In the 30 years since Mongolia began its journey from a centralized command economy to an independent modern market economy it has seen dramatic changes, economic highs and lows, and commendable development gains.

Starting in 1991, deep and rapid changes were set in motion. A Constitution and parliamentary democracy were established, the judiciary was reformed, and a law paving the way for the creation of a free press was passed. The end of aid from the Soviet Union caused immediate economic pain. But working with international institutions, including the Asian Development Bank, Mongolia was able to stabilize its finances and then embark on wide-ranging reforms covering virtually every sector of the economy.

By 1993, Mongolia was making a gradual recovery from the economic storms of the transition period. Since 2000, per capita GDP has increased almost threefold in real terms, while the private sector now constitutes about 80% of GDP and 75% of employment.

Among the human development indicators, life expectancy at birth has risen from 60.3 years in 1990 to above 70 years in 2018, while the maternal mortality and under-5 mortality ratios have fallen substantially, already exceeding Mongolia’s Sustainable Development Goal targets. There is almost universal adult literacy and primary school gross enrollment exceeds 96%.
Challenges

Mongolia is now a middle-income economy, with GDP per capita of $3,915 in 2020; yet, progress has not always been smooth. Economic growth has been marked by boom-and-bust cycles driven by vulnerability to external shocks linked to dependence on the mining sector. The country has rich deposits of coal, copper, gold, iron ore, oil and rare earths. However, managing them and the economy has not been easy. Sharp fluctuations in commodity prices, combined with procyclical fiscal policies, have resulted in balance of payments challenges, fiscal deficits, debt spikes, and sharp swings between economic growth and contraction.

Mongolia needs to strengthen its macroeconomic management with the adoption of judicious fiscal and monetary policies to cushion the economy from the impacts of commodity price volatility. In the longer term, structural reforms will be needed to reduce Mongolia’s overwhelming dependence on minerals and to make growth more inclusive and broad-based. Mongolia has excellent potential to boost exports in agribusiness, tourism, renewable energy, and digital technology services.

The private sector, which is dominated by small and medium-sized enterprises, is the engine for growth. However, issues like breach of contract, high business regulatory costs, and difficulties in accessing affordable credit hold back the expansion and development of businesses. A favorable business climate for investment can be achieved through improvements in key aspects of governance such as transparency, rule of law, and policy continuity. Much remains to be done in strengthening governance and institutional capacity.
More also needs to be done to promote women’s economic empowerment. Mongolia has high literacy and education enrollment rates for both men and women, but ranks only 120th out of 153 countries on women’s political empowerment. Women’s participation in the labor force has dropped continuously since 2009 and is well below the rate for men, while women are also much less likely to be in high paid jobs, such as in the mining industry.

Poor infrastructure and a lack of jobs and income opportunities are pushing many young people from rural areas to Ulaanbaatar’s fringes. The rural sector needs more investments to create viable businesses, jobs, and living standards. Livestock producers and other agri-enterprises need to become more efficient. But this requires creating stronger value chains, improving practices in natural resource management, and boosting public–private partnerships.

Growing pressures on the environment and the rising threat of climate change are pressing concerns that need urgent attention, through steps such as boosting the capacity and financing of agencies responsible for protecting ecosystems and strengthening national disaster risk management capabilities. Investing in renewable energy to reduce the country’s dependence on coal for its power needs will also bring multiple benefits, including reducing air pollution and its negative health impacts.

With substantial increases in per capita GDP in the past 2 decades, progress in poverty reduction needs to be expedited. After a steady decline from 2010 to 2014, poverty has seen an uptick, and today almost one in three Mongolians live in poverty. The onset of the COVID-19 pandemic in 2020 has been another major challenge for Mongolia, causing job losses and sharp income drops, which have hit vulnerable groups and small and medium-sized businesses especially hard.
Partnering with ADB

Over the course of the past 30 years, ADB’s financial and knowledge assistance has helped Mongolia carry out many critical transition reforms, increase its external and domestic connectivity, close urban and rural development gaps, and carry out major improvements in the education and health sectors. ADB has become Mongolia’s largest development partner, engaging in in-depth policy dialogue across a wide range of sectors.

