



Completion Report

PUBLIC

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Mongolia: Preparatory Work for Country Partnership Strategy

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TECHNICAL ASSISTANCE COMPLETION REPORT

TA Number, Country, and Name: TA 9885-MON: Preparatory Work for Country Partnership Strategy		Amount Approved: \$225,000	
		Revised Amount: N/A	
Executing Agency: Asian Development Bank	Source of Funding: Technical Assistance Special Fund 6	Amount Undisbursed: \$10,356.93	Amount Used: \$214,643.07
TA Approval Date: 4 December 2019	TA Signing Date: 4 December 2019	TA Completion Date	
		Original Date: 31 March 2021	Latest Revised Date: 30 September 2021
		Financial Closing Date: 22 December 2021	Number of Extensions: 1
TA Type: Knowledge and support TA	Nature of Activity: Research and development	TA Arrangement: Stand-alone small-scale	

Description

Since Mongolia joined the Asian Development Bank (ADB) in 1991, ADB has emerged as one of Mongolia's leading development partners. ADB has strengthened its leadership role over time in Mongolia's continuously evolving development finance landscape by progressively scaling up its assistance. This has been achieved by increasingly focusing its financial and knowledge support on high-priority and complex operations.

Mongolia's economic performance steadied from 2017 until when the knowledge and support technical assistance (TA) was approved in 2019. From 2012–2016, low commodity prices and government overspending combined to leave Mongolia with an unsustainable debt burden and a fragile banking sector. These conditions led to the introduction of a \$5.5 billion international assistance package coordinated by the International Monetary Fund (IMF) in 2017. Stronger external demand for Mongolian minerals has enabled growth to reach 5.3% in 2017 and 7.2% in 2018. Growth subsequently reached 5.1% in 2019 before contracting by 4.6% in 2020 due to coronavirus disease (COVID-19) and recovering slowly in 2021 to 1.4%. Current prospects for 2022 are that growth will reach 0.6% in 2022, well below previous expectations due to the continued COVID-19-related border restrictions with the People's Republic of China and the Russian invasion of Ukraine.

Despite its economic potential, Mongolia has not yet been able to translate this into inclusive growth and will need to overcome important development challenges to ensure all Mongolians can enjoy healthy and productive lives. Worsening economic conditions contributed to an 8-percentage point rise in poverty from 21.6% in 2014 to 29.6% in 2016. The recent recovery has not resulted in significant poverty reduction as poverty fell only to 28.4% in 2018. Poverty fell slightly in 2020 to 27.8% reflecting the government's policy to increase social protection after the onset of COVID-19. Mining will remain central to the country's development, but it cannot solve persistent unemployment. Meanwhile, grasslands desertification, water scarcity, climate change, disasters triggered by natural hazards and extreme weather events and air pollution are endangering livelihoods. Mongolia is becoming increasingly urbanized as people move to the capital seeking employment opportunities. Ulaanbaatar is home to half of the country's population, yet 60% live in *ger* areas with no access to running water and sanitation. Traffic is gridlocked, many schools run three shifts a day, and providing heating and power is increasingly difficult due to obsolete infrastructure. Given its landlocked position, connectivity is vital to tap export markets in northeast Asia, as well as to create jobs. But poor infrastructure and undeveloped trade systems lead to costly transport, complex logistics, and long transit times. This increases the cost of essential imports—including food—and erodes the competitiveness of Mongolian exports.

Strategy 2030 positions ADB to help Mongolia to respond to many of these challenges, while building on ADB's experience in the country. The TA was approved with the conclusion of the country partnership strategy (CPS) 2017–2020 on the horizon in 2020 with the intention to position ADB to prepare a new CPS covering 2021–2024 that would help Mongolia tackle some of these fundamental development challenges. The new CPS presented an important opportunity for ADB to capitalize on its leadership role in Mongolia to support a critical period in Mongolia's development. The new CPS would be developed in the midst of the COVID-19 pandemic and shortly after the end of the IMF Program. Consequently, the government requested ADB to use TA resources to use this CPS preparation period to undertake some detailed analysis of the development challenges and the operating environment, and to undertake comprehensive consultations with key stakeholders in Mongolia. This would ensure that ADB had a strong basis to ensure that it is providing the best possible support to Mongolia under the new CPS.

