In 2021, the Asian Development Bank (ADB) and the Government of Mongolia celebrated the 30th anniversary of their partnership. The milestone was marked by a series of events, consultations, and engagements with various stakeholders to reflect on the achievements of the past 3 decades and to identify areas for future collaboration.\(^1\)

In the same year, ADB launched its new country partnership strategy for Mongolia, 2021–2024.\(^2\) The strategy outlines ADB’s priorities and support for Mongolia on three strategic priorities: (i) fostering of inclusive social development and economic opportunity; (ii) climate-resilient infrastructure to drive competitiveness and diversification; and (iii) resilience for sustainable, green, and climate-conscious development.

This publication analyzes the discussions held between ADB and the government during the commemoration events and includes recommended actions to deepen the partnership.\(^3\) The second section of the publication deliberates over ADB’s assistance to Mongolia in the past 30 years, challenges faced during the implementation of development projects, and the actions taken. The third section introduces prospective views of the central and local governments on the partnership impact, while the fourth section discusses ADB’s perspective and commitment expressed during the commemorative consultations and engagements with the stakeholders. The final section provides conclusions and recommendations regarding the strategy and operational priorities, portfolio management, and further outreach and consultations.

\(^1\) Despite challenges due to COVID-19, efforts were made to engage all of ADB’s key stakeholders in Mongolia, including the central and local governments, project implementation units, civil society, the private sector, academia, think tanks, youth, and the media.


\(^3\) The publication is authored by Gantuya Ganzorig, senior communications officer, ADB Mongolia Resident Mission, and Munkh-Orgil Zorig, content writing expert.
Mongolia joined ADB in 1991 as the country was embarking on a major economic and political transition, replacing the centrally planned economic system with a private sector-based market economy. The country has worked with ADB and other development partners to implement reforms in every sector of the economy, while upgrading basic infrastructure and investing in social service improvements.

In the past 3 decades, ADB has implemented projects, programs, and technical assistance across multiple sectors in Mongolia, including agriculture, education, energy, finance, health, transport, and urban development. As of April 2023, ADB had provided $4.14 billion for sovereign and nonsovereign assistance, financing 477 loan, grant, and technical assistance projects (Figure 1). In addition, ADB’s operations have evolved throughout the partnership to match the changes in Mongolia’s economic and social landscape, with operations growing in scope and depth. Following Mongolia’s eligibility for ordinary capital resources lending in 2012, the amount of ADB’s assistance to the country has increased significantly since 2017 (Figure 2).

ADB is the largest multilateral development partner for Mongolia, and its contributions to the country’s development, as well as its collaboration with the government and other stakeholders, are highly valued by the government and people. Carefully designed to serve Mongolia’s development priorities, ADB projects have helped to improve people’s lives significantly by creating substantial social and economic benefits in sectors including health, education,
Innovative high-level event. More than 150 high-level representatives from parliament, government, the private sector, civil society, and youth participated and shared their insights on the country’s development progress.

transport, water, and urban services. For example, ADB-supported road projects have improved connectivity and facilitated trade, while urban services projects have provided better access to basic urban services, including water supply and sanitation. Education and health sector projects have helped to improve access to and the quality of health and education, particularly in rural areas. Such effective development projects have consolidated ADB’s valued partnership with Mongolia.

Important lessons have been learned over the years. For instance, managing a diverse and complex portfolio presents challenges, such as the involvement of multiple counterparts and stakeholders in project planning and implementation. Start-up delays and implementation setbacks can impact project quality and the timeliness of project completion. These challenges are aggravated by Mongolia’s extreme weather and short annual construction season. Enhancing the understanding of development projects and their implementation principles and procedures among all project stakeholders, including regional government offices and civil society organizations, deserves more attention and focus.

To address these challenges, ADB implemented measures to improve portfolio performance, such as regular portfolio review meetings and capacity building programs on project procurement and financial management. ADB also approved a Small Expenditure Financing Facility for $20 million that can be used for advance project actions such as the establishment of project implementation units, and preparation of detailed engineering design and bidding documents for large infrastructure projects.

