

GOVERNMENT POLICIES

Formulation of Priorities and Policies

72. During the relatively short period of political and economic transition, successive Mongolian governments have easily assimilated the global mainstream environmental agenda and adapted it to Mongolia's conditions. The process has combined own perception of development needs and Mongolia's embrace of the principal international environmental conventions and the mixture of obligations and grant funding associated with these conventions. The 2001 CEA lists the documents developed during the 1990s to deal with key areas of environmental management. To recapitulate, they include the National Environmental Action Plan (NEAP) of 1996, the State Environmental Policy⁴⁷ of 1997, the National Plan of Action to Combat Desertification (NPACD), the Biodiversity Conservation Action Plan, and the National Plan of Action for Protected Areas, all developed under MNE auspices, and Mongolian Action Program for the 21st Century (MAP-21), with subordinated *aimag* development plans, developed by the National Council for Sustainable Development (NCSD). NEAP was updated in 2000, National Action Plan for Climate Change added in the same year and several program documents⁴⁸ (e.g. National Water Program, National Forestry Program, Program of Protection of Air, Environmental Education, Special protected Areas, Protection of Ozone Layer) were also completed at the turn of the decade. Other guidance documents with important environmental repercussions were developed under MID's, MFA's and MoH's auspices, for instance the Road Master Plan, Power Sector Master Plan, Tourism Master Plan, and Renewable Energy Master Plan. Documents such as the annual Human Development Reports have often incorporated environmental aspects. Plans developed by Ulaanbaatar Municipal Government for the future development of the capital, though not primarily environment-related, inevitably target municipal infrastructure.

⁴⁷ Referred to as State Ecological Policy, a hang-over from the pre-transition days, the difference between "ecology" (no people) and "environment" (people also) still lost on many.

⁴⁸ None of these has the status of a legal document.

73. Taken together, these represent a substantial amount of preparatory work that embodies domestic environmental priorities, perhaps imperfectly in those cases where the documents have been substantially donor-driven (e.g. NAPCC). There would be little point in separately discussing the prioritization process itself since most of it is already reflected in the preceding sections⁴⁹. The more important topic, taken up further on, is the nature and quality of these documents, in particular their policy content (as opposed to a mere listing of what needs to be done), and justification of the proposed actions rather than something else. In terms of sequencing, the planning and programmatic documents of each ministry, anchored to a development philosophy statement (Good Government for Human Security⁵⁰), have been translated into a formal Government Plan of Action coinciding with the term of each government, the present one being 2000-2004.

Legislative and Regulatory Development

74. The legislative activities in support of environmental management in Mongolia up to the end of the last decade were comprehensively surveyed by Wingard and Ogderel in 2001. Here we summarize only the essentials and mention the most important of the post-2001 developments.

75. The hierarchy of environmental legislation in Mongolia has five layers, namely (i) the Constitution, (ii) international treaties (CITES, RAMSAR, etc.), (iii) general environmental law (Law on Environmental Protection 1995), (iv) Law on EIA 1998, (v) laws relating to natural resources (Water, Forest, Air, Land, Fauna, Hunting, SPA, Natural Plants, Buffer Zone, Underground resources, Petroleum, Mining); and (vi) Fees-related laws (Water fees, Hunting fees, Forest use fees, Natural plants fees, Law on reinvestment of natural resource use fee for conservation and restoration of natural resources). Most laws are supplemented by more detailed orders, regulations, requirements or standards. All in all, there is a total of 29 laws relating to environmental management in Mongolia (see Annex 7)⁵¹ and some 150 associated regulatory documents (in excess of 40 in the case of forests, 20 for water etc.). The total increases further if legislation with indirect environmental impact (e.g. trade, public health and sanitation etc.) is taken into account.

76. Government actions since 2001 have been partly in line with the direction recommended in the 2001 CEA, namely to restrain the pace of new legislation and concentrate instead on removing areas of ambiguity through amendments, and to draft clearer implementation guidelines. Strengthening the legal basis of natural resource management and attention to land legislation has been the overall direction of recent legislative activities. Two key natural resource laws (Land, Water) have been recently amended (2002, 2004, respectively). An important land privatization law was enacted in 2003. Also, a new law on solid waste management was adopted in 2003. All in all, the Government estimates that no fewer than 755 of laws have been modified or prepared for modifications since 2001.

