeholders; workshops, and TA reports.

7. Proposed executing/implementing agencies: Ministry of Finance and Economy, Bank of Mongolia, Securities and Exchange Commission, and Social Insurance General Office

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: All key government agencies cooperated effectively during the implementation of the project preparatory TA, and have expressed strong support for reforms proposed under FSP III.

9. Timetable for assistance design, processing, and implementation

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2001–2002

b. Expected date of submission for approval
 Lending: 2005
 Nonlending (project preparatory)
 Nonlending (other than project preparatory) \$450,000

c. Period and duration of assistance
 Lending: June 2005–December 2007
 Nonlending: June 2005–June 2006

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
- Ordinary capital resources
 - Asian Development Fund: \$14 million
 - Other

If cofinancing is required indicate sources, and amount sought: \$ _____, from _____.

If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	

Source: (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
 - ADB's administrative budget
 - Grant TA funds
 - Other

If cofinancing is required indicate sources, and amount sought: \$_____, from _____.
 If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	
Source: (e.g., total cost, ADB financing, other financing, and government financing):	

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.2: Education Sector Development Project III
Concept Paper**

Date: 16 June 2004

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other</p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Education Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input checked="" type="checkbox"/> Poverty intervention</p> <p><input type="checkbox"/> Other</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Gender and development	
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input checked="" type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Interregional policy development</p>								
<p>4. Responsible division/department: Social Sectors Division, East and Central Asia Department</p>								
<p>5. Responsible ADB officer(s): To be determined</p>								
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: ADB has been assisting the Government of Mongolia in the education sector since the mid-1990s. Under the Education Sector Development Program (ESDP), ADB helped the Government prepare a sector master plan, the Education Sector Strategy (ESS) 2000–2005. Based on the ESS, ADB has assisted the Government to promote (i) rationalizing education structures and staffing; (ii) cost recovery; (iii) supporting privatization and private sector provision of education; and (iv) developing a comprehensive policy framework for technical and vocational education. In 2003, following the successful completion of ESDP, ADB approved the Second Education Development Project (SEDP). SEDP aims to (i) develop preschools and basic schools through rehabilitation and construction; (ii) improve the quality of education including science education and technical and vocational education by developing learning materials and teacher training; and (iii) establish the capacity for educational management.</p>								

With the EDSP, SEDP and assistance from other external agencies, the Government has made considerable progress in restructuring the former Soviet-style education system and in improving overall education services. However, due to a major decline in expenditure for social sectors and lack of capacity to plan and manage new education policies and systems, Mongolia still faces a serious shortage of financial resources and needs external assistance. At the same time, there is a need for more effective coordination among external agencies that share common goals and priorities for the investment in Mongolia.

b. Goal and purpose: The TA will help assist the Government prepare an ESS for 2006–2010 to provide the updated status of the sector and its unmet needs, to prioritize investment options, to seek external financial and technical support, and to facilitate a long-term strengthening of the education sector.

c. Components and outputs: Activities of the TA will include (i) reviewing progress and issues under the present ESS, (ii) updating major education indicators and statistics, (iii) analyzing issues and lessons in each education subsector in cooperation with other donor partners, (iv) preparing a detailed medium-term investment proposal based on a new ESS, and (v) organizing a series of workshops and meetings to finalize a draft ESS and to establish a new framework for effective external agency coordination.

The TA will produce (i) a draft ESS for 2006–2010 including investment proposals that will be discussed by the Government and all major external partners, (ii) a proposed external agency cooperation matrix to show the future action plans and commitments of each external agency, and (iii) a draft project proposal for the Third Education Development Project.

d. Expected results and deliverables: The TA will help the Government of Mongolia to prepare a comprehensive sector master plan for education, conceptualize its own strategy of sector-wide approach, and identify foreseen issues. It can also provide the solid foundation for further external agency coordination framework.

e. Social or environmental issues or concerns: To be determined

f. Plans for disseminating results/deliverables: Both the Ministry of Education, Culture and Science (MOECS) and local education authorities including schools and institutions will be actively involved in TA activities and will share the results and benefits of the project for their future actions and policy planning.

