

Asian Development Bank & Mongolia

FACT SHEET

Table 1. Mongolia: Development Indicators

Non-MDG	
Population in millions	2.68 (2008)
Annual population growth rate (%)	1.7 (2006–2008)
Adult literacy rate (%)	97.3 (2007)
Percent of population in urban areas	57.0 (2007)
MDG	
Percent of population living on less than \$1.25 a day	22.4 (2005)
Percent of population living below the national poverty line	35.2 (2008)
Under-5 mortality rate per 1,000 live births	43 (2007)
Percent of population using an improved drinking water source	72 (2006)

MDG = Millennium Development Goal.

Sources: ADB. 2009. *Basic Statistics 2009*. Manila.
UNESCO. 2009. Institute for Statistics Data Centre.
World Bank. 2009. World Development Indicators Online.

Mongolia is successfully transforming into a market economy with an annual gross domestic product (GDP) growth of 9.6% in real terms over the last 5 years and GDP per capita reaching more than \$1,800 in current prices at the end of 2008. Strong growth in the value of Mongolia's main mineral exports contributed to a budget surplus in 2006 and 2007. Despite positive growth trends, poverty levels remain high, with more than a third of the population classified as poor. Greater diversification of the economy, supported by better-targeted social assistance, will be essential for sustained growth and poverty reduction. The Government's Socio-Economic Guidelines aim to enable private sector-led growth to raise living standards and reduce income disparities.

The Mongolian economy has been seriously affected by the global financial crisis. Copper prices have fallen by 50% since October 2008 and are currently about \$3,300 per metric ton—or less than half the level forecast in the 2008 budget. Declining mineral and cashmere export prices also contributed to a sharp drop in fourth quarter 2008 exports. Substantial Government Development Fund reserves have been used to meet fiscal 2008 expenditure shortfalls and, for 2009, the Government is facing a fiscal deficit in excess of 7% of GDP. Capital flight has increased, and this, combined with a decline in export earnings, has put pressure on the currency, which devalued from Togrog (Tg)1,050 to the dollar in mid-December 2008 to a low of nearly Tg1,500 in mid-January 2009. Attempts by the Central Bank to defend the currency have contributed to the loss of approximately half of official foreign exchange reserves. The banking system also came under stress. Lending among commercial banks sharply decelerated. Nonperforming loans had risen from 3.4% of total bank assets at the end of 2007 to 7.2% in 2008. To restore confidence the Government clarified the deposit guarantee scheme, took the fourth largest bank into conservatorship and required other banks to raise their level of capital.

Relationship with ADB

Mongolia has received loans for 35 projects totaling \$676.54 million since 1991. The ongoing loan portfolio, as of 31 December 2008, consists of 11 loans for a total of \$175.9 million, including 10 projects and 1 program. In addition, ongoing portfolio included five grant projects and one grant program totaling \$88.3 million that were approved in 2007–2008, when Mongolia became eligible for 100% Asian Development Fund (ADF) grant financing. As of 31 December 2008, the active technical assistance (TA) portfolio consisted of 17 TAs totaling \$12.6 million and 8 Japan Fund for Poverty Reduction (JFPR) and Japan Fund for Information and Communication Technology (JFICT) projects totaling \$14.5 million, which support and complement activities under ongoing projects.

When Mongolia joined the Asian Development Bank (ADB), the country was in flux and its economy in crisis. With financial support and technical assistance from the former Soviet Union withdrawn and physical infrastructure, particularly power and heating supplies, on the verge of collapse, ADB provided financial and technical assistance for projects in a number of sectors: agriculture, education, energy, finance, health, industry, telecommunications, transport, and urban development.

Initial ADB support was in the form of quick-disbursing program loans and investments in ailing infrastructure sectors. Strengthening governance and poverty reduction were identified as major development objectives in later years.