For ADB, Mongolia was its first member country to make the transition from a centralized command economy to one founded on market principles. The initial years of the partnership involved a tremendous amount of learning and knowledge exchanges between both sides, at the same time as Mongolia was carrying out a complete overhaul of its policies, institutions, and financial system.

ADB is now managing an active portfolio of 40 loan and grant projects and 53 technical assistance activities in the country, and has made cumulative financing commitments of over $3.6 billion. ADB will continue to strengthen project implementation and accountability in its operations, leaning strongly on our resident mission in Ulaanbaatar. We will work with government counterparts to ensure continuity of good practices and innovative solutions created under ADB-funded projects.

The new country partnership strategy for 2021–2024 provides the basis for the next phase of ADB and Mongolia’s partnership. Along with helping Mongolia take the steps it needs to recover from the COVID-19 crisis, the strategy prioritizes measures that will lay the foundation for more inclusive and sustainable growth. This includes support to grow small businesses, construction of climate-resilient infrastructure, and financing of activities that will drive green development, including climate-smart agriculture and ecotourism. Thematic priorities include promoting gender equality, growing the private sector, and supporting digital solutions for both government and private businesses.

Mongolia has a promising future, with enormous mineral wealth, excellent trade prospects with its large neighboring markets, and exciting opportunities in the new digital era. ADB’s support in the form of sovereign and nonsovereign investments, grants, technical assistance, and knowledge, along with cofinancing from development partners and the private sector, will help Mongolia realize its full development potential.
Full of energy. Children playing after school in Ugtaaltsaidam soum, Tuv aimag (photo by Chadoraabal Baramsai).
My first visit to Mongolia was in March 1999 when I joined a fact-finding mission for a project that would build a highway to Zamyn-Uud at the border with the PRC. Our field visit took us to a small town some 200 kilometers south of Ulaanbaatar in the Gobi Desert. We arrived at Choir at midnight. A strong, dusty, and bitterly cold wind was blowing across the desert. I realized then that Mongolia would be a completely new and different challenge.

In 2000, ADB’s Board of Directors approved a new resident mission policy, which provided for resident missions to be established in most countries where ADB had operations. Mongolia was one of the first countries to benefit from the new policy and I spent much of that year traveling to Mongolia and making preparations to open an office.

When I arrived in Ulaanbaatar in January 2001 as the Country Director of ADB (we were called Resident Representatives in those early days), Mongolia was still very much in the middle of a protracted transition from a centrally planned system to a market economy. At that time, with the countries of the former Soviet Union embarking on similar changes, there was a vigorous academic debate about whether these countries should take a so-called “Big Bang” approach to transition or a step-by-step, sequenced set of reforms. The reality on the ground in Mongolia was that the country faced many very serious development challenges, most of which required an immediate response.

By the time the resident mission was opened, ADB’s program of support was already well established. ADB was financing the rehabilitation of infrastructure in both the power sector and for the community heating system that warmed Ulaanbaatar during its cold winters. ADB also supported institutional and policy reforms as the country moved forward, establishing the building blocks necessary to manage the market economy.

The operations that stood out for me were in the social sectors. Here, ADB used what was then a relatively new approach of sector development programs, which combined policy reforms with parallel investments in capacity building and physical infrastructure.

In the health sector, ADB supported Mongolia’s transition from a curative, hospital-based health system to a more preventative, community-based health care approach. In education, ADB financed development of new curricula and the retraining of teachers, and worked with the government on new ways to deliver education to a scattered rural population in a cost-effective way.

My term in Mongolia concluded in March 2006. As the MIAT Mongolian Airlines flight to Beijing climbed out of Ulaanbaatar, I could see the black line of the road to the PRC, built with ADB support, standing out clearly against the white snow.
When I arrived in Mongolia, I was struck by the very warm reception I received. We must have done good here, I thought then. True enough, the elder politicians and civil servants remembered the fast and quite generous program assistance ADB provided after the fall of the Soviet Union. “A friend in need is a friend indeed” was a quote relayed to me quite often.

I was also struck when I realized that ADB had touched the life of virtually every Mongolian, wherever she or he lived, in one way or the other and mostly for the better. Those in ADB that worked on Mongolia before me did a great job. I was hoping to be remembered in the same way.

Our reputation high, the program set, the priorities clear, a bunch of highly skilled and dedicated staff in the office, my time in Mongolia was going to be a walk in the park, I thought. Well, it never is, is it? In 2008, Mongolia was hit by the financial crisis and it was hit hard.