7. Proposed executing/implementing agencies: MOECS, and local education authorities

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: MOECS and ADB have had extensive policy dialogue since 2000 on developing a new sector strategy and moving to sector-wide approaches, with the involvement of principal development partners. In February 2002, the concept was discussed and endorsed at a meeting of external education agencies and MOECS in Mongolia.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2003
- b. Expected date of submission for approval
 - Lending: 2005
 - Nonlending (project preparatory): 2004
 - Nonlending (other than project preparatory)
- c. Period and duration of assistance
 - Lending
 - Nonlending: 6 months (over two phases)

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
 - Ordinary capital resources
 - Asian Development Fund: \$14 million
 - Other

If cofinancing is required indicate sources, and amount sought: \$ _____, from _____.
If known, provide cost estimates and financing arrangements.

	Source	Amount (\$)
	ADB Financing	
	Government Financing	
	Other Financing	
	Total Cost	
Source: (e.g., total cost, ADB financing, other financing, and government financing):		
<p>b. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget</p> <p><input checked="" type="checkbox"/> Grant TA funds: \$500,000</p> <p><input type="checkbox"/> Other</p>		
<p>If cofinancing is required indicate sources, and amount sought: \$ _____, from _____.</p> <p>If known, provide cost estimates and financing arrangements.</p>		
	Source	Amount (\$)
	ADB Financing	
	Government Financing	
	Other Financing	
	Total Cost	
Source: (e.g., total cost, ADB financing, other financing, and government financing):		

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

CONCEPT PAPERS FOR NONLENDING PRODUCTS AND SERVICES

This appendix contains the concept papers for projected nonlending products:

- (i) Table A3.1: Capacity Building for Land Privatization and Management
- (ii) Table A3.2: Strengthening the Collection of Poverty and MDG Indicators in Mongolia
- (iii) Table A3.3: Urban Development III
- (iv) Table A3.4: Governance Reform III
- (v) Table A3.5: Second Agriculture Sector Development Project

**Table A3.1: Capacity Building for Land Privatization and Management
Concept Paper**

Date: 10 June 2004

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other: {specify, e.g., loan-financed project preparatory, project implementation, or advisory activities}</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input checked="" type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector(s): Agriculture and Natural Resources Subsector(s):</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p><input type="checkbox"/> Other</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Agriculture, Environment and Natural Resources Division/Mongolia Resident Mission</p>								
<p>5. Responsible ADB officer(s): Not assigned</p>								
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy:</p> <p>In 2003 the Government of Mongolia revised the legal framework for land leasing and ownership. The revisions were designed to promote economic growth through domestic and international investment, by bringing land into the marketplace as an asset. Prior to 2003, all land in Mongolia was owned by the state, and individuals and businesses had to obtain leases for possession and use of land. The leases were for a limited time period, and could not be traded, inherited, or otherwise transferred. Under the new legal provisions, lease duration has been extended and the terms for transference defined. For the first time, citizens may now own land outright, and use this as an asset to secure bank loans, and dispose of the land as they see fit. In 2004 land privatization will be extended to commercial entities, providing a secure tenure that should encourage more capital investment.</p>								

ADB is assisting in developing of real estate through the Housing Finance Sector Project, which provides a line of long-term credit for mortgages through qualified banks; and the Cadastral Survey and Land Registration Project (CSLRP). The CSLRP, designed in the late 1990s prior to the legal reforms, includes the development of a digital cadastral map of urban land (Ulaanbaatar, aimag centers) and major cropping areas, defining the boundaries of all parcels, and attaching legal information on leaseholds and titles. In the second phase, CSLRP will develop a National Land Information System (NLIS) to facilitate the registration of land, maintain and update the cadastre, and improve collection of land use fees and property taxes. A publicly available, accurate NLIS is a prerequisite for a modern private land market, as buyers, sellers, courts, tax authorities, banks, etc. need a common source of officially recognized information on land boundaries and ownership.

As the CSLRP was developed prior to land privatization, it provides a largely technical solution to the development of a land cadastre, and does not adequately address the institutional, legal, administrative, and physical challenges. By comparison, most countries that have established an NLIS-type system have had private land ownership for hundreds of years. The legal environment for land is well understood and developed. Dispute resolution mechanisms are established, with many years of court experience and precedent. The institutional roles for land management are established and functioning, as are the administrative procedures for land purchase, sale, use as collateral, etc. Their city centers are no longer expanding and most parcel boundaries are agreed upon and documented, and new development is controlled through detailed planning and zoning. None of these conditions exist in Mongolia. Rapid rural to urban migration has resulted in enormous growth of informal housing areas, which now account for as many as 500,000 people, or more than half the population of Ulaanbaatar. The three institutions working on land administration were only recently combined and do not yet function as a single unit. The legal environment remains thin, with many uncertainties and no dispute resolution mechanism. The administrative procedures for land registration are cumbersome, costly, and repetitive. The registration system does not protect the ownership rights of married women, nor does it define their rights in the event of divorce or death of their spouse. Chaotic residential and commercial development attests to the lack of adequate city planning and zoning.