77. As for the rest, the direction of further development recommended in the 2001 CEA

⁴⁹ Each year, ministries submit lists of candidate projects to Donors' Conference. A review of these lists is another way of confirming existing priorities.

⁵⁰ To recall, GGfHS contains three broad environmental objectives, i.e. No.7: To implement environmental policy aimed at providing sustainable development by harmonizing protection of biodiversity with regional socio-economic development, No.8: To intensify land reform, and No.9: To improve the living environment of citizens by reducing air, water and soil pollution in urban areas, and re-cycling waste materials.

⁵¹ There are other laws, not discussed here, that have an indirect bearing on environmental management. For instance, trade law affects the trade in hunting trophies, export of wildlife etc.

continues to hold: (1) to better disseminate regulatory details to local administrative levels and the donor community (with that community's much better internal co-ordination) and prepare compendia summarizing existing provisions by each thematic grouping/resource. (2) to ensure better grasp of existing legislative and regulatory provisions in donor funded projects through closer contacts of donors with local authorities and all those expected to be in charge of implementation (3) to favor demand-driven and implementor-driven, not top-down, approaches to regulatory modifications.

78. Little is said here about the role of courts as a tool of environmental policy as comprehensive assessment of this topic is being undertaken right now by the World Bank. Suffice it to say that despite an impressive body of environmental legislation Mongolia has no tradition of, and arguably limited disposition for, settling contentious environmental issues through courts.

EIA and Environmental Standards

79. There are some 150 environmental standards in Mongolia, about two thirds of them adopted before 1989 and the rest added since. The majority of them define, provide general requirements or specify the method of measurement. Only 8 standards are ambient or discharge standards. Ambient standards exist for air, drinking water, surface water, and soils. Discharge standards exist for selected air pollutants and the wastewater entering centralized treatment plants.

80. The ambient surface water quality standards specify 18 parameters (BOD, SS, pH, etc.) and have values similar to those used by other countries for non-drinking water. Drinking water standards specify 25 parameters. The standards for industrial wastewater discharges into sewers, too, are not very different from those used, for instance, in PRC [BOD: 400 mg/l, COD: 500 mg/l, oil: 25mg/l etc.]. Unlike in OECD countries, the Mongolian standards have a legal status. New standards may be adopted by the National Standards Organization based on a submission by the relevant technical ministry. Rapid growth in industrial gold mining in the 1990s, for instance, led to an adoption in 2000 of six standards prescribing certain mining procedures (e.g. handling of the overburden) and, in particular, remediation measures (land reclamation, re-vegetation, etc.). Elsewhere, especially in Ulaanbaatar, the critical regulatory tool is zoning. With the adoption of Land Privatization Law in 2002, zoning provisions and procedures have acquired added importance as an environmental safeguard. The zoning decisions of the municipal government, however, remain opaque. The approach to pollution control is being energized under a World Bank-sponsored technical support to MNE for development of EIA sectoral and management guidelines. Early indications point to a massive improvement in the level of sophistication and relevance. [Dick and Greyson (2004)].

81. ADB's assistance to bring Mongolia's EIA practices in line with international practices has been described and evaluated [ADB (2001) and the 2001 CEA]. The essence of the Law on EIA of 1998 is also known as is the role of outside licensed EIA consulting organizations in the conduct of EIAs from 1995 onwards. The pace of EIA activities since mid-1990s is given in Table 11 below. The challenges to the EIA process are those identified in 2001 (growth of SMEs and facilities such as petrol stations for long exempted from the EIA because of their rarity) as well as new, hard-to-regulate, activities such as small-scale mining.

Table 11: Number of EIAs by Category, 1995-2003

Project type	1995	1997	2001	2002	2003	Total 1995-2003
Gold mining	39	34	29	64	32	827
Coal mining	4	4	27	57	32	473
Other minerals	6	13				
Tourism	4	72	47	85	57	700
Industrial	17	46	77	136	39	812
Gas stations*			103	178	39	320
Others	8	17	100	285	187	874
Total	78	186	383	805	347	4011

Source: MNE

Notes: The totals are inclusive of "re-EIAs"

*Activity started in 2001

82. Other issues surrounding the EIA practice in Mongolia relate to (i) uneven performance of licensed EIA providers, (ii) insufficient integration of EIA provisions with other existing environmental laws and regulations (such as urban zoning, or land use decisions); and the "eternal favorite", i.e. (iii) Insufficient enforcement of EIA requirements not backed by meaningful financial deterrents and in some cases undermined by a conflict with local governments' search for revenue. Some of the causes of poor enforcement are discussed in para. 92.

