

# Asian Development Bank & Mongolia

## FACT SHEET

**Table 1. Mongolia: Development Indicators**

Non-MDG	
Population in millions	2.77 (2010)
Annual population growth rate (%)	1.7 (2008–2010)
Adult literacy rate (%)	97.3 (2008)
Percent of population in urban areas	57.3 (2009)
MDG	
Percent of population living on less than \$1.25 a day	15.5 (2002)
Percent of population living below the national poverty line	38.7 (2009)
Under-5 mortality rate per 1,000 live births	29.0 (2009)
Percent of population using an improved drinking water source	76.0 (2008)

MDG = Millennium Development Goal.

Sources: ADB, 2011. *Basic Statistics 2011*. Manila; UNESCO, 2011. Institute for Statistics Data Centre; World Bank, 2011. World Development Indicators Online.

**Table 2. Mongolia: Economic Indicators, 2006–2010**

Economic Indicator	2006	2007	2008	2009	2010*
Per capita GNI, Atlas method (\$)	1,010	1,280	1,670	1,630	...
GDP growth (% change per year)	8.6	10.2	8.9	(1.3)	6.1
CPI (% change per year)	4.3	9.6	28.0	7.6	10.1
Unemployment rate (%)	3.2	3.0	3.0	4.0	5.0
Fiscal balance (% of GDP)	3.1	2.1	(4.7)	(5.0)	0.0
Export growth (% change per year)	44.6	26.4	29.5	(25.5)	53.8
Import growth (% change per year)	23.6	44.7	60.7	(34.3)	53.2
Current account balance (% of GDP)	6.4	1.8	(12.3)	(7.5)	(15.3)
External debt (% of GNI)	54.1	45.7	36.5	41.7	...

( ) = negative, ... = data not available, 0.0 = value is less than half of unit employed, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB, 2011. *Asian Development Outlook 2011*. Manila; ADB staff estimates; World Bank, 2011. World Development Indicators Online.

Mongolia joined the Asian Development Bank (ADB) in 1991. At that time, the country was in flux. Without the financial support from the former Soviet Union, its economy was in crisis. Meanwhile its infrastructure, including power and heating supplies, was on the verge of collapse. ADB provided financial and technical assistance (TA) for projects covering agriculture, education, energy, finance, health, industry, telecommunications, transport, and urban development. Initial support took the form of quick-disbursing program loans and investments in ailing infrastructure sectors.

Mongolia has since received 44 loans totaling \$774.7 million. In addition, 12 Asian Development Fund (ADF) grant projects, totaling \$172.2 million, were approved from 2007, when Mongolia became eligible for ADF grant financing. The ongoing portfolio consists of 8 loans totaling \$182.6 million and 12 ADF grants totaling of 172.2 million. The active TA portfolio consisted of 25 projects totaling \$23.4 million and 12 Japan Fund for Poverty Reduction (JFPR) projects totaling \$27.29 million.

The approach taken in ADB's latest country strategy and program (CSP) and country operations business plan (COBP) is to help the government implement major elements of its development strategy, accelerate private sector-led growth, and reduce disparities in development between rural and urban areas. The program also aims to enhance the poor's access to stable sources of income and employment, and to improve public service quality and accessibility.

ADB and the government have agreed to finalize a new country partnership strategy, 2011–2015 once the economy has stabilized and implementation of the government's medium-term plans resume. The current COBP, consistent with the strategic thrust of the CSP, responds to challenges posed by Mongolia's deteriorating economic environment. The COBP can be found at [www.adb.org/Documents/CSPs/MON/default.asp](http://www.adb.org/Documents/CSPs/MON/default.asp)

## Impact of Assistance

ADB's assistance has been particularly successful in helping Mongolia establish the basic elements of a well-functioning market economy. ADB support in key sectors has also been broadly successful in establishing effective and efficient services, fostering regional integration, and enabling private sector initiatives. An independent 2008 evaluation of ADB assistance to Mongolia concluded that ADB assistance contributed to Mongolia's strong economic and social performance in recent years.