The TA attached to the CSLRP does provide modest inputs on legal matters, but is inadequate to address the institutional, administrative, and legal requirements for land management and a well-functioning private land market. Achieving the many positive outcomes associated with land privatization will be hampered unless these constraints are met, and the potential for inefficient land allocation, forgone land use fees and property taxes, corruption, and large numbers of land-related disputes will only increase as privatization accelerates and expands to commercial entities.

b. Goal and purpose:

The project aims to promote economic growth by facilitating the use of land (leased and privately held) as a productive asset. The purpose is to improve land management through reform of related laws and administrative processes, and institutional development.

c. Components and outputs:

The main components of the project follow:

1. strengthening of ALAGAC (Agency for Land Affairs, Geodesy and Cartography) and the Ulaanbaatar City government, focusing on land use planning and management, and governance;
2. assessment of governance issues/problems in land administration and recommendations for governance reforms;
3. detailed review of the legal environment for land use (leasehold, private ownership, sale, etc.) and recommendations for amendment and additions; and
4. detailed review of administrative procedures for land registration and recommendations for reform.

Components 2-4 will require detailed public consultations, and all recommendations will also need to be debated and developed through public forums.

d. Expected results and deliverables:

The project will deliver detailed recommendations on administrative, legal, institutional, and governance reforms to improve the efficiency and transparency of land management, and a program of institutional strengthening measures for key counterpart institutions.

e. Social or environmental issues or concerns:

There are major social issues in the management of land. These include, but are not limited to, (i) the rights of squatters and immigrants to remain on land that they occupy; (ii) the rights of the Government to protect land for use by the state or for environmental and safety reasons; (iii) the rights of women to be included as joint owners of land, to approve or deny the sale of jointly held land or its use as collateral; (iv) the rights of condominium dwellers on commonly held land; (v) responsibility for and enforcement of land-related liabilities; and (vi) dispute resolution mechanisms. The project will attempt to analyze these issues in Mongolia and propose a set of reforms based on international norms and best practices.

f. Plans for disseminating results/deliverables:

Because of the sensitive and important nature of land management, it is crucial to implement this TA in an open and participatory fashion from outset to completion, through the proposed working group or steering committee, civil society consultations by the consultants, and a regular program of workshops.

7. Proposed executing/implementing agency or agenc(ies): ALAGAC, with oversight by the Cabinet Secretariat and the Ministry of Finance and Economy. A working group or steering committee with substantial civil society representation will also be important to ensure that the topics covered by the TA are brought before a wider audience and not restricted to state agencies.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

A detailed review of the ongoing CLSRP led to the conceptualization of this TA. As such, discussions so far have been limited to meetings with officials from national and local Government agencies involved in land management.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP Update, RSCSP, RSCSP Update, or interregional work plan: 2004
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory): November 2005
- c. Period and duration of assistance
 - Lending:
 - Nonlending: 2 years

10. Financing Plan

- a. For lending
 - Ordinary capital resources: \$
 - Asian Development Fund: \$
 - Other:

If cofinancing is required, indicate amount and sources, and amount sought: \$____, from _____.
If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	
Source:	

- b. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget: \${amount}
 - Grant TA funds: \$300,000
 - Other:

If cofinancing is required, indicate amount and sources, and amount sought: \$____, from _____.
If known, provide cost estimates and financing arrangements.

(e.g., total cost, ADB financing, other financing, and government financing):

Source	Amount (\$)
ADB Financing	300,000
Government Financing	60,000
Other Financing	
Total Cost	360,000

Source: Source:

ADB = Asian Development Bank, CSP = country strategy and program, RSCSP = subregional regional cooperation strategy and program, TA = technical assistance.

