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INTERNATIONAL FINANCE CORPORATION

MULTILATERAL INVESTMENT GUARANTEE AGENCY

COUNTRY PARTNERSHIP FRAMEWORK

FOR

MONGOLIA

FOR THE PERIOD FY21-FY25

**China, Mongolia, and Korea Country Management Unit
East Asia and Pacific Region**

**International Finance Corporation
East Asia and Pacific Region**

The Multilateral Investment Guarantee Agency

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US\$1.00 = MNT 2850

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January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank	IFC	International Finance Corporation
AML	Anti-money Laundering	IPF	Investment Policy Financing
AS	Advisory Services	IMF	International Monetary Fund
ASA	Advisory Services and Analytics	MED	Ministry of Economic Development
BoM	The Bank of Mongolia	MIGA	Multilateral Investment Guarantee Agency
CEM	County Economic Memorandum	MNT	Mongolian Tugrug
CFT	Combating the Financing of Terrorism	MOF	Ministry of Finance
CLR	Completion and Learning Review	MPP	Mongolian People’s Party
COVID	2019 novel coronavirus	MSISTAP	Mining Sector Technical Assistance Project
CPE	Country Program Evaluation	MSME	Micro, Small and Medium-sized Enterprises
CPF	Country Partnership Framework	NBFI	Non-banking Financial Institutions
CPS	Country Partnership Strategy	NDC	Nationally Determined Contribution
CSO	Civil Society Organization	NSO	National Statistical Office of Mongolia
DBM	Development Bank of Mongolia	OT	Oyu Tolgoi
DPF	Development Policy Financing	PEF	Pandemic Emergency Financing Facility
DPO	Development Policy Operation	PFM	Public Financial Management
EAP	East Asia and Pacific	PLR	Performance and Learning Review
ECE	Early Childhood Education	PPLM	The Public Procurement Law of Mongolia
EITI	Extractive Industries Transparency Initiative	PPP	Public-Private Partnership
EMSO	Economic Management Support Operations	RETF/RE	Recipient-Executed Trust Fund
ESF	Environmental and Social Framework	SCD	Systematic Country Diagnostic
EU	European Union	SDGs	Sustainable Development Goals
FATF	Financial Action Task Force	SLP	Sustainable Livelihoods Project
FDI	Foreign Direct Investment	SME	Small and Medium Enterprise
FY	Fiscal Year	SORT	Systematic Operations Risk-rating Tool
GBV	Gender Based Violence	TA	Technical Assistance
GDP	Gross Domestic Product	TF	Trust Fund
GHG	Greenhouse Gas	UB	Ulaanbaatar
IBRD	International Bank for Reconstruction and Development	WB	The World Bank
ICT	Information Communications Technology	WBG	World Bank Group
IDA	International Development Association	WTO	World Trade Organization
IEG	Independent Evaluation Group		

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MONGOLIA
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I. INTRODUCTION

1. **The year 2021 marks the 30th anniversary of the partnership between the World Bank Group (WBG) and Mongolia (1991-2021).** In the early days, much of the WBG's support was aimed at helping Mongolia's transition from a planned to a market economy. The sharp cut of external assistance necessitated support for keeping key infrastructure operational and building the foundation of a private sector, new financial and legal systems, and institutions. Over the years, engagements on poverty reduction and human development deepened, as did support for rural livelihoods. In recent years, the WBG supported economic growth through mining sector development and economic diversification, and focused on stabilizing the economy following economic downturns in 2009, 2014, and 2020.

2. **The last WBG Country Partnership Strategy (CPS) for Mongolia covering FY13–17, was discussed by the WBG Board of Directors on May 17, 2012, and subsequently extended twice until December 2020.** The strategy was built around three pillars: (1) enhancing Mongolia's capacity to manage the mining economy sustainably and transparently; (2) building a sustained and diversified basis for economic growth and employment in urban and rural areas; and (3) addressing vulnerabilities through improved access to services and better service delivery. Two Performance and Learning Reviews (PLRs) were prepared in 2016 and 2019. Both PLRs updated the WBG engagements based on the changing environment in Mongolia, adjusted the results framework, and extended the CPS.