Pricing of Natural Resources and Incentive-Based Approaches to Environmental Management

83. Mongolian law provides by now for pricing of natural resource use. The Law on Environmental Protection specifically mentions the Polluter-Pays-Principle and calls for natural resource assessments as a basis for fee setting (although no specific guidance is given other than the intention to counter adverse environmental impacts and cover the cost of direct damage). The Law also establishes the Environmental Protection Fund to collect revenues from pollution fines, hunting and tourism permits and donations. All revenue from natural resource use is to accrue to local governments unless otherwise specified in law. The fees for the use of individual resources are also specified in law⁵². Common to all these laws are fee schedules varying according to the type of resource, purpose and the type of use.

84. The assessment of the fee structure ventured in 2001 CEA continues to hold:

"The laws establish an important principle but their details leave much to be desired. First, in far too many cases, the fees established represent a fraction of the true value of the resource. This is seen most clearly in all those cases where the fees can be compared with values established by well functioning markets.⁵³ Elsewhere, the extent to which resources may be under-priced is harder to determine because of absence on any systematic work in Mongolia so far on resource valuation. Thus it is difficult to say, off hand, whether hunting licenses priced, in most cases, at Tg2-4 per kilo of live weight (and fees for the animals actually caught of between Tg 20-40 per kilo or between 10 and 20% of administratively established assessment value) are economically sound or not⁵⁴. Third, in all cases where the resources are priced as a percentage of the administratively assessed value, the method of establishing that value is not transparent.

⁵² This is a drawback since any change in the fee structure requires legislative endorsement.

⁵³ In an example given in Wingard (2001), one argali sheep (*Ovis ammon*) is valued at Tg 35,000 (about \$32) while its value in the international trophy hunting market is reckoned to be between \$30,000 and \$60,000. This gap is partly made up through special fees on foreign hunters (\$18,000 each).

⁵⁴ In general, the fees are more closely related to the true values of the resource in cases involving either use by foreigners or the resource's exportation.

Fourth, the majority of the fees are specified in tugrig, in nominal terms, a situation that has led to a massive erosion of the fees' real value since they were adopted (mostly in 1995 or 1996).⁵⁵ The absence of inflation-indexing throughout Mongolian resource and pollution-related legislation is a striking omission that would justify immediate amendment efforts. Fifth, a number of inconsistencies and gaps are found in the fee schedules.”

85. In addition to resource use fee legislation, the 2000 Law on Reinvestment of Natural Resource Use Fees for Conservation (LRF) provides for re-cycling of specified percentages of natural resource fees into environmental rehabilitation. The percentages are given in Table 12 below. Notable is the omission of mining revenue from the schedule and some inconsistencies with the provisions of the Hunting Law⁵⁶.

Table 12: Conservation reinvestment percentages under LRF

Type of NR fee revenue	Percentage
Natural plants	30
Hunting	50
Land fees	30
Timber and fuelwood	85
Water	35

86. Looking at the pricing of pollution, there is, at present, no system of pollution charges (i.e. a form of payment for the use of environmental "sinks") in Mongolia. The main method of pricing is a very indirect one, i.e. fines for infraction of EIA regulations and excessive dumping of waste in the small number of circumstances where allowable limits have been established and can be monitored. In general, the level of administrative fines is well below the probable damage caused, in some instances by a vast margin (for instance, the infraction of EIA protection or monitoring plans is punished by a fine of Tg 250,000, i.e. about \$220 today). A complex schedule of fines for a variety of hunting offences exists under the Hunting Law, in most cases providing for fines in the range of Tg 2,000-5,000, hardly a deterrent even during economically depressed times. What was said earlier about the erosion of real values applies with the same force to all fines that, too, are specified in nominal terms.

