MOVING FORWARD TOGETHER

THE 30-YEAR PARTNERSHIP OF MONGOLIA
AND THE ASIAN DEVELOPMENT BANK

MONGOLIA
ADB@30

Partnering
Developing
Innovating

MOVING FORWARD TOGETHER

THE 30-YEAR PARTNERSHIP OF MONGOLIA
AND THE ASIAN DEVELOPMENT BANK

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On the cover: Schoolchildren in Binder *soum*, Khentii *aimag*, Mongolia (photo by Chadraabal Baramsai).

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FOREWORD BY THE GOVERNMENT OF MONGOLIA

Mongolia and the Asian Development Bank (ADB) have reached an important milestone of three decades of partnership. As the Prime Minister of Mongolia, I would like to extend my congratulations to and appreciation for ADB for your steadfast support for our country's historic development journey.

On this celebrated day of 30th anniversary, we are diligently reviewing our track record of cooperation and defining our common goal of creating inclusive and sustainable development for Mongolia in the future.

Since Mongolia joined ADB as a member country in 1991, we have shared a proud partnership addressing vital development areas, including our work to ensure economic stability, reduce poverty, develop education, health, and infrastructure, and support green growth.

Although the 30 year long development path of Mongolia has had its complications, ADB has been a reliable and constant partner supporting our country through economic cycles, global financial and economic crisis, natural disasters, and challenges arising from the Coronavirus (COVID-19) pandemic.

At a time when humanity is in its second year of overcoming a global pandemic that has shaken the world like it has not experienced since World War II, it is of great importance and timely that ADB is launching its new partnership strategy with the Government of Mongolia.

I am certain that this new partnership strategy that aligns with “Vision 2050”, Mongolia’s long-term development policy approved by the Parliament, will support the successful implementation of the new economic recovery policy, which aims to overcome the negative impacts of the COVID-19 pandemic, revive the economy and support the middle class.

May our partnership united under a common vision towards humanity’s aspirations and regional development be successful and impactful.

Oyun-Erdene Luvsannamsrai
Prime Minister
Government of Mongolia

FOREWORD BY THE ASIAN DEVELOPMENT BANK

Mongolia, with a long and storied history, is a vast, landlocked country located between the People's Republic of China and the Russian Federation.

Rich in natural resources, Mongolia occupies an area almost half the size of India; yet, it is one of the most sparsely populated countries in the world with just 3.3 million people, of which close to half live in the capital, Ulaanbaatar. Climate extremes, with harsh winters and searing summer temperatures in the Gobi Desert, have helped shape Mongolia's proud nomadic herding tradition and produced hardy and resourceful people.

After decades of dependence on the Soviet Union, Mongolia began a major economic and political transition during the 1990s. The withdrawal of aid from the Soviet Union left the country in increasingly deep economic distress, spurring Mongolia to reach out to development partners, including the Asian Development Bank (ADB), for assistance.

Mongolia joined ADB in 1991. The country worked with ADB and other partners to stabilize finances, carry out sweeping governance and banking reforms, and rehabilitate ageing infrastructure. Mongolia adopted a parliamentary democracy, with a free press and civil liberties protected by a constitution that was enacted in 1992.

Over the past 30 years, ADB has become Mongolia's largest multilateral development partner, supporting its transformation into a market-based economy with projects, programs, and technical assistance across multiple sectors, including agriculture, education, energy, finance, health, transport, and urban development.

Over the course of the partnership, Mongolia has seen substantial economic and social gains. Gross domestic product (GDP) per capita has increased almost three-fold since 2000 in real terms, maternal and infant mortality rates are down sharply since the country's transition began, access to safe water and sanitation have risen substantially, and adult literacy and primary school enrollment rates are close to 100%. The private sector now dominates the economy, accounting for about 80% of GDP and providing over 75% of employment.

There have been, of course, many challenges along the way. The economy was badly affected by the regional and global financial crises around 1998 and in 2008, while huge livestock losses during a number of brutal winter dzuds left many nomadic herders without livelihoods, forcing them to

migrate to urban centers where many live in ger areas with few services. An over-reliance on income from mining, which accounts for 90% of exports, has seen government revenues whipsawed by sharp fluctuations in commodity prices.