Expected Impact, Outcome, and Outputs

The TA was aligned with the following impact: inclusive development in Mongolia enhanced. The expected outcome was CPS, with broad stakeholder buy-in endorsed. The TA had two outputs:

Output 1: Comprehensive analysis to inform the CPS conducted. The TA will support the development of stand-alone studies to inform the CPS. These studies will include a Governance Risk Assessment, a Political Economy Analysis and a Private Sector Development Assessment. These studies will be used to inform the preparation of the CPS and also to inform consultations with key stakeholders.

Output 2: Feedback and advice from key stakeholders received. The TA will fund the organization of a comprehensive program of consultations with key stakeholders including the government, the private sector, civil society and development partners. These consultations will cover lessons from the current CPS period, consultations covering specific sectors and themes, and areas of focus for the new CPS.

Implementation Arrangements

The TA was implemented from December 2019 to September 2021. ADB was the executing agency and administered the knowledge and support TA. The TA engaged 17 international, national and resource person as individual consultants and the Mongolia Resident Mission (MNRM) selected, supervised and evaluated each consultant engagement process. MNRM also arranged the consultation workshop on the CPS final review and nine sector assessments with the civil society organizations between April to October 2020. The TA has engaged (i) two international consultants to undertake the governance risk assessment; (ii) one international and two national consultants to undertake private sector assessment; (iii) one international and two national consultants to assess the viability of planned infrastructure projects; (iv) one international resource person as peer reviewer for the CPS; (v) three international resource persons to conduct Political Economy Analysis; (vi) three national consultants to support the government to coordinate development partner support; and (vii) two national consultants to support the government on investment climate planning. The performance of all consultants and resource persons was satisfactory. The TA funds were disbursed following the *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

Conduct of Activities

The following activities were organized and prepared under the two outputs described above.

Output 1: Comprehensive analysis to inform the CPS conducted.

CPS Final Review:

Governance Risk Assessment: Two international consultants were recruited under the TA to prepare the Government Risk Assessment (GRA). The consultants were supported by the recruitment, by SDCC-GOV, of one national consultant to co-author the GRA and one national public financial management consultant. The consultants prepared a high quality GRA and conducted extensive outreach and consultation, including consultations with government in the preparation of the GRA. The GRA was a direct input to the CPS.

Political Economy Analysis: Three international resource persons from the Asia Foundation were recruited to prepare a structural political economy analysis (PEA) for ADB to contribute to the CPS. The resource persons conducted three learning sessions for MNRM and EARD staff, organized over Zoom due to the imposition of a lockdown at the time. These training sessions covered training on how to conduct a PEA, a hands-on session to develop a structural PEA and a thematic deep dive looking at female entrepreneurship. The international consultant hired to conduct the GRA was retained to provide guidance and review of the PEA.

Private Sector Development Assessment (PSDA): One international consultant and two national consultants were recruited to prepare a comprehensive PSDA for Mongolia in advance of the CPS. These consultants also conducted mapping exercises of various economic sectors. The consultants also conducted comprehensive consultations with private sector actors and the government in the conduct of this study. The PSDA was a direct input to the CPS and continues to guide ADB's work in upstream and downstream private sector work. MNRM recruited two national consultants to support the government with the revision of the investment law. This was an adjustment made to the TA based on the policy dialogue that emerged from the PSDA.

Assessing the Viability of Planned Infrastructure Projects for Regional Connectivity in Mongolia: One international consultant and two national consultants were recruited to conduct a review of the government's 100 project

list, announced as part of the new Government Action Plan 2020–2024,¹ approved in September 2020. This study identified the readiness of these projects and their suitability for sovereign financing. The study provided recommendations to the government and was closely coordinated with the authorities.