87. If there are few incentive-based mechanisms of environmental management in use, it is not because they are not known. Some mechanisms such as pollution charges have been discussed for almost a decade. Recent (2004) draft of the wastewater management law (see para. 65) does envisage the introduction of quasi-wastewater discharge fees. Others instruments, such as differentiated taxes on pastureland, have surfaced more recently. The interesting exception that has made it into law is the performance guarantee bond, mentioned earlier. Under the Minerals Law, mining and exploration companies are obliged to deposit the equivalent of 50 % of the environmental protection budget, as estimated in the detailed EIA, in a bank account established by the local Governor. This CEA was unable to find out if the instrument has worked as intended.

Institutional Aspects

88. The Ministry of Nature and Environment was re-organized in 2003. Its present structure

⁵⁵ In the case of pastureland, the fees are specified as the product of the administratively assessed value and the number of animals grazing the land, expressed in SEU.

⁵⁶ For instance, under the Hunting Law, proceeds of fines for exceeding permit levels are divided between local government and the centre 1:9 without any mention of reinvestment by either tier of the government..

is as follows (number of staff given in brackets):

First tier:

1. Minister
2. Deputy Minister
3. State Secretary

Second tier:

1. State Administration and Monitoring Dept (7)
2. Strategic Planning Dept (4)
3. Policy Implementation and Coordination Dept (5, mainly responsible for biodiversity)
4. Sustainable Development and Environment Dept (6, mainly responsible for EIA)
5. Finance and Budget Division (4)
6. International Cooperation Division (10)
7. Protected Area Division (5, link to various agencies at the local level)

Third tier: Own Agencies, i.e.

1. Water, Forest and Natural Resource Agency (20, plus 365 staff at *soums*)
2. National Agency for Meteorology, Hydrology and Environmental Monitoring (NAMHEM) (70, plus staff at local monitoring facilities)

89. Other ministries and agencies with environment-related activities include:

1. Agency of Land Affairs, Geodesy and Cartography (ALAGaC)
2. State Inspection Agency (SIA, 700 environmental inspectors)
3. Ministries of Infrastructure, Industry and Trade, Food and Agriculture, Justice and Internal Affairs, Health, MFE
4. Other agencies/authorities in these ministries (e.g. Coal Agency, Tourism Agency in Mol, Mineral Resource, Petroleum in MIT, State Reserve Agency in MFA), also State Border Patrol, Police Department under MJIA,, State Customs Agency (MFE)

90. The principal changes since 2001 thus include the disappearance from MNE of the Land Resources Authority and Environment Protection Agency, the former now absorbed into the new Agency of Land Affairs, Geodesy and Cartography (ALAGaC, see para. 40), the latter's functions taken over by the State Inspection Agency (see para. 91) ALAGaC unites the functions of surveying and mapping, land administration and registration of immovable property. The unification of these three functions in a single agency is agreed by most to be a significant institutional improvement.

91. In 2001, Wingard and Ogderel counted 92 rights and responsibilities delegated to MNE by the environmental laws [(2001)]. This number may have been reduced somewhat after the latest reorganization but it remains formidable. The task of MNE's adequate liaison with linked government agencies, in particular, poses a major administrative challenge.

Enforcement and Monitoring

92. Among other important recent institutional developments has been the separation of environmental compliance monitoring from other EIA responsibilities. The first-mentioned, formerly performed by MNE, has since 2002 become the exclusive domain of the State Inspection Agency (SIA), under the Prime Minister. The latter (EIA documentation etc.) remains the responsibility of MNE. The State Inspection Agency now combines all inspection functions in

Mongolia (environmental but also sanitary etc.). This has made it possible to substantially reduce the number of inspection visits of individual facilities, a much needed simplification and stimulus to private sector functioning. While the separation of compliance monitoring from EIA administration is a sound governance feature its effectiveness is undermined by the lack of transparency in SIA's decisions. Also, the SIA powers within the protected realm (the responsibility for which has been assigned in its entirety to MNE) remain poorly delineated.

93. The actual implementation of the environmental law and regulations takes place at the *aimag* and *soum* level. Wingard and Ogderel (2001) list no less than 271 duties that environmental legislation places on local governments. Following the transfer of former MNE's EPA duties to SIA, the bulk of field staff (i.e. former environmental inspectors, normally 5 per *aimag* and one to two in each *soum*) are now employees of SIA, integrated into the *aimag*- and *soum*-level Inspection Office. They total about 700. Most rangers (formerly three per *soum*) remain employees of MNE and have been increasingly assigned to protected areas. This is sensible for -within an under-funded overall picture-- it matches resources to the needs. That matching is rarely perfect, however, and there are locations outside the protected areas (e.g. utilization zone forests) where MNE supervision is woefully inadequate. For its part, the main complaint of SIA in the new situation is that once removed from the orbit of MNE, environmental inspection has disappeared from the radar screens of donor agencies.