Proper project supervision is crucial during the initial stages to ensure effective resource use and timely identification and resolution of issues. Simplifying project design can streamline implementation, while realistic time frames and schedules help ensure projects are completed on time and within budget. Optimizing resource allocation can be achieved through minimizing the number of small projects with high supervision costs and improving monitoring and reporting systems. A strong portfolio and robust project management capacity are needed to ensure these measures are carried out effectively.

Furthermore, to meet Mongolia’s significant infrastructure investment needs, multiple sources of financing are needed, including the state budget, public–private partnerships, and other sources of non-concessional finance. In addition to ADB-supported projects, it is vital to improve the efficiency of general public investment processes and practices by enhancing the capacity of government agencies responsible for project planning, implementation, and monitoring. Moreover, the government can attract private investments and optimize its resources by adopting best practices in project preparation, procurement, and risk management. Successful implementation of infrastructure projects will also require the government to address environmental and social risks while ensuring sustainability.
THE ROAD AHEAD: PROSPECTIVE VIEWS

The View from the Provinces

As part of the activities commemorating the 30th anniversary of its partnership with Mongolia, ADB organized regional consultations with Mongolia’s 21 provinces. The consultations focused on the provinces’ development priorities and their unique challenges, providing valuable insights into targeting development assistance effectively across sectors and geographical areas.

Key factors for advancing rural development in Mongolia, as emphasized by provincial governors, include investing in infrastructure and connectivity, providing financing for climate-resilient agribusiness value chains, and bridging the gap between urban and rural areas through social services. The development priorities of provinces were classified into nine sectors: agriculture, industry and trade, tourism, infrastructure and urban development, environment, education, health, private sector development, small and medium-sized enterprises (SMEs), and extractive industries.

The majority of provinces, 18 out of 21, identified agriculture as a primary sector for development in the medium term. Promoting farm-based or intensive livestock herding; processing agricultural products, such as meat, dairy, and wool for value-added production; and investing in irrigation infrastructure for crop and vegetable production were highlighted as keys to expanding income opportunities in rural areas. Tourism was mentioned by 16 provinces as an important sector to widen the narrow economic base in rural areas.

Provincial governors noted that to close the gap between rural and urban development, rural areas need more investments in infrastructure and basic urban services to accommodate viable businesses, jobs, and living standards. Poor infrastructure makes transport costs high and exports uncompetitive, while the limited availability of jobs and income opportunities is driving people from rural areas.

A lack of professional human resources in rural areas, including teachers and doctors, was cited by provincial governors as a development challenge in many provinces. Investing in people will be fundamental in ensuring economic diversification through private sector growth and infrastructure investment in rural areas.

Another area highlighted during the consultation is climate change mitigation and the preservation of environmental resources. Environmental degradation and pollution from human activities has put a strain on the sustainable use of pastures, water, and other natural resources. Governors emphasized that improving the efficiency of the agriculture sector, investing in urban services infrastructure, and enforcing responsible mining practices will bring multiple benefits to the people.

ADB launched its new publication *Moving Forward Together* with stories highlighting achievements of selected projects financed by ADB.

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4 *ADB.* 2021. Southern Mongolia Ready for Green Development—ADB Dialogue Event. 18 June; *ADB.* 2021. Mongolia’s Central Provinces Aim to Develop Environmentally Sustainable Agriculture. 27 August; *ADB.* 2021. ADB to Continue Supporting Sustainable Tourism in Eastern Mongolia Under New Country Partnership Strategy. 13 September; *ADB.* 2021. Northern Provincial Governors Stress Urgent Need to Prevent Pollution and Natural Hazards. 7 October; and *ADB.* 2021. ADB Concludes Consultations on Future Operational Priorities with All 21 Provinces of Mongolia. 9 December.
The development priorities of the provinces suggest that a holistic and better coordinated approach is needed to obtain the maximum outcome for development finance and policy measures. For example, the tourism sector may benefit from investment in infrastructure and urban development, while the agriculture sector may benefit from supporting the private sector (especially micro, small, and medium-sized enterprises) with access to affordable finance, skills training, and logistical support, such as storage and trading venues.

The feedback from provincial governments indicated that ADB’s operations have been largely effective, resulting in tangible benefits for local communities and matching their priority needs. Overall, ADB’s strong track record in infrastructure and urban development, particularly in the water and other urban infrastructure and services sector, has made ADB a preferred partner for many provinces in Mongolia (Figure 3).