The onset of the coronavirus disease (COVID-19) pandemic in 2020 is providing another stern test, reversing years of growth gains, slowing reforms, increasing unemployment, and highlighting challenges in the country's health and social protection systems.

ADB has been helping Mongolia tackle the immediate fallout from the pandemic with funding for medical equipment and vaccines, support for social protection, and assistance to private businesses essential to the nation's economic recovery. For the longer term, it is also financing reforms that will better prepare Mongolia to manage future health crises.

In over three decades, Mongolia has undergone a rapid and significant transformation. Now, as it looks to the future, it will need to address remaining constraints that are holding back the creation of a more resilient and broad-based economy.

These constraints include a lack of economic diversity, infrastructure gaps, inefficiencies in agriculture, pressures on services and the environment in both urban and rural areas, a workforce lacking digital skills, and inequalities that prevent marginalized groups from full participation in the economy.

ADB's new country partnership strategy for 2021–2024, which is closely aligned with Mongolia's policy priorities in Vision 2050 and the Government Action Plan 2020–2024, provides a blueprint to help tackle these challenges, including the ongoing COVID-19 pandemic. It will support Mongolia through three core pillars: (i) with assistance for health, education, skills development, and social protection; (ii) further infrastructure upgrades to drive economic competitiveness and diversification; and (iii) support for more sustainable and green development to reduce environmental degradation and to manage the impacts of climate change. It will also focus on hastening Mongolia's shift to a digital-based economy, and support entrepreneurship by providing assistance for innovative business ideas and start-up companies.

Helping women play a full role in the formal economy is another important goal. An ADB study in Mongolia has shown that if women had the same labor participation rate as men, this could boost economic growth by as much as 0.5 percentage points every year.

ADB looks forward to continuing its close relationship with Mongolia and supporting this dynamic nation's drive to meet its development goals and fully transform into a vibrant, modern economy with a thriving middle class by 2050.

Masatsugu Asakawa

President of the Asian Development Bank

Summertime. Animals graze in the valleys of Arkhangai *aimag* during the Mongolian summer (photo by Oktyabri Dash).

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We would also like to specially acknowledge the photographic contributions of our former colleague and dear friend Mookiah Thiruchelvam who is, sadly, no longer with us.

GLOSSARY

<i>aimag</i>	–	primary administrative unit (equivalent to province) of Mongolia
<i>dzud</i>	–	extreme weather conditions caused by heavy, long-lasting or frequent snowfall, extreme cold, or storms that often cause massive livestock losses
<i>ger</i>	–	traditional Mongolian dwelling (or tent) made of wood frame and felt covers, widely used by nomadic herders
<i>soum</i>	–	administrative subunit of an <i>aimag</i>

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
GDP	–	gross domestic product
IMF	–	International Monetary Fund
LLC	–	Limited Liability Company
MSMEs	–	micro, small, and medium-sized enterprises
PRC	–	People's Republic of China

CURRENCY EQUIVALENTS

(as of 5 October 2021)

Currency unit	–	togrog (MNT)
MNT1.00	=	\$0.00035
\$1.00	=	MNT2,850.02

CHAPTERS AND SECTORS

A READER'S QUICK GUIDE

The publication includes chapter 1 outlining the operations of the Asian Development Bank (ADB) in response to COVID-19 (2020–2021), and chapters 2–4 covering ADB's operations over three decades (1991–2000; 2001–2010; 2011–2020).

Chapters 2–4 have been arranged to highlight sectors where ADB has played a prominent role in supporting Mongolia's transformation and development in each of the three decades.

While most of the programs, projects, and technical assistance activities in each decade chapter were implemented during the 10-year period they are included in, some were carried out in earlier or later periods.

The decision to present the material in this way was to help readers get a full and complete understanding of operations in each sector across the full partnership period without having to switch back and forth across different decades and chapters.