Output 2: Feedback and advice from key stakeholders received.

Under this output, ADB took a threefold approach. In the first instance, three consultants were recruited to assist the government coordinate development partner support for the Government Action Plan and the COVID-19 response.

In addition, one international resource person was recruited to act as peer reviewer for the CPS. This was the same consultant who had led the CPS Final Review giving him extensive knowledge of the context and the lessons that needed to be taken forward.

MNRM, with the support of the consultants and EARD sector and thematic specialists, organized nine sector consultations with civil society organizations (CSOs) on (i) education; (ii) gender; (iii) poverty; (iv) social protection; (v) air quality, water, resources, tourism, agriculture and rural development disaster risk management; (vi) urban services; (vii) health; (viii) governance risk assessment and public sector management; and (ix) private sector assessment. For each consultation, ADB prepared a relevant assessment in English and Mongolian and shared the assessment with participants two weeks before the consultation occurred. These consultations were critical inputs to ADB's CPS and provided an important basis for continued dialogue with CSOs and the private sector across these areas.

Technical Assistance Assessment Ratings

Criterion	Assessment	Rating
Relevance	The purpose of the TA was to support the design of a CPS that is relevant to Mongolia's economic and development situation and the Government Action Plan, 2020–2024. The design and monitoring framework (DMF) is appropriate, focusing on critical inputs to the CPS and broad stakeholder consultation. Overall, the TA is considered relevant.	Relevant
Effectiveness	The TA achieved all of the objectives as set out in the DMF. The ADB Board endorsed the CPS in September 2021 noting the extensive analysis and consultation that went into the preparation of the CPS. Similarly, the government commended the close consultation in the preparation of the CPS. As such, the TA achieved the two outcome and two output indicators in the DMF. It also included a much deeper consultation with civil society that helped build broad support for ADB's CPS from all stakeholders. As such the TA is assessed as effective.	Effective
Efficiency	The TA did not experience any significant implementation delays. TA funds were used in line with what was expected with some minor changes reflecting reasonable changes in line with an ongoing policy dialogue.	Efficient
Overall Assessment	The TA is rated as successful based on the combined evaluation of relevance, effectiveness and efficiency. It enabled ADB to prepare a CPS that was grounded on in-depth analysis and consultation. This was highly appreciated by the client who welcomed the in-depth analysis conducted.	Successful
Sustainability	The validity of the assessments and the ownership of the government suggests that the results are likely sustainable. The deep stakeholder consultations will likely be sustained including the existing coordination mechanisms with government, development partners and civil society.	Likely Sustainable

Lessons Learned and Recommendations

Design and/or planning	The preparation of a TA to support CPS implementation was a valuable undertaking and was strongly supported by the government. The TA enabled ADB to undertake deeper diagnostics and consultations that would have not been possible without the additional resources.
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¹ State Great Khural. 2020. *Government Action Plan, 2020–2024*. Ulaanbaatar.

Implementation and/or delivery	The TA was prepared to support the CPS and was managed by the CPS core team. This was essential as it ensured coherence between the TA and the core issues under the CPS.
Management of staff and consultants	Due to the high number of consultants under the TA, MNRM took the approach to recruit teams of consultants with supervisory responsibility given to a senior consultant over junior consultants. This was important as it strengthened ownership of the senior consultant over all deliverables and reduced the number of separate management relationships that MNRM was responsible for.
Knowledge building	Due to confidentiality, ADB managed to agree to some broader dissemination through the consultation process. Lesson learned is to consider the production of a shorter document summary where information disclosure issues could be managed.
Stakeholder participation	There was strong stakeholder participation in the TA given the focus of output 2. One key lesson from this was the importance of producing preparatory materials early and in Mongolian language. For example, for each consultation with civil society, sector assessments were prepared in English and in Mongolian and shared with participants at least two weeks in advance. This practice enabled much more in-depth engagement from these stakeholders.
Partnerships	Several key partnerships emerged out of the TA. It deepened ADB's engagement with civil society in Mongolia, one that has continued since the consultations. The work undertaken with the Asia Foundation on political economy analysis has also deepened the partnership between ADB and the Asia Foundation.