**Client Orientation Is Key**

The Government of Mongolia has developed a close and collaborative relationship with ADB over the years. This partnership has been consistent throughout economic cycles, global financial and economic crises, disasters triggered by natural hazards, and the coronavirus disease (COVID-19) pandemic. The government has acknowledged ADB’s crucial support for Mongolia’s response to the pandemic, as the bank swiftly mobilized resources including funds for medical equipment, first-responders, and emergency kits, as well as social welfare assistance for vulnerable groups.

The government’s confidence in the close and collaborative relationship with ADB is evident through its candid acknowledgment of challenges in project implementation. This level of cooperation between the government and ADB has fostered greater flexibility and responsiveness in program and project design, enabling ADB to adjust and adapt its support to meet the changing needs and priorities of the country. The government recognizes the value of ADB’s technical expertise and experience in Mongolia, which has helped to ensure that projects are tailored and well-suited to the country’s development goals. The government also appreciates the evolution and close alignment of ADB’s partnership strategies with the government’s development policies and priorities.

Against this background, the government has set ambitious objectives for its cooperation with ADB, under the mutual commitment to achieve inclusive and sustainable development. One of the main objectives is investing in rural development, which involves support for the development of infrastructure, services, and livelihoods in rural areas. This will help to reduce the disparities in economic growth between urban and rural areas, and enable all citizens to benefit from Mongolia’s economic development.

Another objective is to promote the diversification of the economy to reduce the country’s dependence on the mining sector. The government recognizes the importance of developing other sectors, such as agriculture, tourism, and manufacturing, which can provide more sustainable sources of employment and economic growth. ADB’s expertise in these areas can help Mongolia to achieve such goals.

Finally, ADB will also support the government’s objective of increasing the private sector’s competitiveness. This involves providing financing to SMEs and promoting policies to support private sector investment, which is essential to creating jobs and driving economic growth.
MOVING FORWARD: ADB’S PERSPECTIVE

For more than 30 years, the Government of Mongolia’s active partnership with ADB has enabled the bank to provide financial and knowledge assistance supporting the country’s transition to a market-based economy. Although a middle-income country, Mongolia’s economy continues to face challenges because of its dependence on mining, which makes it vulnerable to external shocks.

ADB recognizes that Mongolia needs to strengthen its macroeconomic management to cushion the economy from the impacts of commodity price volatility. In the longer term, structural reforms will be needed to reduce the country’s dependence on minerals and make growth more inclusive and broadly based. ADB believes that Mongolia has excellent potential to boost exports in agribusiness, tourism, renewable energy, and digital technology services, and will support the country’s efforts in these areas.

The private sector is the engine for growth in Mongolia. However, high business regulatory costs and difficulties in accessing affordable credit are holding back business expansion. ADB believes that a favorable business climate for investment can be achieved by promoting good governance and policy continuity.

The migration of young people from rural areas to the outskirts of Ulaanbaatar because of inadequate job opportunities and deficient infrastructure is a growing concern. It is important to address this issue by investing in the rural sector, creating sustainable businesses, generating employment, and enhancing living standards. To achieve this, there is a need to develop stronger value chains, improve natural resource management practices, and encourage public-private partnerships.

In addition to the economic challenges, mounting environmental pressures and the threat of climate change are causing concerns for those who depend on natural resources for their livelihood. ADB is dedicated to supporting initiatives that improve living standards, generate employment, and promote sustainable businesses in rural areas. Investing in an inclusive agribusiness program that targets farmers, herders, and agribusinesses can help establish sustainable agriculture practices, efficient natural resource management, and public-private partnerships. This approach can lead to a thriving economy while preserving the environment, resulting in a sustainable future for rural Mongolia.

During the 30th anniversary events, ADB confirmed its commitment to help Mongolia secure a more diverse, competitive, green, and inclusive economy supported by a vibrant private sector—through focusing assistance on four key areas:

(i) **Prudent macroeconomic management.** ADB will continue to support Mongolia’s reforms to improve public resource management and promote stability and growth in the finance sector. It will offer innovative financing solutions to help support macroeconomic resilience.

