

ASIAN DEVELOPMENT BANK & MONGOLIA

www.adb.org/mongolia

A FACT SHEET

Mongolia is successfully transforming into a market economy. Despite recent improvements, however, growth has been insufficient to ameliorate the living conditions of a large percentage of the population that fell into poverty in the early transition years. The country's productive base, and its capacity to generate jobs and equitable growth, remains narrow and vulnerable to factors such as weather and commodity prices. Consequently, growth has not been equitable and inclusive in recent years for many of the poor. More than 35% of the population remains below the poverty line.

Greater diversification of the economy, supported by better-targeted social assistance, will be essential to sustained growth and poverty reduction. The Government's Socio-Economic Guidelines are aimed, among other objectives, at expanding private sector-led growth to raise living standards and reduce income disparities, and social development to improve income opportunities and the quality of public services and access.

Relationship with ADB

Mongolia has received \$689 million in total assistance since joining the Asian Development Bank (ADB) in 1991. It is the 18th largest borrower, with loan approvals of \$620.34 million.

When Mongolia joined ADB, the country was in flux and its economy in crisis. Financial support and technical assistance (TA) provided by the former Soviet Union had been withdrawn and physical infrastructure, particularly for power and heating supplies, was on the verge of collapse. Transition required huge changes in institutions, policies, the economy, and the financial sector.

Starting under these difficult conditions, ADB has provided financial and TA for projects in a number of sectors: agriculture, education, energy, finance, health, industry, telecommunications, transport, and urban development. ADB also invested in the equity of a private sector project.

Initial ADB support was in the form of quick-disbursing program loans and investments in ailing infrastructure sectors. Governance and poverty were identified as major development objectives in later years.

Table 1. Mongolia: Development Indicators

• Population	2.6 million (2005) 1.17% growth per annum (1990–2005)
• National poverty rate	35.6% (1998) 15.8% (1995)
• Population living on less than \$1 a day	18.9% (2003) 14% (1995)
• Under-5 mortality rate per 1,000 live births	52 (2004) 104 (1990)
• Adult literacy rate	97.8% (2000–2004)
• Population in urban areas	59.3% (2004) 51.9% (1995)
• Population with access to improved drinking water resources	62% (2002) 62% (1990)

Sources: ADB. 2006. *Basic Statistics 2006*. Manila. ADB Statistical Database System.

Table 2. Mongolia: Economic Indicators, 2001–2005

Economic Indicator	2001	2002	2003	2004	2005
Per capita GNI (\$)	400	420	480	590	...
GDP growth (% change per year)	1.0	4.0	5.6	10.7	6.2
CPI (% change per year)	8.2	0.2	5.0	8.2	12.7
Unemployment rate (%)	4.6	3.4	2.6	3.6	...
Fiscal balance (% of GDP)	-4.5	-5.8	-4.2	-2.1	2.7
Export growth (% change per year)	12.3	3.2	16.1	36.0	23.4
Import growth (% change per year)	12.8	8.6	9.8	22.4	13.4
Current account (% of GDP)	-16.6	-16.0	-12.6	-9.8	-8.0
External debt (% of GNI)	84.7	88.0	117.6

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income. Sources: ADB. 2006. *Asian Development Outlook 2006*. Manila. ADB Statistical Database System.

