

INTRODUCTION

1. The year 2004 is the last year of Asian Development Bank's (ADB) current (2001-2004) country program for Mongolia. A new country program and strategy (CSP) is to be formulated in the summer of 2004 for the period 2005 to 2008.

2. Sound formulation of a new country assistance strategy and program in any country requires many things, adequate understanding of principal cross-cutting themes high on the list of pre-conditions. Country Environmental Analyses (CEAs) deal with one such theme, namely environmental management. A CEA is an input into the Country Strategy and Program (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.

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

4. Unlike in most other DMCs, the drafting of this CEA was facilitated by the preparation of its 2001 predecessor¹ 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 the Bank's Mongolia operations, was made a year later during the 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 emerged in some cases. This has made it necessary to update the 2001 CEA. While the reader of this CEA is urged to consult the 2001 document for a review of the developments up to that point, 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 CEA and its purpose have matured since 2001. Rather than a mere document no matter how complete or analytical, CEA is increasingly seen as a means of initiating and facilitating continuous dialogue between ADB and the DMC client on environment-related matters. And in terms of its content, more attention than before is given in CEAs to the topic of integrating environmental considerations into the economic and social development mainstream³.

5. The new technical elements covered in the 2004 CEA are four: First, several institutional changes have taken place in the last two 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, ADB's increasing engagement with GEF and GEF's widening of its operational scope to land degradation have made it necessary to expand on this topic. Third, a major economic, demographic and environmental

¹ ADB (2001) referred to in this report as "the 2001 CEA". Its contents and recommendations are summarized in Annex 1.

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

³ Not by chance was the preparation of this CEA undertaken under RETA 6095 titled "Integrating Environmental Concerns in Government Plans, Programs and Policies."

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change linked to informal small-scale gold mining is underway in many parts of Mongolia. Its repercussions deserve to be explored. Partly linked to that is the fourth element, namely the continuing debate about the optimum pattern of spatial development and its environmental dimension. Appropriate targeting of infrastructural investments, in particular the position to be taken to urban environmental investments, is an aspect of this debate.