94. The key institutional problem in Mongolia's environmental management today is no different from that identified in 2001, i.e. imbalance between the assignment of implementation responsibilities and the allocation of budget resources. Most of the former, and all work done at the (vast) field level with the exception of protected area management, has largely been put at the door of local governments. Yet the local government budgets and existing assignment of revenue sources mean that the implementation is seriously constrained unless local budget resources are supplemented by donor funding. In other words, the pattern of local environmental management continues to be unsustainable.

Financing of Environmental Management and Donor Assistance

PSMFA

95. The adoption of the Public Sector Management and Finance Law (PSMF) in 2003 confirmed --with only small modifications-- the assignment of tax revenues to the central and local governments. The Central Government receives the proceeds of the most lucrative taxes (corporate tax, customs duties and excises including vehicle fuel levies, VAT, fees and royalties for mineral resource use). The local governments retain the proceeds of other taxes including, among others, payments for the use of water, license fees for the extraction of widely occurring minerals other than metallic ores, real estate taxes, vehicle registration fees, hunting license fees, wood cutting permit fees and all payments relating to land use. The 2002 amendment to the 1997 Law on Mineral Resources changed the previous assignment of mining royalties to the local government and thus brought it in line with the provisions of the PSMFL. As far as the ability of local government to finance environment-related activities is concerned, the situation in 2004 is therefore not fundamentally different from that obtaining in 2001. The centralization of the most important taxes secures the Central Government's ability in principle to even out, through budget transfers, the widely varying revenue-raising potential of local governments. This in principle favors areas that cry out for environment/conservation expenditure yet lack locally raised finance (e.g. much of the Gobi desert even those sub-areas with large-scale mining). In any event, in the near-absence of earmarking of revenue for environment-related purposes at both the central and local level the authorities' ability to influence environmental

outcomes will depend on the composition of annual budgets and the success the environmental authorities at each level have in influencing this composition.

MNE, Other Government Budgets and Magnitude of Donor Budgets

96. Following the passage of the new Public Finance Management and Finance Act (PSFMA) in 2002, a unified budget of MNE is approved, including amounts for MNE's local responsibilities (that coincide with protected areas and local hydrometeorological monitoring). Table 13 below gives the totals of the 2003 budget:

Table 13 : MNE budget, 2003 (\$ equivalent)

	Tg bil	\$ mil equiv.
MNE administration	1.40	1.22
Local hydrological and meteorological monitoring	2.00	1.74
Natural resource rehabilitation	0.52	0.45
Protected areas	0.32	0.28
Extra-budget resources (Environmental Protection Fund)	0.20 (on average)	0.17
Total	4.42	3.86

97. The expenditure for environmental inspection activities is now part of the budget of SIA. The total of that budget in 2003 was approximately Tg 2 billion (\$ 1.75 million). Pro-rating by the environmental inspectors' relative strength within SIA (700 staff out of a total of about 3,000), the environmental component of SIA's 2003 budget was therefore about 0.4 million.

98. The above is still only a portion of the funding directly or indirectly devoted to environmental management. A more complete picture is presented in Table 14 below:

Table 14: Pattern of Overall Financing of Environmental Management in Mongolia, 2003

	Tg bil	\$ mil equiv.
MNE budget	4.22	3.69
MNE extra-budget resources (EP Fund)	0.20	0.17
SIA total budget Tg. 2.0 bil		
Of this: for environmental purposes (Pro-rated by staff strength)	0.46	0.40
Local NGOs*	n.a.	n.a.
Sub-total domestic resources	4.88	4.26
Government donor/IFI-funded MNE projects		
Rolling annual average (see Annex 3)		15.00
Environmental Trust Fund **		0.00
Government donor/IFI-funded Mol, MFA and MOH projects 10.00 with strong environmental linkages (see Annex 3)		10.00
International NGOs***		5.0
Total available for "environment"		34.26, say \$35 million

* No estimates are available. Even though the most active local NGOs tend to receive funding from their international sponsors, some funding -probably less than 0.1 million-- is domestic.