Export prices collapsed and so did remittances. Construction and consumption slowed. Jobs were scarce and inflation shot up. In early 2009, real wages were about half of what they were in early 2008. The development advances Mongolia achieved over the last decade were evaporating fast. By January 2009, public finances were in serious trouble, yet Parliament was not ready to act. It took another month or two for Parliament to change their mind, and some of the most profound and effective development work I was ever party to, led by a formidable team from the IMF, was undertaken. Collectively, a bold reform program was put together and it was well implemented by the Government of Mongolia. The rest is history. In 2011, Mongolia’s GDP grew by 17% and it was the fastest growing economy that year worldwide.

My warmest greetings to my old colleagues at the Mongolia Resident Mission. You rock! Your ingenuity and hard work are what makes the difference.
I am sure all my fellow country directors, past and present, will affirm to the fact that being ADB’s Mongolian country director is a very special job. So, when the news reached me in Washington, DC in 2011 that my application had succeeded, I could not have been more delighted. It had been ages since I had worked in Mongolia; hence, my first task was to reacquaint myself, starting with a visit to the Mongolian Embassy in Georgetown.

After that I did not have to go far for my homework—it was the peak of the mining boom and there was a Mongolia-themed investor conference in DC. I stopped by and recall gushing talk of endless riches. One participant gravely informed me that there would be nothing for ADB to do by the time I arrived! This all seemed a far cry from my days working in Mongolia as a lecturer in the early 1990s. So, when my flight touched down in July 2011, I was curious to discover more. It felt good to be back.

One of the first tasks on hand was to finalize our country strategy for the next 5 years. Ultimately, we decided we should put jobs first. Mining was driving growth to dizzying speeds, but only accounted for 4% of employment. How about the remaining 96%? Thus, agribusiness and tourism were two horses we decided to back. Also, I had seen how much Ulaanbaatar had grown over the years. This growth did not seem sustainable; therefore, it was very important to me that we work across the country, helping to level up economic opportunity and living standards.

Putting quality infrastructure into place became central to our work. Wherever I went in Mongolia, I was consistently struck at how people—especially the herders—talked about climate change. This was not abstract theory debated in conference halls, it was real, destructive, and happening now. And the numbers bore this out—over 70% of Mongolia was now desert. These were the issues we needed to work on.

Looking to the future, I see ADB’s role as remaining a trusted partner to help out in all times, fair weather or foul, as we have done for the past 30 years. Together, we have never shied away from great challenges and I think that high level of ambition will remain a hallmark of our work.
ADB and Mongolia are celebrating 3 decades of successful collaboration. Throughout these years, the partnership has evolved to match the changing needs of the country’s rapid socioeconomic transformation. ADB has been a privileged partner of Mongolia in its development journey. I have been honored with the opportunity to witness and participate in this dynamic partnership.

I first started working in Mongolia in 2001 and I recall it was a difficult time. The country was hit by two consecutive dzuds and suffered massive losses of livestock. The economic situation was critical, and life was harsh. I remember there were people in the streets charging for the use of phones attached to large batteries, which in winter meant spending long hours in the cold to make a modest income. It was an important service and the only way for many to make phone calls back then.

By the time I returned as country director in 2016, I found a transformed country and felt the positive influence of economic progress. Almost everyone carried a cellphone in Ulaanbaatar, and every soum had satellite connectivity. Modern buildings, some of them of spectacular design, cropped up throughout the capital city, and infrastructure was being upgraded across the country. But the most important things had not changed. The warm hospitality of the Mongolian people was intact. Traditional values prevailed and had blended harmoniously with modernity. Nomadic life continued and large herds of livestock dotted the landscape.

My time as country director would become one of the most rewarding experiences in my life, both professionally and personally. The first year was challenging. The economy was struck by a severe economic crisis and ADB wanted to be part of the solution. We actively engaged in discussions with development partners to offer the financial resources that were needed to overcome the crisis.

At the same time, a new country partnership strategy was due to support the Government of Mongolia’s development priorities. Successful conversations with the authorities resulted in the largest ADB program ever in Mongolia. Projects turned greener by making environmental protection and climate change a key strategic priority of the new partnership. New areas of intervention were jointly identified, including affordable housing, employment opportunities for people with disabilities, and ecotourism.