The approach taken in ADB's latest Country Strategy and Program (CSP) and CSP Update is to help the Government implement major elements of its own development strategy, accelerate private sector-led growth, and reduce disparities in development between rural and urban areas. The program also aims to enhance access of the poor to stable income opportunities and employment, and to improve the quality of public services and their accessibility for the poor. The CSP for 2006–2008 can be found at www.adb.org/Documents/CSPs/MON/2005/default.asp and the Country Operations Business Plan (2008–2010) can be found at www.adb.org/Documents/CSPs/MON/2007/COBP-MON-2007.pdf.

Impact of Assistance

ADB's assistance has been particularly successful in helping Mongolia establish the basic elements of a well-functioning market economy. ADB support in key sectors has also been broadly successful in establishing effective and efficient services, fostering regional integration, and

Table 2. **Mongolia: Economic Indicators, 2004–2008**

Economic Indicator	2004	2005	2006	2007	2008
Per capita GNI, Atlas method (\$)	690	810	1,000	1,290	...
GDP growth (% change per year)	10.6	7.3	8.6	10.2	8.9
CPI (% change per year)	8.2	12.7	5.1	7.5	26.8
Unemployment rate (%)	3.6	3.3	3.2	3.0	3.0
Fiscal balance (% of GDP)	-1.8	2.6	3.3	2.9	-5.0
Export growth (% change per year)	39.0	22.2	44.8	26.3	29.7
Import growth (% change per year)	17.4	20.0	20.8	42.3	56.3
Current account balance (% of GDP)	3.5	3.8	11.8	4.4	-12.9
External debt (% of GNI)	84.1	58.8	46.6	41.8	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2009. *Asian Development Outlook 2009*. Manila. ADB staff estimates. World Bank. 2009. World Development Indicators Online.

Table 3. **Mongolia: 2008 Loan, TA, and Grant Approvals (\$ million)**

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
–	–	5.5	82.3	87.8

– = nil.

Cumulative Lending (as of 31 Dec 2008) : \$676.5 million
Cumulative Disbursements (as of 31 Dec 2008) : \$579.5 million

enabling private sector initiative. An independent evaluation of ADB assistance to Mongolia was undertaken by ADB's Independent Evaluation Department in 2008, and that review concluded that ADB assistance was successful in contributing to Mongolia's strong economic and social performance in recent years.

ADB has made a valuable contribution to progress in a number of sectors. ADB assistance in the education sector successfully improved access and quality of basic education, catalyzed additional funding, and made progress toward a Sector-wide Approach (SWAp). A new education sector master plan and an increased focus on vocational education are helping to reduce growth constraints caused by human resource shortfalls. The cumulative effect of a series of sector development programs in the health sector helped address problems arising from the adjustment of the health system to market forces, while improving health service delivery, financing, and human resources development. In the finance sector, ADB assistance for the financial regulatory committee contributed to the diversity of financial products available, both to households and businesses. However, considerable

Table 4. **Mongolia: Cumulative ADB Lending as of 31 December 2008**

Sector	Loans (no.)	Amount (\$ million)	% ^a
Agriculture and Natural Resources	4	61.90	9.15
Education	4	42.50	6.28
Energy	4	93.80	13.86
Finance	9	104.19	15.40
Health, Nutrition, and Social Protection	5	41.92	6.20
Industry and Trade	3	65.00	9.61
Law, Economic Management, and Public Policy	3	40.50	5.99
Multisector	1	28.20	4.17
Transport and Communications	6	171.63	25.37
Water Supply, Sanitation, and Waste Management	2	26.90	3.98
Total	41	676.54	100.00

^a Total may not add up because of rounding.

Table 5. **Mongolia: Project Success Rates**

By Sector	Percentage ^a	No. of Rated Projects/Programs
Agriculture and Natural Resources	0.0	1
Education	100.0	1
Energy	66.7	3
Finance	66.7	3
Health, Nutrition, and Social Protection	100.0	1
Industry and Trade	50.0	2
Law, Economic Management, and Public Policy	0.0	1
Transport and Communications	100.0	5
Water Supply, Sanitation, and Waste Management	100.0	1
Total	72.2	18
By Year of Approval		
1990s	70.6	17
2000s	100.0	1

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2008.