** The proposal to set up such a fund dates back to 1999. The arrangements had not been finalized by 2003 despite UNDP's initial commitment of \$1.0 million, and Government of Mongolia of \$0.05 million. GEF's contribution of \$2.0

million is expected at the close of the "Eastern Steppe" Project. The funds in theory available in perpetuity would be the annuity on the final capitalization of the Fund, perhaps \$0.2 million p.a.

*** Includes the likes of WWF and various foundations working with WWF (Messerli, Mava, Strahoff), ADRA, World Vision (with an annual Mongolia budget of about \$5.0 million part of which devoted to environmental projects), Save the Children Fund, and a number of others. The figure of \$5.0 million is own estimate, based on seriously incomplete information.

99. The point of the table is neither to claim total accuracy, especially in the case of ministries other than MNE, nor to praise the generosity of donors but to illustrate orders of magnitude and, based on those, draw conclusions. The principal ones are: (1) continuing dependence of Mongolia on donor financing in addressing its environmental priorities. Even if an adjustment were to be made for the high foreign-consultant content of the donor assistance (i.e. money that leaves Mongolia), donor and IFI funding continue to dominate the overall picture⁵⁷. Because of this, (2) co-ordination of donor assistance to environmental management is a priority.

100. Most implementation takes place at the local level. Budget resources and donor funding reach the local level in several different ways. Budget transfers by the central government typically cover only about a part of estimated requirements. Financing of protected areas, in particular, heavily relies on donor funding. Without it, the total of \$280,000 equivalent p.a. in 2003 to manage a combined area almost the size of Great Britain would be patently inadequate. To put things in perspective, the totals of Table 13 compare with, for instance, the total 2003 Government budget of about \$500 million (equivalent), the total government wage bill of about \$90.0 million or the gross income from artisanal mining of about \$75 million.

101. The uneven scope of different local governments to supplement existing budget allocations by other sources such as locally levied (and retained) taxes, proceeds of fines, fees for the sale of natural resources, etc. is well known by now. Some *aimags* and *soums* are clearly better placed than others in this regard. These differences seem to be only imperfectly compensated for in the actual transfers⁵⁸. The assignment of revenue is clearly important for environmental financing (see para. 95 above). Here, the fees for the use of natural resources (Table 15) are an important potential source of funding for local environmental activities. In principle they all accrue to the local government with the exception of the most lucrative one, i.e. mining royalties and trophy hunting where all revenues accrue to the central government. The proceeds of fines accrue largely (90 %) to the central budget. The total raised by natural resource fees in 2003 of Tg 24.2 billion, i.e. about \$21.1 million, amounted to about 2.5% of total

⁵⁷ In its admittedly ambitious projections of 2000, the National Environmental Action Plan anticipated that donors would pay for 90 % of the projected cost.

⁵⁸ The reader is referred to World Bank (2002) for a thorough treatment of the topic much of which is unaffected by the passage in 2003 of the PSMFL. Simplified, the Government policy has been to reverse the falling share of revenues raised locally observed during the 1990s. Local expenditures have consistently run ahead of local revenues in Mongolia. Much of it has been administered in a de-concentrated way (i.e. the center calls the tune, local level administers). Local government have had limited budget autonomy, but a right to shift resources across expenditure categories once they received their budget allocations from the center. Each level of government has had some authority to act in every sector, and it has been impossible to separate "delegated expenditure" from "own expenditure". The result has been unwieldy, unpredictable, and impossible-to-implement intergovernmental finance and high unit cost of local service provision. The reform of the intergovernmental finance needs to better match responsibilities to decision-making authority and increase the scope for raising local revenue to help finance the provision of services assigned to the local level. Taxes assigned to local government have generates a small percentage of the revenue raised until now and tax sharing formulas have been unstable making local financial planning difficult. Local government have had weak incentives to increase tax collection. In circumstances where it is the central government that is ultimately responsible for paying for the local services, the energies of local governments are directed toward securing budget transfers rather than developing own tax base.

government revenue in that year. “Environmental” revenue clearly exceeds domestic environmental expenditure (Table 13). Whether greater earmarking of environmental revenue for environment-related purposes would be justified remains a matter of considerable importance. Alas, informed debate about its merits and drawbacks has still not taken place.