**Table A3.2: Strengthening the Collection of Poverty and MDG Indicators in Mongolia
Concept Paper**

Date: 14 June 2004

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input checked="" type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other</p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector(s): Law and Public Sector Management Subsector(s):</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p><input type="checkbox"/> Other</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Sub-regional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: Economics and Research Department/East and Central Asia Department</p>								
<p>5. Responsible ADB officer(s): B. Pant, ERD/ Y. Fernandez Lommen, ECRD</p>								
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: Mongolia is the first country to enter into a poverty partnership agreement (PPA) with ADB. The Government has accepted PPA as a fundamental document providing guidelines on the formulation of policy initiatives. However, to formulate appropriate policy initiatives, it is essential and vital to obtain through statistically well designed surveys good quality data and information needed to monitor the ongoing and proposed programs and duly identify pressing issues and challenges. The current database in Mongolia is weak and fragmentary for use in monitoring development targets and goals. Although several household-based surveys have been conducted during the last 7 or 8 years, the coverage and reliability of these sources are insufficient. There is a need not only to improve the coverage and completeness of the socioeconomic indicators on a more sustainable basis, but also to strengthen the capability of the National Statistical Organization (NSO) in developing and generating the indicators.</p> <p>b. Goal and purpose: The major objective of the proposed TA is to establish and strengthen the capacity of</p>								

NSO at both national and subregional levels for conducting multipurpose socioeconomic household surveys to fill the critical data gaps, and to meet the data needed to regularly monitor anti-poverty and other development programs as well as to implement the millennium development goal (MDG) in Mongolia.

c. Components and outputs: The proposed TA is expected to strengthen the capacity of NSO and its regional offices in institutionalizing a large-scale household based survey by enhancing of their professional skills and expertise, upgrading equipment and facilities, developing various integrated household survey modules including survey instruments and supporting a multipurpose socioeconomic survey. The scope of the survey will be carefully determined in consultation with government officials, nongovernment organizations (NGOs), international agencies, and other users.

d. Expected results and deliverables: The proposed TA is expected to produce a large amount of socio-economic indicators that will be necessary for monitoring not only poverty and MDG indicators, but also other economic indicators necessary in upgrading the national accounts estimates of Mongolia. The TA is also expected to (i) upgrade the skills of NSO staff, both at national and subregional levels, by organizing series of local-level training in various statistical topics; (ii) develop various survey modules to assist NSO staff in conducting specialized surveys as necessary on a regular basis; and (iii) upgrade the facilities of some selected regional/sub-regional statistical offices, so that they will be able to handle the collection and compilation of socioeconomic data more efficiently.

e. Social or environmental issues or concerns: To be determined

f. Plans for disseminating results/deliverables: The results of the surveys will be disseminated through various reports, both in printed and electronic versions, and will be made available through the web sites.

7. Proposed executing/implementing agency or agenc(ies): The NSO of Mongolia will be the implementing agency.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

In identifying the data gaps and project activities, all relevant data-collecting agencies, the international agencies involved in providing assistance for statistical data collection, nongovernment agencies, researchers and other users of statistics will be consulted.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP Update, RSCSP, RSCSP Update, or interregional work plan: 2004 CSP
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory): 4th quarter 2004
- c. Period and duration of assistance
 - Lending:
 - Nonlending: About 30 months

10. Financing Plan

- a. For lending
 - Ordinary capital resources:
 - Asian Development Fund:
 - Other:

If cofinancing is required, indicate amount and sources, and amount sought: \$____, from _____.
If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	

Other Financing Total Cost										
Source: (e.g., total cost, ADB financing, other financing, and government financing):										
b. For nonlending										
<input type="checkbox"/> No resources required, other than ADB staff										
<input type="checkbox"/> ADB's administrative budget:										
<input checked="" type="checkbox"/> Grant TA funds: \$300,000										
<input type="checkbox"/> Other:										
If cofinancing is required, indicate amount and sources, and amount sought: \$____, from _____.										
If known, provide cost estimates and financing arrangements.										
(e.g., total cost, ADB financing, other financing, and government financing):										
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Source</th> <th style="text-align: right;">Amount (\$)</th> </tr> </thead> <tbody> <tr> <td>ADB Financing</td> <td style="text-align: right;">\$300,000</td> </tr> <tr> <td>Government Financing</td> <td style="text-align: right;">\$100,000</td> </tr> <tr> <td>Other Financing</td> <td></td> </tr> <tr> <td>Total Cost</td> <td style="text-align: right;">\$400,000</td> </tr> </tbody> </table>	Source	Amount (\$)	ADB Financing	\$300,000	Government Financing	\$100,000	Other Financing		Total Cost	\$400,000
Source	Amount (\$)									
ADB Financing	\$300,000									
Government Financing	\$100,000									
Other Financing										
Total Cost	\$400,000									
Source: Source:										

ADB = Asian Development Bank, CSP = country strategy and program, RSCSP = subregional regional cooperation strategy and program, TA = technical assistance.