Figure 1. Mongolia: Loans and Disbursements, 1995–2005



Cumulative Lending (as of Dec 2005) \$620.3 million

Cumulative Disbursements (as of Dec 2005) \$487.5 million

Figure 2. Mongolia: Equity, Grants, Technical Assistance, and Loans, 1967–2005

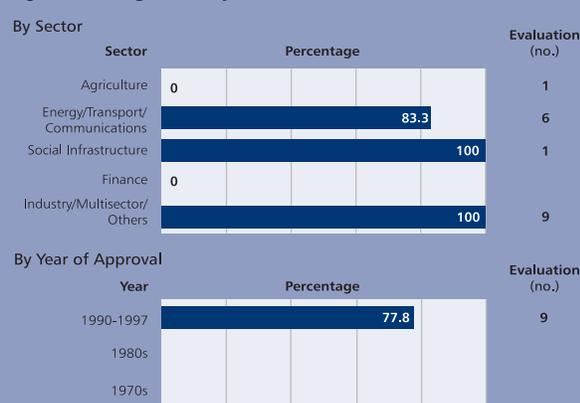


Table 3. Mongolia: Cumulative ADB Lending as of 31 December 2005

Sector	Loans (no.)	Amount (\$ million)	% ^a
Transport and Communications	6	171.6	27.7
Finance	8	94.2	15.2
Energy	4	93.8	15.1
Agriculture and Natural Resources	4	61.9	10.0
Industry and Trade	2	60.0	9.7
Health, Nutrition, and Social Protection	5	41.9	6.8
Law, Economic Management, and Public Policy	3	40.5	6.5
Education	3	29.5	4.8
Water Supply, Sanitation, and Waste Management	2	26.9	4.3
TOTAL	37	620.3	100.0

^a Total may not add due to rounding.

Figure 3. Mongolia: Project Success Rates^a



^a Includes highly successful and successful projects.

Cumulative Assistance: \$689.01 million*

* Includes loans, technical assistance, grants, and equities (as of 31 December 2005).

The approach taken in ADB's latest Country Strategy and Program (CSP) for Mongolia is to help the Government implement major elements of its own development strategy: accelerate private sector-led growth and reduce disparities in development between rural and urban areas, enhance access of the poor to stable income opportunities and employment, and improve the quality of public services and their accessibility for the poor. The CSP adopts a results-based approach to project design and implementation.

The CSP for 2006–2008 can be found at www.adb.org/Documents/CSPs.

Impact of Assistance

ADB's assistance for capacity building and institutional change through two Governance Reform Program loans was instrumental in designing the Public Sector Finance Management Law and has led to noticeable improvements in public resource management.

Assistance for decentralization of the health system has proved particularly effective. Two ADB-supported Health Sector Development projects have helped shift the focus from hospital-based care to primary health care clinics and have tested a successful model for community-based care. The ADB-financed Roads Development Project helped rehabilitate

the North–South Corridor road northwards from Ulaanbaatar toward the Russian border. The recently completed Second Roads Project and the Regional Roads Project approved in 2004 will help complete the Corridor by constructing the road southwards from Ulaanbaatar to the border with the People's Republic of China (PRC). The ADB-supported Agriculture Sector Development Project has increased productivity, improved management, and reduced vulnerability in the agriculture sector, which helped reduce rural poverty. The project has also improved the provision of rural financial services by financial institutions.

A \$10 million loan for the Financial Regulation and Governance Program, approved in 2005, aims to reduce borrowing costs and expand credit, strengthen governance in banks, and enhance the role of nonbank financial institutions in mobilizing savings for investment capital by helping establish a single regulator for the sector. The program will establish a financial intelligence unit in the Bank of Mongolia to help reduce risks from money laundering.

TA grants approved in 2005 will help Mongolia achieve the Millennium Development Goals through orderly urban development and reduced maternal mortality, and realize economic growth through regional cooperation.

Future Directions

ADB expects to provide Mongolia loans of about \$85 million over 2006–2008 from its concessional Asian Development Fund resources, with an average of \$28 million a year for projects in the agriculture, roads, education, health, and urban development sectors. The triennial allocation will be supplemented with \$40 million from ADB's Regional Fund.

Proposed assistance in the agriculture sector will build upon the ADB-supported Agriculture Sector Development Project through a more integrated approach to rural development and economic growth in Mongolia's Western Region. The Regional Altai Western Corridor Project being considered by ADB is expected to increase market integration in Western Mongolia and link road systems in the Russian Federation to those in the PRC. Supplemented by Mongolia's participation in the Central Asia Regional Economic Cooperation (CAREC) program, this project and a proposed Regional Transport Project will improve transport networks and regional transport integration.

Ongoing assistance in the education sector continues to improve basic infrastructure and learning environments. Proposed project assistance will build upon achievements to improve the quality and relevance of education and its access for the poor. In the health sector, assistance is expected to promote public-private partnerships to deliver health services to the poor with a particular focus on women's health issues.

The development of community-driven infrastructure in ger areas, the outlying districts of Mongolian cities, with a central role for community-driven infrastructure development, is expected to be the focus of ADB's assistance in the urban sector. Improving the benefits Mongolia receives from growth in neighboring economies will be the goal of ADB's regional cooperation assistance.

