



Completion Report

Project Number: 46060-001
Technical Assistance Number: 8241
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Mongolia: Promoting Inclusive Growth

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TA Number, Country, and Name: TA 8241-MON: Promoting Inclusive Growth		Amount Approved: \$1,000,000	
		Revised Amount: Not applicable	
Executing Agency: Ministry of Finance	Source of Funding: Japan Fund for Poverty Reduction	Amount Undisbursed: \$29,165.79	Amount Utilized: \$970,835.21
TA Approval Date: 6 December 2012	TA Signing Date: 7 February 2013	Fielding of First Consultant: 1 May 2013	TA Completion Date Original: 31 May 2015 Actual: 31 May 2016 Account Closing Date Original: 31 May 2015 Actual: 14 October 2016

Description

Mongolia's economic outlook in 2012 looked bright when the policy and advisory technical assistance (TA) was prepared. Economic growth was greater than 12%, but there was a risk that the focus on development of the mining sector would lead to the neglect of other parts of the economy and result in greater disparities in income and access to basic services. The implementation of the TA coincided with a shift in focus among international agencies from economic growth and poverty reduction to a greater emphasis on addressing inequality. Rapid economic growth in Mongolia has been accompanied by falling poverty rates, however there was growing realization among stakeholders in the country that inequality is rising; job creation is critical for addressing inequality; and there is a need to raise awareness, build understanding, and strengthen policy formulation to ensure inclusive growth in Mongolia. The economic situation and outlook was vastly different in 2016 than it was in 2012. The difficult economic situation since 2012, (sharp decrease in gross domestic product growth, plummeted foreign direct investments, and sharp depreciation of the national currency) had serious consequences on the state budget, and consequently, for the policies, programs, and proposed investments of the government and other agencies. The rationale and goal of the TA have remained highly relevant despite the changing macroeconomic context.

Expected Impact, Outcome, and Outputs

The expected impact of the TA was for Mongolia's medium-term strategic plan and the corresponding yearly socioeconomic development guidelines to reflect inclusive growth policies. The intended outcome was improved capacity to develop policies on inclusive growth among key public and private stakeholders. Expected key outputs included (i) an analysis of the main drivers of inequality and constraints to inclusiveness of growth in Mongolia, (ii) a consultative process to identify key constraints to inclusiveness of growth reaching key public and private stakeholders, (iii) an improved institutional and human capacity for inclusive growth in selected government and professional business entities, and (iv) policy recommendations on inclusiveness of growth and future investment in priority areas identified. The Ministry of Finance (MOF) remained the executing agency during implementation of the TA, however, the Ministry of Economic Development, the implementing agency, was disbanded in September 2014.

Delivery of Inputs and Conduct of Activities

The overall budget was adequate for the activities under the TA. Moreover, the TA accommodated the hiring of additional consultants requested by MOF to develop regulations and plans after the passage of the Law on Development Policy and Planning and adoption of Mongolia's Sustainable Vision 2030. The performance of MOF is rated satisfactory and has actually improved when the Ministry of Economic Development was disbanded which led to a shorter decision-making process. The TA engaged a consulting firm with expertise in socioeconomic policy development and labor markets (a total of 68 person-months), and an individual administrative and technical coordinator (36 person-months). The consulting firm was responsive, timely in submitting outputs, and developed a good working relationship with the government. Its performance is rated satisfactory despite some outputs lacking depth and several changes of experts.^a The performance of the administrative and technical coordinator is rated satisfactory for its responsiveness and proactive approach in analyzing and reporting TA progress. The collaboration between MOF and the Asian Development Bank (ADB) was exemplary and helped in solving constraints to TA implementation during successive government changes. ADB's performance is rated satisfactory. ADB conducted regular reviews and liaised with MOF to support TA implementation and provide directions, which were much appreciated by MOF and Adam Smith International (ASI). The TA was extended by 12 months to ensure completion of the TA objectives.