**Table A3.3: Urban Development III
Concept Paper**

Date: 14 June 2004

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Urban Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input checked="" type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input checked="" type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input checked="" type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Social protection	<input type="checkbox"/> Other	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input checked="" type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Social protection									
<input type="checkbox"/> Other										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Social Sectors Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): Eri Honda</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: Mongolia has been experiencing rapid urbanization due to heavy rural to urban migration. By 2000, the urban population was 1.4 million, equivalent to 58% of the national population of 2.4 million. On the other hand, urban infrastructure and services are seriously dilapidated and in urgent need of repair and improvements. Urban services are minimal in the ger (traditional tent) areas while the apartment areas are served by basic facilities. The average monthly income of households living in the ger areas is less than 70% of that of households living in the apartment areas. In line with the emphasis on growth with poverty reduction in the poverty partnership agreement, the project will support selected urban areas where economic growth will have multiplier effects on the national economy.</p> <p>b. Goal and purpose: Facilitate economic growth in urban areas, enhance the access of the poor to urban services, and improve urban environmental management</p> <p>c. Components and outputs: To be determined.</p>										

d. Expected results and deliverables: Project towns will have improved urban services and infrastructure facilities.

e. Social or environmental issues or concerns: To be determined

f. Plans for disseminating results/deliverables: To be determined

7. Proposed executing/implementing agencies: Ministry of Infrastructure; Government Implementing Agency for Construction, Urban Development, and Public Utilities

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:
The investment components will be prioritized through community consultation.

9. Timetable for assistance design, processing, and implementation

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2002

b. Expected date of submission for approval
 Lending:
 Nonlending (project preparatory): 2005
 Nonlending (other than project preparatory): 2004

c. Period and duration of assistance
 Lending:
 Nonlending: 6 months, 2005
 4 months, 2004

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

a. For lending
 Ordinary capital resources
 Asian Development Fund:
 Other

If cofinancing is required indicate sources, and amount sought: \$ _____, from _____
 If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	

Source: (e.g., total cost, ADB financing, other financing, and government financing):

b. For nonlending
 No resources required, other than ADB staff
 ADB's administrative budget
 Grant TA funds: \$500,000
 Other

If cofinancing is required indicate sources, and amount sought: \$ _____, from _____
 If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	

Source: (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.4: Governance Reform III
Concept Paper**

Date: 16 June 2004

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Public Sector Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Governance, Finance and Trade Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): To be determined</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: The Government of Mongolia, with ADB support, formulated a 10-year governance reform road map to be implemented over 1999–2009, to transform its public sector budget, and financial and performance management. Loan 1713-MON: Governance Reform Program (GRP), and in the amount of \$25 million approved on 2 December 1999, supported the initial phase of reforms on a pilot basis over 1999–2002. GRP focused on (i) improving aggregate fiscal discipline; (ii) improving public sector budget formulation and execution; (iii) strengthening public sector operational efficiency; and (iv) preparing the groundwork for continuing reforms. Subsequent to the successful completion of GRP, at the Government's request, ADB formulated a follow-up cluster program to support the second and third phases of reforms over 2003–2009. The cluster program comprises two subprograms, subprogram 1, to be approved in 2003, will be implemented over 2003–2005, while subprogram 2 (GRP-III) is proposed for approval in 2006.</p> <p>b. Goal and purpose: The overall program cluster aims to enhance accountability and efficiency of the public sector in Mongolia, to be measured by fiscal sustainability and tangible improvements in delivery of key public</p>										

services. Its purpose, following the measures adopted under GRP on a pilot basis, is to support the gradual implementation of administrative and financial management reforms in the public sector. The overall program cluster will focus on two out of the following three pillars:

i. Enhance Institutional Capacity

- (a.) Support implementation of public sector management and finance law (PSMFL)-related measures on strategic planning and output-based budgeting, with focus on health, education and social welfare and labor portfolios; and
- (b.) Strengthen the institutional and implementation arrangements for financial governance norms in the public sector.

ii. Improve Fiscal Sustainability: SOE Reforms

iii. Initiate Mainstreaming of Governance Reforms

- (a.) Civil service reforms in the health and education sectors,
- (b.) Administrative consolidation at the regional, provincial and district levels.