support is still required in assisting the financial system to operate with the desired efficiency and reach. ADB delivered an innovative, market-oriented and environmentally sustainable agriculture project in Western Mongolia, but efforts to maintain momentum in the sector were hampered by slow development of a follow-up project and a challenging policy dialogue. ADB assistance for urban development contributed to better living conditions for residents in provincial towns by expanding and strengthening basic urban services, such as water, sewerage, and heating. While ADB focused on secondary towns and cities, the scale, scope, and pace of rapidly worsening urban development problems in Ulaanbaatar required resources far beyond the capacity of ADB. In the transport sector, ADB assistance in developing the north-south road linking the Russian Federation and People's Republic of China (PRC) borders through Ulaanbaatar, combined with assistance in the trade facilitation area, is expected to contribute substantially to the integration of Mongolia's economy with those of its neighbors. ADB support for regional cooperation through the Central Asia Regional Economic Cooperation (CAREC) program has built confidence and created an effective institutional forum for negotiating complex cross-border projects.

Table 6. Mongolia: Portfolio Performance Quality Indicators for Sovereign Lending, 2007–2008

	2007 (\$ million)	2008 (\$ million)
Number of Ongoing Loans (as of 31 Dec 2008)		11
Contract Awards/Commitments	11.2	19.0
Disbursements	24.2	26.7
Loans at Risk (%)	7.1	–

– = nil.

Table 7. Cumulative Nonsovereign Operations Portfolio Distribution by Top Countries, 1983–2008^{a,b}

Country	No. of Projects	Total ADB Approvals (\$ million)
India	37	2,268
People's Republic of China	21	1,694
Indonesia	15	879
Philippines	28	768
Pakistan	27	721
Kazakhstan	5	550
Thailand	10	319
Viet Nam	8	305
Sri Lanka	13	280
Bangladesh	8	242
Afghanistan	6	208
Lao People's Democratic Republic	1	100
Other DMCs	13	87
Azerbaijan	4	66
Nepal	4	59
Regional	36	930

DMC = developing member country.

^a Includes nonsovereign projects processed by the Private Sector Operations Department and various regional operations departments of ADB. Regional operations departments started nonsovereign operations in 2007.

^b Net of facilities cancelled in full before signing.

Source: Private Sector Operations Department.

Summary of Approvals in 2008

Mongolia was eligible for 100% grant financing from ADF IX for 2008. A total of five grants (four projects and one program) amounting to \$74.3 million were approved in 2008, including G0107-MON: Western Regional Road Corridor Development - Phase 1 project (\$37.6 million), G0115-MON: Agriculture and Rural Development project (\$14.7 million), G0125-MON: Education Sector Reform (\$10.0 million), and G0137/0138-MON: Food and Nutrition Social Welfare Project/Program (\$3.0 million/\$9.0 million).

- The Western Regional Road Corridor Development Project—Phase 1 will build 431.2 kilometers of road from the PRC border to the city of Hovd, increasing trade and transit links between Mongolia, PRC, and Russian Federation.
- The Agriculture and Rural Development Project will promote sustainable agriculture and rural growth to maintain premium value for Mongolian products in international markets.
- The Education Sector Reform Project will improve the quality, access, efficiency, and effectiveness of the 12-year education system.
- The Food and Nutrition Social Welfare Project/Program will help reduce vulnerability to food insecurity through increased food supply and improve access to food for vulnerable and poor households with a targeted food stamp program, and by strengthening social welfare systems.

Table 8. Mongolia: Contractors/suppliers involved in ADB loan projects, 1 January 2004–31 December 2008

Contractor/Supplier	Sector	Contract Amount (\$ million)
Shengli Engineering and Construction Group, Ltd.	Transport and Communications	11.59
Medimpex International Company, Ltd.	Health, Nutrition, and Social Protection	2.19
RMSI Pvt., Ltd.	Agriculture and Natural Resources	2.18
MCS Electronics Company, Ltd.	Multisector	1.96
Megawatt Company, Ltd.	Multisector	1.70
Prestige	Agriculture and Natural Resources	1.48
Most International LLC	Water Supply, Sanitation, and Waste Management	1.23
Chandmani Tal Company, Ltd.	Multisector	1.06
CHMM Company, Ltd.	Multisector	1.04
Khurd Company, Ltd.	Multisector	0.95

Table 9. Mongolia: Top consultants (individual consultants and consulting firms) involved in ADB loan projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Individual Consultants from Mongolia*	21	0.45
Khot Services and Building Technology	1	0.36
MCPC Company, Ltd.	1	0.15
Nemut Company, Ltd.	1	0.05
NIMM Audit Company, Ltd.	1	0.00

* Consultant may have one or more contracts within the period covered.