Table 15: Proceeds of Natural Resource Fees, 1996-2003

Category of income	1996 (Tg mil)	2000 (Tg mil)	2003 (Tg mil)	2003 (\$'mil)	Per cent of total
Forest use	155.1	460.4	629.9	547.7	2.5
Water	123.1	200.8	3,150.4	2,739.4	13.0
Land use	493.9	3,224.3	6,077.2	5,284.5	25.1
Mineral resources	2,579.0	3,431.5	11,545.9	10,039.9	47.7
Hunting*	396.3	907.5	2,174.3	1,890.7	9.0
Other	26.4	1.6	636.8	553.7	2.7
Total	3,773.8	8,226.1	24,214.5	21,056.1	100.0

Source: MNE

*Notes: the totals of the table under “hunting” should not be mistaken for the export value of fauna (meat, skins, antlers, live animals, etc.). That value is, first, much higher than the fees paid (e.g. the value of falcon exports alone in 2003 was \$1.8 million), and second, the true export value is almost certainly greater than official estimates, according to some local estimates several times greater.

Evolution of Donor Assistance

102. The 2001 CEA painted a fairly extensive picture of UNDP’s involvement in Mongolia describing the UN Development Assistance Framework and the 2001 Common Country Assessment. UNDP broad policy has policy remained unchanged since, focusing on basic social services, economic transition, good governance, and the environment and disaster management. In ENRM activities, UNDP’s approach continues to be to balance upstream initiatives (policies, program management and capacity development) with downstream activities (grassroots participation, replicable pilot projects), strengthen Government of Mongolia’s capacity for ENRM, support local community initiatives to both address and anticipate environmental problems, and leverage to the full own financing. The success UNDP had had in securing GEF resources for Mongolia was noted in 2001. Major GEF co-financing has been a feature of assistance since then (see Annex 3 for details of GEF-funded projects).

103. The Second Country Cooperation Framework for Mongolia 2002-2006 envisages application of UNDP-developed models such as Sustainable Development of the Eastern Steppe Region in Altai-Sayan and Gobi areas, and calls for refinement and expansions of community-based sustainable livestock management. It also calls for expanded support for conservation activities through Mongolian Environmental Trust Fund. The framework envisages some support for pollution and energy efficiency (especially in the building sector and in small-scale renewables), and in disaster management. The projected budget includes \$9 million of GEF resources and \$3 million worth of other trust funds to supplement UNDP regular resources of \$ 1 million.

104. WB recent assistance priorities have included (1) emergency credits in banking and macro areas such as enterprise restructuring, (2) transport, (3) services in UB, (4) computerization of government services (5) development credits, (6) energy (7) legal and judiciary reforms, (8) distance learning and (9) development of the PRSP.

105. The World Bank recent loans with environmental content include the Energy Project (with an emphasis on energy efficiency) and a yet-to-be-signed Second Ulaanbaatar Urban

Services Improvement Project targeting mainly the *gher* areas of the capital city. In rural development, the Bank's Household Livelihoods Support Program is helping tackle pastureland mismanagement and rural vulnerability. As before, World Bank has supported a variety of small but environmentally important technical assistance efforts (preparation of detailed EIA sectoral guidelines for MNE, assessment of mining activities, forest management). With GEF financing, World Bank continues to implement the household stoves project in Ulaanbaatar and several biodiversity-related projects.

106. Extensive program of German bilateral assistance is in place in Mongolia containing several projects that combine resource conservation with improved livelihoods, as well as projects in the renewable energy and forestry sectors, making GTZ the single most important source of grant finance for environment-related activities in Mongolia. The Dutch and Spanish Government continue to support projects tackling urban environmental problems (wastewater treatment, clean production). The U.S. Government has renewed its commitment to financing sustainable development of the Gobi area. Nordic financing has been vital to current environmental awareness building activities. Several other bilateral or multi-lateral sources (Japan, France, Korea, Canada, EU TACIS) have also played a role. A number of private foundations have been supporting specialized biodiversity conservation efforts as have several international NGOs. Other international NGOs have been active in reforestation (e.g. World Vision) and public health and sanitation. Annex 3 contains details of post 2000 donor assistance.