Assistance in the education sector improved access to, and quality of, basic education, catalyzed additional funding, and made progress toward a sector-wide approach. A new master plan and an increased focus on vocational education has reduced growth constraints due to human resource shortfalls. The cumulative effect of a series of development programs in the health sector helped adjust the health system to market forces, while improving service delivery, financing, and human resources development. In finance, ADB assistance for the financial regulatory commission contributed to the diversity of products available to households and businesses. Capacity building and improvements in corporate governance are needed to strengthen the banking sector.

ADB delivered an innovative, market-oriented, and environmentally sustainable agriculture project in Western Mongolia; however, efforts to maintain momentum were hampered by slow development of a follow-up project and a challenging policy dialogue. ADB assistance for urban development contributed to better living conditions in provincial towns by expanding and strengthening basic services, such as water, sewerage, and heating. In transport, ADB assistance in developing the north–south road linking the borders with Russian Federation and the People’s Republic of China (PRC) through Ulaanbaatar, combined with trade facilitation, is expected to contribute to Mongolia’s economic integration with its neighbors. ADB support for regional cooperation through the Central Asia Regional Economic Cooperation (CAREC) Program has built confidence and created an effective institutional forum for negotiating complex cross-border projects.

ADB, in close consultation with other development partners, worked with the government on its response to the global economic crisis. ADB provided financial support to help safeguard the poor from the worst of the crisis. ADB also considered adjustments to the timing, funding, and sequencing of projects to support the government’s crisis response.

In 2010, Mongolia was eligible for 50% grant financing from the ADF. ADB approved two ADF loans for \$48 million, six grants totaling \$55 million (from the ADF, Asia Pacific Disaster Response Fund [APDRF], and JFPR), and 10 TA projects amounting to \$7.4 million.

Major assistance includes Southeast Gobi Urban and Border Town Development Project (\$15 million), designed to have multidimensional impacts on poverty reduction by improving infrastructure and services, creating direct employment for construction and indirect long-term, income-generating opportunities, and empowering poor residents in decision making through improved urban governance. Rapid growth in mining and cross-border trade in the region is projected to more than double the population in participating towns within 10 years.

ADB has financed a regional road development project (\$24 million) to develop the remaining section of Mongolia’s north–south road transport corridor. The corridor will link the Asian highway networks of the PRC and the Russian Federation and passes through major economic centers of Mongolia. The project also includes (i) a cross-border road transport facilitation plan, (ii) road safety improvement, (iii) area development to maximize the poverty reduction impact, and (iv) TA financing for awareness and prevention of HIV and AIDS and human trafficking on the north–south road corridor. Together with the original loan, a supplementary loan (\$8 million) will strengthen Mongolia’s transport links to the PRC and Russia as well as to other countries in the region through the port of Tianjin.

A project to help the government prepare its first hospital development policy for Ulaanbaatar (\$14 million) will turn Songinohairkhan district hospital into a model multifunctional general hospital with expanded services, one that other district hospitals are expected to follow. Support will strengthen medical residency training and postgraduate programs. A drug regulatory authority will be set up, with a better laboratory to improve access to safer drugs nationwide. The project will directly benefit over 250,000 mostly poor residents of Songinohairkhan.

At the government’s request, ADB mobilized resources for the *Dzud* Disaster Response Project (\$2.5 million), which helped the government assist herder households affected by severe winter conditions. The project delivered food, fuel, health, and social services to herder families in remote areas.

## Cofinancing and Procurement

Cofinancing operations enable ADB’s financing partners—government or their agencies, multilateral financing institutions, and commercial

**Table 3. Mongolia: 2010 Loan, Technical Assistance, and Grant Approvals (\$ million)**

Loans		Technical Assistance	Grants	Total
Sovereign	Nonsovereign			
48.00	–	7.38	55.00	110.38

– = nil.