Future Directions

ADB's forward strategy aims to build on the organization's core competences as identified in Strategy 2020, while playing an integral role in supporting the National Development Strategy of Mongolia. ADB's future strategy will focus on two strategic pillars: (i) competitive sustainable and regionally integrated growth; and (ii) inclusive social development. Results-based management of development programs will be a core theme of the strategy, with support of stand-alone interventions. Private sector development, regional cooperation, natural resource management, and gender equality will be mainstreamed into all ADB operations. Poverty reduction remains the overarching goal of ADB assistance.

Given the focus on *Strategy 2020* and the priorities of the Government, ADB will concentrate on four key sectors to support these strategic pillars: transport, urban development, education, and health. In each of these sectors, ADB will play an influential role in directing policies, developing capacity within selected executing agencies, and aligning external resources toward the Government's priorities. ADB will aim toward sector-wide approaches and using government systems to the greatest extent possible.

ADB will reengage in the energy sector and assist the Government in developing an energy sector master plan with the understanding that this may evolve into a core sector during the course of CPS implementation.

In addition, ADB will respond to the Government's immediate needs as it adjusts to the economic and financial crisis and provides protection to the poor, as the fiscal and balance-of-payments situation has deteriorated markedly since mid-December 2008. If required, ADB will provide quick-disbursing assistance to help the Government stabilize the macroeconomic framework while protecting the poor from the adverse effects of the global financial crisis.

Operational Challenges

The harsh climate, small domestic market, human resource constraints, infrastructure bottlenecks, corruption, legal inadequacies, weak contract enforcement, and poor capital markets impede private sector development and constrain diversification of the Mongolian economy. Infrastructure and regulatory issues will have to be resolved to ensure that transport—both domestic and international—does not constrain growth, and Mongolia is able to integrate itself within the regional and global economy. Similar issues will have to be addressed in the energy sector. Regulatory issues in the transport and energy sectors are particularly severe constraints to private sector participation and long-term growth.

Although public spending is increasing rapidly, its development impact is limited, and the demands on the Government are growing and

Table 10. Mongolia: Top consultants (individual consultants and consulting firm) involved in ADB technical assistance projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Individual Consultants from Mongolia*	109	0.18
Marie Stopes International, Mongolia	1	0.05

* Consultant may have one or more contracts within the period covered.

becoming ever more complex. Delivering services equitably and cost effectively to increasingly concentrated populations, while continuing to serve remote regions, is a daunting task. Providing education to youth, particularly higher and tertiary education, is a major development challenge with large poverty reduction implications.

Mongolia's economic recovery has been accompanied by a substantial degradation of its natural resource base, with overgrazing, urban air and water pollution, and unsustainable management of water basins undermining living standards and hampering growth and social development. At the same time, urgent efforts will be needed to address air pollution, transport gridlocks, electricity and heating vulnerabilities, and housing shortages in Ulaanbaatar, while dealing with similar issues in growing settlements around new mines.

A new emerging challenge is how to make mining sector development-based growth more inclusive.

Partnership

ADB maintains a strong relationship with all bilateral and multilateral funding agencies. ADB support to the Government to address the challenges posed by the financial crisis will be undertaken in close cooperation with the International Monetary Fund, World Bank, and other development partners. In the education sector, ADB and the Government of Japan are leading the move to the first sector-wide approach in Mongolia. Together with the Government, ADB co-chairs education and transport sector committees of the Technical Meeting. A range of different approaches will be used to build robust partnerships in the future and cofinancing arrangements sought for the larger infrastructure projects in the transport and energy sectors. In the area of urban services, ADB endeavors to foster public-private partnerships to boost efficiency and broaden access to new financing sources. In the health sector, ADB support for improved sector governance and management is to be integrated with partner support for improved technical service delivery capacity, and in the education sector, assistance will be provided to encourage a sector-wide assistance approach in support of basic education. Likewise, capacity-building assistance in the area of national planning and anti-corruption will be undertaken in close cooperation and coordination with several concerned development partners. More emphasis will be placed on addressing generic constraints to implementation of external assistance programs. Toward this end, starting in 2009, ADB plans to review portfolio performance jointly with the World Bank.