Regional Activities

107. Mongolia has been an active participant in a number of regional activities that include several RETAs financed by ADB. This on top of many Asia-wide or even global-scale activities supported under international environmental conventions. The ADB-funded RETAs implemented during the 1990s are summarized in ADB (2002). The post-2001 ones include RETA 5969 (Strategic Study on Development Options for Economic Cooperation between the Xiangnan Prefecture (PRC) and the Eastern Region of Mongolia), RETA 5972 (Promotion of Renewable Energy, Energy Efficiency and GHG Abatement Projects) and RETA 6068 (Prevention and Control of Dust and Sandstorms in North-East Asia, see para. 29). Of these, RETA 5969 is the least "environmental" by design even if the recent adverse publicity (see para. 114) was a reminder of how important design considerations (or better communication) can be.

108. The 2001 CEA argued in favor of a possible new sub-regional initiative targeting conservation/watershed protection/livelihood improvement project in the Altai Mountains that would exploit unrealized room for co-ordinated initiatives between Mongolia (Bayan Olgyi and Khovd *aimags*), parts of Xinjiang province (PRC), the north-easternmost tip of Kazakhstan and possibly a part of Russia (not an ADB member yet) with the transboundary Irtysh River as one of the foci. The case for such a new initiative may have receded given the expansion of activities in the Altai Tavan Bogd National Park being implemented in the same area, and the somewhat sobering experience of RETA 5969. More important now may be to ensure that Mongolia does not become the "odd country out" in recent major land degradation partnerships in East and Central Asia, one of which is regional nature (CACILM)⁵⁹. The regional dimension was also mentioned in the 2001CEA in the context of environmental management training where regional solutions could offer distinct advantages to Mongolia, handicapped by low population and high unit cost of local training activities.

⁵⁹ The other one being the ADB/GEF Land Degradation Partnership in PRC.

Environmental Public Awareness and the Role of NGOs

109. The 2001 CEA described the Dutch/UNDP-funded Environmental Public Awareness project (EPAP) as one of the most interesting and effective to be implemented in Mongolia. Apart from working with government agencies, it effectively mobilized a large number of environmental NGOs and through several dozens of small pilot projects (most of them costing less than \$5,000 each), implemented by NGOs between 1997 and 2001. Among other things, it demonstrated existence of opportunities to combine environmental improvement with income generation (e.g. the Blue Bag Campaign mentioned earlier, Soil Fertility Management in Small-scale Farming project, and several others).

110. The public awareness efforts are now centered on a new UNDP/ Netherlands/ Norway Environmental Education Media Project (2003-2004) that offers curricula on environment, sustainable development and public health via Mongolian TV under the auspices of the Ministry of Science, Technology, Education and Culture. The Project seeks to magnify its impact through a network of Project “multipliers” that include many environmental NGOs, academic and training establishments as well as government agencies. Extension of the Project is being sought.

111. While doubting the effectiveness of the flagship MAP-21 project *as a policy integration* vehicle, that project has been successful in developing public awareness throughout the country and ought to be perhaps viewed as a “mis-advertised” initiative. Most foreign-funded projects (notably the GTZ-funded projects in the Gobi, the GEF-funded Eastern Steppe Project, but others also) have public awareness components that take the environment-related messages to the grassroots. The Government has been able to link with these projects to project the general direction of its environmental policies and programs.

112. Dutiful in “distributing the pictures of protected species”, the Government has not been prepared yet to use public disclosure as a tool of policy. Details of environmental financing, EIA results but especially the results of environmental inspection activities undertaken (since 2003) by the State Inspection Agency reach the public unsystematically or not at all. Most officials continue to have little experience in communicating regularly with their constituents and other than periodic donor-sponsored conferences, few formal mechanisms and funding exist to seek feedback from them.

113. By 2004, the number of environmental NGOs has increased further to 125. Annex 10 contains the list of the most important among them. NGOs are represented in the National Council for Sustainable Development the effectiveness of that representation however uncertain. NGOs have bridged the information gaps only in part, and mostly in Ulaanbaatar only. Partly at ADB’s cost⁶⁰, UNDP was instrumental in organizing the very first public hearing on the proposed Nomrog bridge and road alignment in the Dornod *aimag*.

⁶⁰ See “Bridge to Nowhere”, The Economist, 31 January 2004. Nomrog Bridge. See also Letters to the Editor, The Economist, March 2004