(ii) **Leveraging Mongolia’s unique geography.** ADB will help improve the efficiency of border crossing points and develop economic corridors through strategically located economic zones. It will invest in connectivity and development of border towns and support Mongolia’s digital transformation.
(iii) **Laying the foundations for long-term diversification.** ADB will step up its work in agriculture and tourism, where Mongolia has comparative advantages and the potential to create jobs and boost exports. It will help transform Mongolia’s provinces as bases for green agribusinesses while also helping to protect ecosystems and pastureland from degradation because of harmful human activities and climate change.

(iv) **Investing in people and institutions.** ADB will continue to invest in human development and social inclusion through operations in the education, health, and social protection sectors. It will prioritize support for institutional capacity, governance, and knowledge sharing in all its operations.

CONCLUSIONS AND RECOMMENDATIONS

**Strategy and Operational Priorities**

The 30th anniversary of Mongolia’s partnership with ADB offered a valuable opportunity to assess the impact and effectiveness of development cooperation, including the choice of assistance instruments and implementing arrangements, and to explore ways in which ADB can support Mongolia’s future development goals.

The Government of Mongolia and ADB have agreed that economic diversification, agriculture, and private sector development are key areas requiring more attention. While strategy documents acknowledge the potential of the agricultural business sector, ADB’s assistance for agriculture and rural development has not yet acknowledged this potential and could be further increased.

To improve coordination with officials and development partners, ADB has encouraged the government to maintain a platform for dialogue. This can help to structure prioritization and investment pipelines by harmonizing strategies and projects among stakeholders, avoiding duplication.

ADB’s support to Mongolia’s private sector is seen as crucial to promote economic diversification. Although notable efforts have been made to assist SMEs, challenges identified by both the private sector and the government highlight the need for a more comprehensive strategy for private sector development in the country. In doing so, it is essential to take into account the unique features of Mongolia’s economy. For instance, the size of the domestic market and the limitations regarding the labor force and trade logistics should be considered when discussing issues related to access to finance and markets. Adequate financing opportunities and access to export markets are crucial for private sector growth, which can create jobs in the short term and lay the foundations for economic diversification in the long term.

**Portfolio Management**

ADB should continue to strengthen project preparation and selection processes by engaging with stakeholders, including the government, civil society, and local communities, to help identify and prioritize development needs and to ensure project feasibility.

Project implementation and monitoring can be further strengthened by supporting the
project management capacity of executing agencies, and encouraging the use of national systems to ensure accountability and transparency.

To ensure the sustainability of project outcomes in the long run, it is recommended to plan and implement exit and continuity measures. This includes evaluating the capacity and resources of the government, local communities, or beneficiary organizations before project completion to ensure that the facilities or systems can be maintained after handover. A thorough assessment of the project’s anticipated legacy can help identify potential gaps and enable the development of appropriate measures to address them. Regular post-project evaluations can also help incorporate lessons learned into future projects to improve their effectiveness.

The government could be encouraged to cofinance portions of the project to ensure that the value added by ADB-funded projects can be mainstreamed into national systems. This would help sustain reforms and solutions introduced under the project over the long term, contributing to sustainable development in Mongolia.

Outreach and Consultations

The COVID-19 pandemic restrictions hindered the possibility of organizing extensive events to engage with all stakeholders for the partnership anniversary. Nevertheless, to successfully and effectively engage with a wider audience, ADB held virtual consultations with provincial governors, engaged local media outlets to publish project and beneficiary updates, and used social media channels to disseminate information.

Moving forward, regional or provincial consultations could be held as part of the country partnership strategy, in a format suiting the context and needs of each province. To ensure such discussions serve each province’s priorities, both virtual and physical meetings could be arranged, potentially focusing on specific themes, sectors, or programs where appropriate.

It is recommended that the results of the consultations are effectively communicated to relevant stakeholders for greater impact. This can be achieved by publishing reports or briefs summarizing the discussions and outcomes of each consultation, and disseminating these through various channels, including social media and local media outlets.

Finally, ADB should make more information available about its projects through regular communications with provincial governors’ offices, and by organizing meetings for stakeholders. Such events could provide updates on the status of ongoing projects and highlight emerging opportunities for engaging with the bank. ADB can expand the impact of its operations by making geographically relevant information more accessible, and by communicating often with subnational partners.