Cumulative Lending (as of 31 Dec 2010) : \$774.7 million  
Cumulative Disbursements (as of 31 Dec 2010) : \$653.2 million

**Table 4. Mongolia: Cumulative ADB Lending as of 31 December 2010**

Sector	Loans (no.)	Amount (\$ million)	% <sup>a</sup>
Agriculture and Natural Resources	4	61.90	7.99
Education	4	42.50	5.49
Energy	4	93.80	12.11
Finance	9	104.19	13.45
Health and Social Protection	6	85.02	10.98
Industry and Trade	3	65.00	8.39
Public Sector Management	3	40.50	5.23
Transport and ICT	8	219.63	28.35
Water Supply and Other Municipal Infrastructure and Services	3	62.13	8.02
Multisector	–	–	–
<b>Total</b>	<b>44</b>	<b>774.67</b>	<b>100.00</b>

– = nil, ICT = information and communication technology.

<sup>a</sup> Total may not add up because of rounding.

**Table 5. Mongolia: Project Success Rates**

Sector	% <sup>a</sup>	No. of Rated Projects/Programs
Agriculture and Natural Resources	–	3
Education	100.00	2
Energy	66.67	3
Finance	50.00	6
Health and Social Protection	100.00	3
Industry and Trade	50.00	2
Public Sector Management	–	1
Transport and ICT	100.00	5
Water Supply and Other Municipal Infrastructure and Services	50.00	2
<b>Total</b>	<b>62.96</b>	<b>27</b>
<b>Year of Approval</b>		
1990s	70.59	17
2000s	50.00	10

– = nil, ICT = information and communication technology.

<sup>a</sup> Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2010.

**Table 6. Mongolia: Portfolio Performance Quality Indicators for Sovereign Lending, 2009–2010**

Number of Ongoing Loans (as of 31 Dec 2010)	2009 (\$ million)		2010 (\$ million)	
	2009 (\$ million)	2010 (\$ million)	2009 (\$ million)	2010 (\$ million)
Contract Awards/Commitments	53.2	21.7	53.2	21.7
Disbursements	56.7	15.1	56.7	15.1
Loans at Risk (%)	20.0	12.5	20.0	12.5

organizations—to participate in the financing of ADB projects. The additional funds are provided in the form of grants, official or commercial loans, and syndications.

In 2010, \$500,000 in technical assistance was provided for the Public Transport Information and Communication Technology Project.

As of year-end 2010, cumulative direct value-added cofinancing for Mongolia amounted to \$34.5 million for five projects, and \$4.7 million for 10 TA projects.

A summary of projects with cofinancing from 1 January 2006 to 31 December 2010 is available at [www.adb.org/Documents/Fact\\_Sheets/Mongolia/cofinancing.asp](http://www.adb.org/Documents/Fact_Sheets/Mongolia/cofinancing.asp)

A summary of procurement contracts awarded to companies and consultants from Mongolia for goods and works, and consulting services can be found at [www.adb.org/Documents/Fact\\_Sheets/Mongolia/procurement.asp](http://www.adb.org/Documents/Fact_Sheets/Mongolia/procurement.asp)

## Partnership

ADB support for the government's response to the global financial crisis was undertaken in close cooperation with the International Monetary Fund, the World Bank, the Government of Japan, and other development partners.

In education, ADB and Japan are leading the move to the first sector-wide approach in Mongolia as co-chairs of the Education Donors Consultative Mechanism. A range of approaches will be used to build robust partnerships and cofinancing arrangements sought for larger transport and energy infrastructure projects. ADB endeavors to foster public-private partnerships to boost efficiency and broaden access to financing sources for urban development projects. ADB support for health sector governance and management will be integrated with partner support for improved technical service delivery capacity. Assistance for basic and higher education will encourage a sector-wide approach. Likewise, capacity-building assistance for national planning and anticorruption will be coordinated with several development partners. More emphasis will be placed on addressing generic constraints to implementation of external assistance programs. Toward this end, ADB will continue to review portfolio performance jointly with the World Bank.