Evaluation of Outputs and Achievement of Outcome

The TA achieved all outcome and output indicators. A pre- and post-survey directed at key stakeholders measured a significant increase in all aspects of capacity (human, organizational, and institutional) to develop policies on inclusive growth (outcome indicator). Far greater familiarity with the concept of inclusive growth was reported in post-TA interviews and reflected in its incorporation into various policies and programs developed in 2015 and 2016. This resulted from a combination of factors, including a better understanding of inclusiveness as a result of the pre-TA assessment, involvement in a number of consultative activities under the TA, an extensive capacity building program on inclusive growth including for the media and private sector, the preparation and dissemination of research papers and other documents, activities such as the international symposium on inclusiveness in 2015, and the substantial

number of media and public relations activities undertaken under the TA. The impact of the TA is already partially achieved at the end of the TA through the incorporation of inclusiveness in the recently passed Law on Development Policy and Planning. This resulted specifically from work undertaken under the TA, with a legal requirement now in place that all policy and program development must take inclusiveness into account. The guidelines for the formulation of the yearly socioeconomic guidelines and the medium-term strategic plan are being formulated along the Law on Development Policy and Planning (impact indicator). The effect of the TA is also evidenced by the fact that certain new policies and programs include specific reference to inclusiveness or inclusive growth (e.g., State Policy on Employment, State Policy on Health).

The TA produced two reports on identifying key drivers of inequality and constraints to greater inclusiveness and on analyzing labor market mechanisms, and the matching of supply and demand for labor (output 1). Participatory approaches were emphasized, involving engagement with a wide range of stakeholders in the government, and private and civil society sectors. Consultative processes to develop a definition of inclusive growth in a Mongolian context, along with indicators of inclusiveness were implemented, while extensive awareness raising and public outreach activities were undertaken. MOF produced a certification letter to ADB through the ASI on the important contribution of this TA to advancing the inclusive growth agenda in Mongolia. Two high profile workshops with experts from the Organisation for Economic Co-operation and Development, private sector in Botswana, and the Tokyo Foundation and Mongolian academics were organized under the leadership of the office of the President of Mongolia and MOF (output 2). Capacity development tools were prepared (specific package for each type of stakeholders) and capacity development training on policy making delivered to stakeholders (well beyond the requirements of the indicator, which envisaged at least one capacity development event). The reports developed under the TA were used as an input into an extensive capacity building program delivered to Parliament members, government officials, academia, media representatives, civil society, trade unions, and professional business associations. Special sessions were delivered on inclusive growth monitoring to the cabinet office and MOF (output 3). The TA produced a report on potential policy development and future investments to support inclusive growth. It also prepared an examination of best international policy practices in resource-dependent nations and a report on corporate social responsibility. Finally, a report was prepared to summarize knowledge acquired (output 4).

Two pilot projects were implemented under outputs 3 and 4. The pilot project under output 3, considered public procurement in a poor capital city location and a regional location (Zakhvan Province). The project comprised a test of the effectiveness of the Amended Procurement Law (2011) and the Integrated Budget Law (2012). It was found that the laws had contributed to increased inclusiveness, and the TA made recommendations for changes in the Amended Procurement Law (2011) which is MOF is still considering. The pilot project under output 4 explored constraints and made recommendations for unemployed to gain productive employment. While these are areas where employment exchanges might play a positive role, it was concluded that exchanges are ineffective due to insufficient outreach, poor staff training, and inappropriate support and training programs for job seekers. This pilot was supported by Japan Overseas Cooperation Volunteers fielded by the Japan International Cooperation Agency.

Overall Assessment and Rating

Overall, the TA is rated highly successful because of (i) the achievement of the outcome and output indicators, (ii) partial achievement of the impact indicators at the end of TA implementation due to TA influence on the issuance of major policy pieces, and (iii) the key role of MOF in ensuring a stable implementation platform and strong support despite major government changes. The TA, the first of its kind in ADB addressing directly inclusive growth at policy level, can serve as a model for future technical assistance projects with similar objectives.

Major Lessons

This TA included a wide range of stakeholders from public, private, academia, media, and civil society sectors and reached high policy makers (cabinet, MOF, office of the President). Such an approach would have benefited from more solid support in areas such as macroeconomics, labor market, and social protection to support TA implementation and ensure ADB institutional learning. For instance, the country diagnostic study which was planned to be implemented in 2014–2015 did not materialize and could have assisted in identifying binding constraints to growth and critical constraints to inclusive growth.

Recommendations and Follow-Up Actions

ADB should identify innovative technical assistance projects (such as this) and arrange for a regular review mechanism which goes beyond divisional borders to ensure that ADB knowledge acquisition will be maximized. This will contribute to ADB becoming a knowledge bank based on valuable experiences from innovative and successful policy analysis and operations.

^a The TA reports are available at www.inclusivegrowth.mn until May 2017 and linked to the website of MOF thereafter.