

The last year of the Asian Development Bank (ADB)'s latest country program for Mongolia (2001–2004) ended in 2004. A new country strategy and program (CSP) is being formulated for 2005–2008.

Sound formulation of a new CSP in any country requires many things, and adequate understanding of main crosscutting themes is high on the list of preconditions. Country environmental analyses (CEAs) deal with one such theme, namely environmental management. A CEA is an input into a CSP. It identifies environmental constraints, assesses the policy and institutional preparedness of the country in question, and links these considerations to other elements of ADB's involvement.

In its turn, the environmental strategy contained in a CEA needs to reflect the hierarchy of ADB priorities deriving from ADB's core mission of poverty alleviation. In 2000, Mongolia was among the first developing member countries (DMCs) to enter into a poverty partnership agreement with ADB, and the subject of poverty and its links with other components of the country's economy, including environment-related variables, has since assumed even more prominence with the approval of the International Monetary Fund-brokered Economic Growth Support and Poverty Reduction Strategy.

Unlike in most other DMCs, the drafting of this CEA was facilitated by the preparation of its 2001 predecessor,¹ at a time when the label CEA was not yet current. Another initiative, namely a comprehensive stock-taking of ADB's involvement in Mongolia's environmental management since the outset of ADB's Mongolia operations, was made a year later, during a country assistance program evaluation (CAPE)². It would not be unreasonable to accept those two reports as a basis for addressing environmental issues in the forthcoming CSP formulation. Yet, and despite the relatively short period since the completion of those two assessments, several new developments have taken place, and better understandings have emerged in some cases. This has made it necessary to update the 2001 CEA. While consulting the

¹ ADB in 2001 is referred to in this report as "the 2001 CEA." Its contents and recommendations are summarized in Appendix 1.

² See ADB (2002a). The conclusions are summarized in Appendix 2.

2001 CEA for a review of the developments up to that point is encouraged, the emphasis and data used in this document tend to be those of the post-2001 period. The update reflects other factors, too. The approach to CEAs and their purpose has matured since 2001. Rather than mere documents, no matter how complete or analytical, CEAs are increasingly seen as a means of initiating and facilitating continuous dialogue between ADB and DMC clients on environment-related matters. And, in terms of content, more attention than before is given to the topics of integrating environmental considerations into the economic and social development mainstream.³

Five new technical elements are covered in the 2004 CEA: First, several institutional changes have taken place in the last 2 years, and new legal instruments have been adopted or are under consideration. It is important to say whether and how these are likely to contribute to greater effectiveness in environmental management. Second, the importance of natural risks and vulnerability in shaping livelihoods and responses has been recognized and is dealt with explicitly. Third, ADB's increasing engagement with the Global Environmental Facility (GEF) and GEF's widening of its operational scope to land degradation have made it necessary to expand on this topic. Fourth, a major economic, demographic, and environmental change linked to informal small-scale gold mining is under way in many parts of Mongolia. Its repercussions deserve to be explored. Partly linked to that is the fifth element, namely the continuing debate about the optimum pattern of spatial development and its environmental dimension. Appropriate targeting of infrastructure investments, in particular the position to be taken on urban environmental investments, is an aspect of this debate.

³ Not by chance was the preparation of this CEA undertaken under Regional Technical Assistance 6095 (ADB. 2002. *Integrating Environmental Concerns in Government Plans, Programs, and Policies*. Manila.).