ADB ASSISTANCE TO MONGOLIA

Cumulative Sovereign Loans, Grants, and Technical Assistance Commitments (1991–2020)

Note: Percentages per sector correspond to ADB assistance commitments totaling \$3.6 billion.
Source: Asian Development Bank.

CHAPTER 1

A TESTING TIME: COVID-19 AND BEYOND

When the coronavirus disease (COVID-19) began spreading rapidly around the world in early 2020, the Government of Mongolia moved swiftly to respond. It introduced border closures, suspended air travel, and imposed strict quarantine rules.

While this greatly reduced the human toll from the virus, there were deep and immediate impacts on the economy, which, in 2020, plunged into a major contraction for the first time in 11 years.

Job losses spiked, companies struggled with weakening demand and difficulties in accessing capital, and households saw reduced incomes

alongside higher food prices. Incidences of domestic violence rose, linked to long periods of lockdown and rising unemployment.

To help alleviate the harsh impacts of the virus, particularly on vulnerable groups, the government announced a \$1.8 billion Countercyclical Development Expenditure Plan in March 2020 to increase financing for the health sector, social protection, and for supporting households through tax relief measures.

The Bank of Mongolia introduced several policy measures to ease pressures on banks and to support small and medium-sized enterprises.

Ulaanbaatar in lockdown. Lockdown measures helped curb community transmission of COVID-19 (photo by Chadraabal Baramsai).

In February 2021, the Government of Mongolia announced a \$3.5 billion 3-year Comprehensive Plan for Health, Security, and Economic Recovery to help revitalize the economy.

The Asian Development Bank (ADB) was among the first of the multilateral agencies to come to Mongolia's aid in 2020. Assistance was extended from as early as February for personal protective equipment for customs, inspection, and emergency service officials, along with the repurposing of an existing loan to fund medical equipment for the diagnosis and treatment of patients with respiratory problems in all *aimag*, district, and referral-level hospitals. Technical assistance was provided to establish an Incident Management System that is helping Mongolia respond quickly to COVID-19 infections and build up its overall capacity for infection prevention and control.

These initial measures were followed by a \$100 million loan, delivered in a little over 4 weeks, to support the government's countercyclical plan. Additional loans totaling \$99.4 million were provided for food and child-targeted income support to needy households, and to strengthen social welfare programs. Over \$32 million was committed for laboratories to diagnose COVID-19 and for additional hospital equipment for critically ill patients in public hospitals.

Liquidity assistance was extended for two of the country's leading food-related companies to maintain their operations and preserve the livelihoods of thousands of farmers, workers, and sales agents.

To help the government meet its goal of vaccinating 65% of its population by the end of 2021, ADB has committed \$19 million, through its Asia Pacific Vaccine Access Facility, to purchase vaccines for priority groups, including about 200,000 frontline workers.

Looking to the future, ADB approved another \$100 million loan in March 2021 to support further sector reforms needed to help Mongolia exit the pandemic and to make the health system more resilient and better able to withstand future shocks. That includes measures to better regulate medicines and pharmacies, strengthen governance for public hospitals, and establish a single purchaser for health services.

Red zone. Health care and emergency professionals work tirelessly to save lives during the pandemic (photo by Chadraabal Baramsai).

ADB's strong and close relationship with the government, forged over 3 decades, helped speed the process of identifying areas for assistance and for committing funds.

While responses have been swift and effective, the pandemic has been a sobering experience for Mongolia, undoing economic and development gains, exposing limitations in its health and social protection systems, and accentuating societal inequalities, particularly those experienced by women who play a dominant role in the health sector and in small business.

The country's continued heavy dependence on mining, which accounts for almost a quarter of gross domestic product (GDP) and as much as 90% of exports in some years, was again brought into sharp focus as demand from the People's Republic of China fell and commodity prices slumped.¹

Working closely with the government, ADB has now finalized a new country partnership strategy for Mongolia, 2021–2024 that aims to address these challenges.

¹ ADB. 2020. [*Mongolia's Economic Prospects: Resource-Rich and Landlocked between Two Giants*](#). Manila. p.73

Last snow of the long winter. The central square of Ulaanbaatar in late March 2021 (photo by Mookiah Thiruchelvam).