c. Components and outputs: The program cluster provides for a flexible approach to address a number of issues and constraints. The Government's forward-looking approach, based on support from ADB and other agencies, aims to (i) improve public expenditure management and enhance the quality of public services to reduce poverty; (ii) address medium-term issues of administrative consolidation at the regional, provincial and district levels, to enhance economies of scale and achieve efficiency in delivery of public services; and (iii) mainstream governance reforms in key institutions, including state-owned enterprises and the judiciary, among others.

d. Expected results and deliverables: The program cluster will support Mongolia in moving forward on the public sector governance reform agenda. The Government and ADB have identified 25 milestones to be achieved by the end of subprogram 2 (GRP-III) of the program cluster. While specific quantitative targets at the sector level need to be formulated, it is expected that GRP-III (following satisfactory implementation of subprogram 1 over 2003–2005) will improve public sector service delivery in the education and health sectors.

e. Social or environmental issues or concerns: There are no environmental concerns. The implementation of any administrative consolidation measures may lead to some retrenchments in the public sector. The Government will provide for sufficient budgetary allocations to meet any adverse social impact stemming from the program measures.

f. Plans for disseminating results/deliverables: As in GRP-I, processes for continuous public consultation processes will be in place in the proposed program cluster.

7. Proposed executing/implementing agencies: Ministry of Finance and Economy and the Cabinet Secretariat.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: Despite changes in the composition of Parliament and the Government, successive governments have taken an active interest in formulating and implementing the reform measures under GRP-I and the various TA projects. The present Government, Parliament, and civil society groups have participated in formulating measures under GRP-II and GRP-III.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2001/2002
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory): January 2005
 - Nonlending (other than project preparatory)
- c. Period and duration of assistance
 - Lending:
 - Nonlending: February 2005–January 2006

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

a. For lending

- Ordinary capital resources
 Asian Development Fund: \$12 million (from the 2006 lending program for Mongolia)
 Other

If cofinancing is required indicate sources, and amount sought: \$ _____, from _____

If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	

Source: (e.g., total cost, ADB financing, other financing, and government financing):

b. For nonlending

- No resources required, other than ADB staff
 ADB's administrative budget
 Grant TA funds: Japan Special Fund: \$500,000
 Other

If cofinancing is required indicate sources, and amount sought: \$ _____, from _____

If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	

Source: (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.5: Second Agriculture Sector Development Project
Concept Paper**

Date: 10 June 2004

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Agricultural Support Services Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Agriculture, Environment, and Natural Resources Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): Joji Tokeshi</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: ADB's operational strategy for Mongolia aims at facilitating the transition of the economy to one based on market-driven principles. In the agriculture sector, the focus is on establishing the basis for long-term economic growth consistent with Mongolia's natural resource base and comparative economic advantages. ADB is concentrating on improving the agriculture's sector policy and institutional environment and on restructuring the financial sector.</p> <p>To implement the operational strategy, the Agriculture Sector Development Project (ASDP) was approved in 2001. It is now being implemented and will run until 2006. The purpose of the ASDP is to address the problems of low productivity and limited marketing channels that contribute to low incomes and poverty in four western aimags (provinces). The project consists of a \$7.0 million policy loan addressing seven policy areas, and a \$10.0 million investment loan with three components. ASDP activities include (i) expanding small-scale horticulture production under the Green Revolution Program; (ii) developing the cooperative system for production,</p>										

processing, and marketing; (iii) improving rural communication links; and (iv) capacity building for participating financial institution (PFI) staff and advice to potential subborrowers. The investment loan includes a \$5.5 million line of credit, part of which is allowed for use in Darkhan-Uul and Selenge. A TA grant of \$695,000 for cooperative development and innovative pasture management systems has been attached to the program. The proposed program is a logical follow-on to the ASDP and is consistent with ADB's operational strategy for Mongolia. The resulting work will be of direct relevance to the Government's continuing reforms in agriculture and will complement and extend the policy and institutional development begun under the ASDP.

The project will use as inputs the findings of the proposed advisory TA for Agriculture Sector Strategy Study to be implemented in 2004.

b. Goal and purpose: The sector goals are to develop a more market-oriented, efficient, and sustainable agriculture sector and reduce poverty by providing increased income opportunities. The specific purpose is to increase productivity and profitability of agriculture producers.