## Operational Challenges

Private sector development and diversification of the economy are impeded by a harsh climate, small domestic market, human resource constraints, infrastructure bottlenecks, corruption, legal inadequacies, weak contract enforcement, and poor capital markets. Infrastructure and regulatory shortcomings must be resolved to ensure that transport—both domestic and international—does not hamper growth, and that Mongolia is able to reintegrate with the regional and global economy. Similar issues will have to be addressed in the energy sector. The regulatory environment in the transport and energy sectors are severe constraints to private sector participation and long-term growth.

Although public spending is rising rapidly, its development impact is limited and the demands on the government are growing in number and complexity. Delivering services equitably and cost effectively to increasingly concentrated populations, while also continuing to serve remote regions, is a daunting task. Providing youth education, particularly higher and tertiary education, is a major development challenge with large poverty reduction potential.

Mongolia's economic recovery has been accompanied by a substantial degradation of its natural resource base. Overgrazing, urban air and water pollution, and the unsustainable management of water basins have undermined living standards and hampered growth

**Table 7. Mongolia: Projects Cofinanced, 1 January 2006–31 December 2010**

Cofinancing	No. of Projects	Amount (\$ million)
Projects*	2	30.50
Grants	1	0.50
Official loans	1	30.00
Technical Assistance Grants	6	3.50

\*A project with more than one source of cofinancing is counted once.

**Table 8. Mongolia: Share of Procurement Contracts**

Item	2009		2010		Cumulative (as of 31 Dec 2010)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods and Works	50.46	0.49	14.18	0.22	179.28	0.18
Consulting Services	0.66	0.15	1.15	0.28	8.28	0.11

**Table 9. Mongolia: Contractors/Suppliers Involved in ADB Loan Projects, 1 January 2006–31 December 2010**

Contractor/Supplier	Sector	Contract Amount (\$ million)
Shengli Engineering & Construction Group Co.	Transport and ICT	11.59
Hurdnii Zam Co., Ltd.	Water Supply and Other Municipal Infrastructure and Services	4.49
Medimpex International Co., Ltd.	Education/Health and Social Protection/ Industry and Trade	3.89
Odcon Holding Co., Ltd.	Energy/Water Supply and Other Municipal Infrastructure and Services	3.12
MCS Electronics Co., Ltd.	Education/Health and Social Protection/ Transport and ICT/Public Sector Management/Industry and Trade	2.68
Urban Road Co., Ltd.	Water Supply and Other Municipal Infrastructure and Services	2.20
Prestige Joint Venture	Water Supply and Other Municipal Infrastructure and Services	1.43
Most International LLC	Water Supply and Other Municipal Infrastructure and Services	1.23
White Idol LLC	Water Supply and Other Municipal Infrastructure and Services	1.19
Labtech Co., Ltd.	Health and Social Protection	1.05

ICT = information and communication technology.

**Table 10. Mongolia: Top Consultants (Individual Consultants and Consulting Firms) Involved in ADB Loan Projects, 1 January 2006–31 December 2010**

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Prestige Engineering Co. Ltd., Central Cultura	1	0.11
Monhydroconstruction LLC	1	0.09
TZTT LLC	1	0.09
Prestige Engineering LLC	1	0.07
Eng Baiguulamj LLC	1	0.06
TIB Co. Ltd.	1	0.04
Nemut Co. Ltd.	1	0.03
Mongolia Academy of Management	1	0.02
Individual consultants	19	0.47

**Table 11. Mongolia: Top Consultants (Individual Consultants and Consulting Firms) Involved in ADB Technical Assistance Projects, 1 January 2006–31 December 2010**

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Independent Research Institute of Mongolia	1	0.08
Mongolian Employers' Federation (MONEF)	1	0.07
Marie Stopes International, Mongolia	1	0.05
Individual consultants	149	1.51

and social development. At the same time, urgent efforts are needed to address air pollution, transport gridlocks, electricity and heating vulnerabilities, and a housing shortage in Ulaanbaatar, while dealing with similar issues in growing settlements around mines. An emerging challenge is how to make mining-based growth more inclusive.