3. **This Country Partnership Framework (CPF) covers the period of FY21-25 and is timed to align with the mandate and development program of the government after the June 2020 parliamentary elections.** The CPF is anchored in Mongolia's long-term development strategy, *Mongolia Vision 2050*, and aligned with the Guidelines on Economic and Social Development (2020-2025) and the Government Action Plan (2020-2024), adopted by the newly elected parliament. The CPF has been informed by the 2018 Mongolia Systematic Country Diagnostic (SCD) and other key analytical work including a 2020 Country Economic Memorandum (CEM), the CPS Completion and Learning Review (CLR), and two rounds of consultations and a client survey with stakeholders in Mongolia.

4. **The CPF is prepared at a critical juncture in Mongolia's development, as the ongoing COVID-19 pandemic continues to take a heavy toll.** Mongolia's economy had just recovered from the 2016 economic downturn when the COVID-19 crisis hit. While the COVID-19 impact on public health continues to evolve, it has already exerted a significant shock to Mongolia's economy and people's livelihoods. It has created a new operating environment, but also accentuated some of the fundamental development challenges in Mongolia. In addition, the winter of 2020 was a very difficult one with temperatures plummeting to lows of -50 C causing extremely harsh winters (*dzud*) conditions in more than half of Mongolia. The country is now facing a double challenge of providing relief to respond to the health threat and mitigating economic impacts in the short term, while seizing the crisis to foster a more sustainable, inclusive, and resilient recovery. The CPF is designed to support Mongolia's effort to address this dual challenge. Additionally, this is the first CPF since Mongolia graduated from IDA and became an IBRD-only client on July 1, 2020.

II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

2.1 Social and Political Context

5. **Mongolia is a country with a rich nomadic culture, vast land, and extreme climate conditions.** It is the least densely populated country in the world with 3.3 million people inhabiting a territory four times the size of Germany. Landlocked between Russia and China, its vast rural areas lack essential infrastructure and connectivity. Almost half of its population live in the capital Ulaanbaatar and its surroundings and the rest is spread across small urban centers and vast steppes where people herd livestock such as sheep, goats, horses, cattle, yaks, and camels. Wintertime temperatures often dip below -30 degrees Celsius. Agricultural and construction seasons are short, and natural productivity is low with arable land constituting only 1 percent of the total area. Nearly 30% of Mongolians continue to engage in traditional nomadic pastoralism, moving up to four times a year in search of pastureland for their livestock. Herders are quick at adopting many technological advances, such as use of mobile phones, internet, modern vehicles, satellite TV, and solar panels, but their livelihoods are still vulnerable with livestock being often their only source of income. Alternate job opportunities are scarce in rural areas.

6. **Since the early 1990s, Mongolia has transitioned to a democratic governance system with a market-based economy.** It adopted a new Constitution in 1992 and became a parliamentary republic. It has held eight legislative elections since, all of which were characterized as free and fair. Two parties - the Mongolian People's Party (MPP, previously known as the Mongolian People's Revolutionary Party) and the Democratic Party (DP) - have dominated the political scene, ruling in alternation and at times in coalition. In the latest parliamentary election in June 2020, the ruling MPP, running on an economic reform program and COVID-19 response actions, won a landslide victory, obtaining 62 out of 76 seats in the parliament. The Presidency is currently held by DP, with the next presidential election scheduled for June 2021. Freedom of expression in the political and public sphere is high with more than 500 media outlets operating in the country, and there is a growing influence of social media. Civil society is maturing, despite weaknesses in its institutional and financial capacity. The Constitution was amended in November 2019, intended to clarify in the division of power and accountability of the parliament, cabinet, and presidency, strengthen the parliament and cabinet, improve fiscal discipline and independence of the judiciary, and bolster local governance.