The objective of the TA is to help the Government prepare a comprehensive program for rehabilitating and developing of the agriculture sector. As a logical sequel to the ASDP, the Second Agriculture Sector Program (ASDP II) will be designed to further policy and institutional reform, increase the effectiveness of the Ministry of Food and Agriculture (MFA) and local governments in agriculture development, promote rehabilitation and investment in agriculture, and improve and increase agricultural production in a sustainable manner. ASDP II will also improve farmers' income, reduce poverty, and address environmental concerns.

c. Components and outputs: Under the project preparatory TA, the Government's agricultural strategy will be reviewed, updated, and expanded. The work will require (i) an updated analysis of the future direction of Mongolia's agriculture/rural sector given its comparative advantages, constraints, and opportunities; (ii) identification of the role and functions of the public and private sectors and of centralized and decentralized government; and (iii) identification of the impediments (policy, institutional, technical, economic, financial, social) that stand in the way of the development of the sector.

d. Expected results and deliverables: Support to (i) reduce price and other distortions to improve resource allocation and efficiency in the agriculture sector; (ii) promote competitive markets in agricultural inputs, outputs, and processed goods; (iii) ensure the delivery of financial services and give provide improved access to credit; strengthen agricultural research and extension to support private sector agriculture; and mitigate risks in agriculture and ensure food security, income, and employment for vulnerable groups.

e. Social or environmental issues or concerns: To be determined

f. Plans for disseminating results/deliverables: The program will include seminars and workshops for continuous dialogue with public and private stakeholders.

7. Proposed executing/implementing agencies: MFA, Ministry of Finance and Economy

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: The Government through MFA has been successfully implementing the policy reforms proposed under the ASDP. The positive outcome of the implementation of the policies has convinced the Government of the benefits of deepening the reforms in agriculture. The Government has recognized the need to further reform the sector and for that purpose has actively participated in the policy dialogue with ADB, which led to the proposed TA.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2004
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory): 2005
 - Nonlending (other than project preparatory): not applicable
- c. Period and duration of assistance
 - Lending:
 - Nonlending: 2005 (6 months)

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
- Ordinary capital resources
 - Asian Development Fund:
 - Other

If cofinancing is required indicate sources, and amount sought: \$ _____, from _____
 If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	

Source: (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
 - ADB's administrative budget
 - Grant TA funds: \$500,000
 - Other

If cofinancing is required indicate sources, and amount sought: \$ _____, from _____
 If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	

Source: (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

Table A4.1: Assistance Program for Lending Products, 2004

Sector Project/Program Name	Poverty Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Cost (\$ million)					
					Total	ADB		Gov't.	Cofi- nancing	
						OCR	ADF			Total
2004 Firm Loans										
Transport and Communications										
Regional Road Development Project	OTH	ECG/REG	ECTC	2002	78.1		37.1	37.1	15.6	25.4
Subtotal					78.1		37.1	37.1	15.6	25.4
Total					78.1		37.1	37.1	15.6	25.4

ADB = Asian Development Bank, ADF = Asian Development Fund, ECG = sustainable economic growth, ECTC = Transport and Communications Division, OCR = ordinary capital resources, REG = regional cooperation.

Table A4.2: Assistance Program for Nonlending Products and Services, 2004

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2004							
Agriculture and Natural Resources							
1. Agriculture Sector Strategy	ECAE	ID	JSF	350		350	
Subtotal				350		350	
Education							
1. Education Sector Development III	ECSS	PP	JSF	500		550	
Subtotal				500		350	
Multisector							
1. Urban Development	ECSS	ID	TA	350		350	
Subtotal				350		350	
Transport and Communications							
1. Transport Sector Development and Financing Strategy	ECTC	ID	TA	250		250	
2. Awareness and Prevention of HIV/AIDS and Human Trafficking on the North-South Corridor	ECSS	ID	TA	350		350	
Subtotal				600		600	
Finance							
1. Anti-Money Laundering	ECGF	ID	TA	100	GOS	286	
Subtotal				100		286	
Total				1,900		2,186	
Standby							
1. Altai Transport Corridor	ECTC	ID	TA	150		150	

ADB = Asian Development Bank; ECAE = Agriculture, Environment and Natural Resources Division; ECGF = Governance, Finance and Trade Division; ECSS = Social Sectors Division; ECTC = Transport and Communications Division; ID = institutional development; GOS = Government of Spain; JSF = Japan Special Fund; PP = project preparatory.