Operational Challenges

Harsh natural conditions, geographical isolation, difficult access to financial resources, and unemployment are the major causes of poverty in Mongolia. Low incomes are compounded by inadequate social services, particularly poor medical facilities, urban services, and education.

The challenge is to broaden and sustain Mongolia's growth and provide opportunities for the many poor Mongolians, who have not yet benefited from the transition to a market economy. At the same time, improving health and education and the quality of life among the poor will need more attention.

A key challenge is that general development support will not yield the desired broad-based growth unless specific constraints are addressed. Furthermore, ensuring that the poor will benefit from growth will require targeting resource constraints—natural, human, financial, and physical—that are particularly severe for the poor. Ensuring that key public services are accessible to the poor is also a future challenge.

Table 4. **Mongolia: Improvement in Portfolio Quality Indicators, 2004 and 2005**

Portfolio Quality Indicator	2004	2005
Disbursement ratio (%)		
All loans	24.6	18.8
Project loans	20.5	14.5
Implied average implementation period for project loans (years) ^a	6.1	6.2
Undisbursed loan balance (\$ million)	159.0	127.5
Active loans (no.)	14	15
Projects at risk—(no.) ^b	1	0
% of loans in portfolio	7.1	0.0

^a Based on approval to revised closing date. Excludes program loans only.

^b Refers to the number of loans.

Partnership

ADB maintains a strong relationship with all bilateral and multilateral funding agencies. In the education sector, ADB and the Government of Japan are leading the move to the first ever sector-wide approach in Mongolia. ADB's collaboration with the Government and key development partners is expected to lead to a similar approach in the transport and health sectors.

ADB cooperates with civil society organizations (CSOs) in Mongolia to strengthen the effectiveness, quality, and sustainability of the services it provides. CSOs are playing an important role in the Regional Road Development Project by building capacity to prevent HIV/AIDS and human trafficking. Through a regional TA that financed numerous nongovernment organization-run initiatives, ADB provided a grant to the Mongolian Nature and Environment Consortium (MNEC). MNEC established a community-based tree nursery specializing in fast-growing seedlings, food, and medicinal plants.

Cofinancing and Procurement

ADB's cofinancing operations enable its development partners—governments or their agencies, multilateral financing institutions, commercial organizations, and export credit agencies—to join ADB in financing its lending to developing members. For every US dollar lent by ADB in Asia and the Pacific during 2005, cofinancing operations brought in an additional \$1.27. Such additional funds are provided in varying forms of grants, guarantees, or loans.

A summary of loan projects with cofinancing is available at www.adb.org/Documents/Fact_Sheets/Mongolia/cofinancing.asp.

A summary of procurement contracts awarded to companies and consultants from Mongolia for goods and related services, civil works, and consulting services can be found at www.adb.org/Documents/Fact_Sheets/Mongolia/procurement.asp.

About Mongolia and ADB

Mongolia is the 31st largest shareholder among regional members and the 39th largest overall.

ADB Membership

Joined	1991
Shares held	532 (0.015%)
Votes	13,919 (0.315%)

Sibtain Fazal Halim is the Executive Director and **Marita Magpili-Jimenez** is the Alternate Executive Director representing Mongolia on the ADB Board of Directors.

Adrian Ruthenberg is the ADB Country Director for Mongolia. The Mongolia Resident Mission (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 Mongolia government agency handling ADB affairs is the Ministry of Finance.

About the Asian Development Bank

ADB is dedicated to reducing poverty in the Asia and Pacific region through pro-poor sustainable economic growth, social development, and good governance. Established in 1966, it is owned by 66 members—47 from the region. In 2005, ADB operations totaled \$7.4 billion in loans, equities, guarantees, grants, and technical assistance. With headquarters in Manila, ADB has 26 offices around the world and more than 2,000 staff from over 50 countries.

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Useful ADB websites

Asian Development Bank
www.adb.org

Country website

www.adb.org/mongolia

Asian Development Outlook
www.adb.org/Documents/Books/ADO/2006/documents/mon.pdf

Annual Report

www.adb.org/Documents/reports/annual_report/2005/

Depository Libraries

www.adb.org/Publications/Depositories/mon.asp