Table 11. ADB Assistance to DMCs, 2007–2008^a

	2007 (\$ million)	2008 (\$ million)	Change (%)
Lending	9,965.59	10,494.27	5.3
ADF Sovereign	1,892.84	1,789.56	(5.5)
OCR Sovereign	7,347.48	6,924.48	(5.8)
OCR Nonsovereign	725.27	1,780.23	145.5
Public Sector	10.00	300.00	2,900.0
Private Sector	715.27	1,480.23	106.9
Equity Investments	79.75	123.08	54.3
Grants	672.71	811.37	20.6
Technical Assistance	252.84	274.50	8.6

ADF = Asian Development Fund, OCR = ordinary capital resources.

^a Excludes terminated loans, equity investments, technical assistance, and grants.

Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in financing ADB projects. The additional funds are provided in the form of grants, official loans, or credit enhancement products.

As of year end 2008, cumulative direct value-added cofinancing for Mongolia amounted to \$2.50 million for two investment projects, and \$2.74 million for six TA projects.

A summary of projects with cofinancing from 1 January 2004 to 31 December 2008 is available at www.adb.org/Documents/Fact_Sheets/Mongolia/cofinancing.asp.

As of 31 December 2008, 10,330 consultant contracts were awarded under ADB loan projects worth \$4.17 billion, of which 46 contracts were awarded to consultants from Mongolia worth \$3.6 million.

From 1 January 1985 to 31 December 2008, 18,104 consultant contracts were awarded under ADB TA projects worth \$2.33 billion, of which 204 contracts were awarded to consultants from Mongolia worth \$2.2 million.

A summary of procurement contracts awarded to companies and consultants from Mongolia for goods and works, and consulting services can be found at www.adb.org/Documents/Fact_Sheets/Mongolia/procurement.asp.

About Mongolia and ADB

Mongolia is the 32nd largest shareholder among regional members and the 40th largest overall.

ADB Membership

Joined	1991
Shares held	532 (0.02%)
Votes	13,764 (0.31%)

Marita Magpili-Jimenez is the Executive Director and **Siraj S. Shamsuddin** is the Alternate Executive Director representing Mongolia on the ADB Board of Directors.

Adrian Ruthenberg is the ADB Country Director for Mongolia. The Mongolia Resident Mission (MNRM) was opened in 2001 and provides the primary operational link between ADB and the government, private-sector, and civil-society stakeholders in its activities. MNRM engages in policy dialogue and acts as a knowledge base on development issues in Mongolia.

The Mongolian government agency handling ADB affairs is the Ministry of Finance.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2008, lending volume was \$10.49 billion (86 projects), with TA at \$274.5 million (299 projects) and grant-financed projects at \$811.4 million (49 projects). This also generated \$1.65 billion in direct value-added cofinancing from financing partnerships operations. Over the last 5 years (2004–2008), ADB's annual lending volume averaged \$7.70 billion, with TA averaging \$231.5 million and grant-financed projects \$655.1 million. As of 31 December 2008, the cumulative totals were \$143.53 billion in loans for 2,147 projects in 41 countries, \$4.08 billion for 263 grant projects, and \$3.55 billion for 6,599 TA projects.

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Useful ADB websites

Asian Development Bank
www.adb.org

Country website
www.adb.org/mongolia

Asian Development Outlook
www.adb.org/Documents/Books/ADO/2009/east-asia.pdf

Annual Report
www.adb.org/Documents/reports/annual_report/2008/

Depository Libraries
www.adb.org/Publications/Depositories/mon.asp