Follow-up Actions

ADB has set up a Civil Society Advisory Group and will use this as a way of building on the consultations that this TA initiated. ADB will also explore options with the government for further dissemination of some of the knowledge products produced under the TA.

Prepared by:

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Designation and Division:

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MNRM

DESIGN AND MONITORING FRAMEWORK

Impact Inclusive development in Mongolia enhanced ^a (Sustainable Development Vision, 2030)		
Results Chain	Performance Indicators with Targets and Baselines	Achievements
Outcome CPS, with broad stakeholder buy-in approved.	By 2021: a. CPS, 2021–2024 endorsed by ADB Board (2019 baseline: not endorsed) b. CPS endorsed by government (Ministry of Finance) and by CSO Advisory Group (2019 baseline: not endorsed)	Achieved. a. CPS 2021–2024 was endorsed by the ADB Board in September 2021. b. CPS 2021–2024 was endorsed by the Ministry of Finance in July 2021.
Outputs 1. Comprehensive analysis to inform the CPS conducted 2. Feedback and advice from key stakeholders received.	By 2021: 1a. At least four studies or mapping exercises produced (2019 baseline:0) 2a. Three groups of stakeholders from government ministries, civil society, private sector, development partners, project implementation agencies, and academics provide feedback or suggestions on CPS and/or CPS Final Review (2019 baseline: 0)	Achieved. 1a. A total of 4 studies were produced directly by the TA. These studies include a Governance Risk Assessment, a Political Economy Analysis, a Private Sector Development Assessment and a study on Assessing the Viability of Planned Infrastructure Projects for Regional Connectivity in Mongolia. The TA also contributed to the preparation of sector and thematic assessments in the areas where consultations with CSOs, private sector and government occurred. 2a. A total of 9 separate consultation sessions were conducted with the three groups of stakeholders from line ministries, civil society and private sector on the CPS final review and the sector and thematic assessments. This reached at least 100 people. In addition, a total of 13 separate development partners' consultation meetings were conducted on the CPS main pillars and feedback and suggestions were received.
Actual Key Activities with Milestones 1. Comprehensive analysis to inform the CPS conducted 1.1 Completed the recruitment of the planned consultants by Q1 2020 and initiated studies. 1.2 Completed studies by Q3 2020. 2. Feedback and advice from key stakeholders received. 2.1 Completed the development of consultation plan by Q1 2020. 2.2 Completed all consultations by Q3 2021.		
Actual Inputs Asian Development Bank: \$214,643.07		

ADB = Asian Development Bank, CPS = country partnership strategy, CSO = civil society organization, Q = quarter, TA = technical assistance.

^a Government of Mongolia. 2016. Sustainable Development Vision, 2030. Ulaanbaatar; and Government of Mongolia. 2016. Action Plan, 2016–2020. Ulaanbaatar.

Source: Asian Development Bank.

TECHNICAL ASSISTANCE COST

Table A2.1: Technical Assistance Cost by Activity
(\$'000)

Item	Amount	
	Original	Actual
1. Consultants	180.0	199.1
2. Training, seminars and/or conferences	25.0	6.9
3. Miscellaneous TA administration	0.0	8.6
4. Contingency	20.0	0.0
Total	225.0	214.6

Source: Asian Development Bank.

Table A2.2: Technical Assistance Cost by Fund
(\$'000)

TASF 6	
1. Original	225.0
2. Actual	214.6
3. Unused	10.4

TASF = Technical Assistance Special Fund
Source: Asian Development Bank.