## Future Directions

ADB's strategy aims to build on its core competences identified in *Strategy 2020, The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*, while playing an integral role in the National Development Strategy of Mongolia. ADB will practice results-based management for competitive, sustainable and regionally-integrated growth, and inclusive social development. Private sector development, regional cooperation, natural resource management, and gender equality will be mainstreamed into all ADB operations, while poverty reduction remains the overarching goal.

Given its focus on Strategy 2020 and government priorities, ADB will concentrate support for growth and inclusive social development on four sectors: transport, urban development, education, and health. In each, ADB will play an influential role in directing policies, developing capacity, and aligning external resources with government priorities. ADB will employ sector-wide approaches and use state systems to the greatest extent possible.

ADB will also reengage in the energy sector and assist the government in developing an energy sector master plan with the understanding that this may evolve into a core sector for ADB assistance.

Table 12. **ADB Assistance to Developing Member Countries, 2009–2010<sup>a</sup>**

	2009 (\$ million)	2010 (\$ million)	Change (%)
Lending	13,215.89	11,462.27	(13.27)
ADF, Sovereign	2,210.31	2,212.57	0.10
OCR, Sovereign	10,567.71	8,196.96	(22.43)
OCR, Nonsovereign	437.87	1,052.73	140.42
Public Sector	134.30		
Private Sector	303.57	1,052.73	246.78
Equity Investments	220.00	243.00	10.45
Grants <sup>b</sup>	1,113.52	1,052.86	(5.44)
Technical Assistance	267.00	326.54	22.30

( ) = negative, ADF = Asian Development Fund, OCR = ordinary capital resources.

<sup>a</sup> Excludes terminated loans, equity investments, technical assistance, and grants.

<sup>b</sup> Excludes grant cofinancing not administered by ADB.

## About Mongolia and ADB

### ADB Membership

Joined 1991

### Shareholding and Voting Power

Mongolia is the 32nd largest shareholder in ADB among its regional members. Overall, Mongolia is the 40th largest shareholder.

Figures are as of 1 April 2009, before ADB's Board of Governors voted to adopt the fifth general capital increase. The process is ongoing, and the final figures are expected to be available by 30 June 2011. Current subscription levels are available from the Office of the Secretary.

Number of shares held: 532 (0.02% of total shares)      Votes: 13,764 (0.31% of total membership)

**Siraj S. Shamsuddin** is the Executive Director and **Gaudencio S. Hernandez, Jr.** is the Alternate Executive Director representing Mongolia on the ADB Board of Directors.

**Shane Rosenthal** is the Officer-in-Charge for the Mongolia Resident Mission (MNRM). MNRM was opened in 2001 and provides the primary operational link between ADB and the government, private sector, and civil society stakeholders in its activities. MNRM engages in policy dialogue and acts as a knowledge base on development issues in Mongolia.

The Mongolian government agency handling ADB affairs is the Ministry of Finance.

### About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2010, lending volume was \$11.46 billion (106 projects), with TA at \$175 million (243 projects) and grant-financed projects at \$982 million (40 projects). In addition, \$3.67 billion in direct value-added loan, grants and TA cofinancing was generated. From 1 January 2006 to 31 December 2010, ADB's annual lending volume averaged \$10.3 billion. In addition, TA and investment grants funded by ADB and special funds resources averaged \$692.6 million and \$175.4 million in TA over the same period. As of 31 December 2010, the cumulative totals excluding cofinancing were \$167.1 billion in loans for 2,328 projects in 42 countries, \$4.4 billion in 163 grants, and \$3.15 billion in TA grants, including regional TA grants.

## Contacts

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### Useful ADB websites

Asian Development Bank  
[www.adb.org](http://www.adb.org)

Country website  
[www.adb.org/mongolia](http://www.adb.org/mongolia)

Asian Development Outlook  
[www.adb.org/documents/books/ado/2011/ado2011-mon.pdf](http://www.adb.org/documents/books/ado/2011/ado2011-mon.pdf)

Annual Report  
[www.adb.org/Documents/Reports/Annual\\_Report/2010/default.asp](http://www.adb.org/Documents/Reports/Annual_Report/2010/default.asp)

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