I left in late 2019 to embark on a new professional challenge, but Mongolia is still on my mind. I cherish my memories and look forward to setting foot again in this fascinating country. I miss the radiant blue sky, the glorious landscape, the traditional songs, the warmth of the Mongolian people, and my friends and colleagues.
Downtown Ulaanbaatar. The Choijin Lama Temple Museum in Ulaanbaatar (photo by Mookiah Thiruchelvam).
Taking it to the streets. Young skateboarders in Ulaanbaatar practicing their skills after being confined indoors for a long period due to COVID-19 (photo by Mookiah Thiruchelvam).
When I began my term (in November 2019) as country director for Mongolia, the economy was in pretty good shape. Growth was steady, commodity prices and investments were on an upswing, and government finances were improving.

What followed over the next few months, of course, was the emergence of the worst global public health crisis of the century, sparing no country, including Mongolia. The economy was turned on its head, the health system came under extreme stress, and social protection needs soared.

As head of the resident mission, I had to work quickly and closely with the Government of Mongolia and staff across ADB to determine the country’s most pressing needs, and where ADB assistance could be most effective.

Our strong and close partnership over the years meant that this process was extremely rapid. I am proud to say that we were one of the first multilateral organizations to come to Mongolia’s aid, funding medical equipment and personal protective gear for customs officials from as early as February 2020.

Since then we’ve committed financing for social protection needs, such as the child money cash grant program, as well as helping with liquidity for private companies who are key players in the food industry, and the purchase of COVID-19 vaccines for priority groups. Looking to the future, we have now extended a loan to underpin reforms that can help Mongolia exit the pandemic and make its health system more resilient to future shocks.

That Mongolia has been steadily improving its management of the current crisis and now has 65% of its population fully vaccinated is of course no surprise to me. Mongolians managed a dramatic transition in their country’s political and economic systems in a very short space of time.

As country director, I can truly say both Mongolia and ADB have come a very long way since 1991, when we began our partnership. Together we’ve worked on sweeping financial sector reforms, helped upgrade the quality of educational services, built up social protection, improved urban services, provided assistance to grow small businesses, constructed or upgraded critical infrastructure, and strengthened health services across the country.
We have now finalized our new country partnership strategy for 2021–2024 that provides a blueprint for helping Mongolia emerge from the pandemic, while creating a more diverse, competitive, green, and inclusive economy, supported by a vibrant private sector. We will help transform aimags and cities into environmentally sustainable centers, which will provide a model for green territorial development. We will also continue to support Mongolia’s digital transformation as this is essential for improving public services and making the economy more productive.

This publication, which examines the far-reaching changes Mongolia has made over the past 3 decades and the support ADB has provided over that time, is part of a series of products, events, and activities that are being undertaken to celebrate our collective achievements and to encourage discussion on how the country can continue to advance. These achievements have been made possible by the tremendous support, financing, and knowledge contributions provided by all the development partners we work with in Mongolia.

Since I began my term as country director, I have experienced a roller coaster of emotions as the battle against COVID-19 has thrown up fresh challenges almost daily. But watching the hard work and dedication of my staff and working with partners who are determined to get Mongolia back on its feet as quickly as possible fills me with great hope for the future.

In my travels through Mongolia, I have been struck by the resourcefulness, dynamism, and resilience of the Mongolian people, along with the grandeur of the landscapes and scenic beauty. Nowhere is this dynamism more evident than in the widespread role of digital technology and social media in shaping views and influencing policies. This transformative spirit inherent in the Mongolian people goes hand in hand with a strong and enduring sense of cultural pride and I believe these unique facets will continue to propel Mongolia to even greater heights in its development.
**Red waterfall.** This waterfall on the Ulaan river is located in Bat-Uliiit soum, Uvurkhangai aimag (photo by Oktyabri Dash).
Moving Forward Together  
*The 30-Year Partnership of Mongolia and the Asian Development Bank*

This publication reflects on the remarkable transformation Mongolia has made over the past 3 decades and the support the Asian Development Bank has provided over that time. The stories in the publication aim to celebrate the collective achievements of ADB’s partnership with the Mongolian government, civil society, the private sector, and other development partners, and to encourage discussion on how the country can continue to advance.

About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members — 49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.