7. **Although Mongolia's transition to democracy has been remarkably peaceful, the ensuing politics have been volatile.** Between 1992 and 2017, fifteen Prime Ministers served the country with an average tenure of under 1.5 years, reflecting instability within coalitions and ruling parties. The Presidential election in 2017 was characterized by the first ever run-off elections in Mongolia between the two leading candidates, highly polarized media and the casting of white ballots (a form of protest voting in which no candidate is selected) by more than 8 percent of voters. Public protests in response to critical issues such as air pollution, corruption, unemployment, and anti-mining movements are common in Mongolia. A change of cabinet in late January 2021, triggered by public protests, further reflected the volatility of the political environment. But given the large majority the MPP holds in parliament, the new government largely stands for policy continuity.

8. **Mongolia is endowed with important assets and has achieved strong development results since the 1990s.** Mongolia possesses world-class mineral deposits (e.g. coking coal, copper, gold), vast pastureland and pristine nature. It borders large markets and has an educated population. It has demonstrated significant success in reducing poverty and elevating human well-being since the early 1990s. Mongolia fares relatively well in the World Bank's Human Capital Index (HCI), with a score of 0.61 in 2020, higher than the average of the EAP region and lower middle-income countries. Mobile phone networks cover 99% of the population, with 70% smartphone penetration. Access to banking services is one of the highest in the world.

9. **But stagnation in poverty rates, perceived increases in inequality and patchy public services have left the public questioning the real impact of mining revenues on people’s livelihoods despite the overall gains in per capita income.** On a per capita basis, Mongolia ranks as one of the most richly endowed countries in the world. Oyu Tolgoi (OT) (copper and gold) and Tavan Tolgoi (TT) (coal), once fully developed, will be among the largest mines in the world. Investments in exploration of mineral deposits could yield additional world-class mines. This mineral wealth is a key asset for Mongolia’s development, and it has also raised expectations of Mongolians. However, the mining sector only employs about 4 percent of the workforce and has created new environmental and social challenges. Many Mongolians view dependence on mining critically, and especially question the role of foreign investors in the mining sector. The ownership and management of mineral resources constitute key issues in political debates and this, in turn, is a source of uncertainty for investors and capital markets.

10. **COVID-19 has already impacted the social and political landscape in Mongolia.** The authorities have taken proactive measures in response to the COVID-19 pandemic since early 2020. No case of local transmission was detected until November 2020. Some polls suggested that the ruling MPP’s landslide election victory in June 2020 could be partially attributed to the government’s proactive COVID response.¹ Despite the early successes, local transmission started in November 2020, and has not been brought under control since then. Mongolia started its national vaccination program in February 2021, with support of international partners including the Bank. The poor and low-income households are particularly vulnerable, both in terms of public health risks and impact of an extended period of shutdown of economic activities, especially during a harsh long winter. In late January 2021, protests broke out in Ulaanbaatar against the government’s handling of the COVID outbreak, leading to the resignation of the Prime Minister and a change of the cabinet. Other social issues such as increased domestic violence potentially attributed to lockdown measures are also important causes of concern.²

2.2 Recent Economic Developments

11. **The Mongolian economy experienced rapid growth since new large-scale mining investments began in 2004.** Exploitation of abundant mineral resources and growth in the mining-related sectors led to a doubling of the country’s GDP over the last 10 years. Today, the mining industry accounts for about a quarter of domestic production, nearly 90 percent of total exports and 73 percent of foreign direct investment (FDI).³ The country’s largest project – the OT copper and gold mine – is expected to account for up to 30 percent of total GDP once operating at full scale. As the mining industry employs only 4 percent of the labor force and creates a substantial environmental and social footprint, Mongolia is in need for effective policies to promote broad-based economic development.

12. **Dependence on mineral wealth has made the economy highly susceptible to external shocks and contributed to extreme macroeconomic volatility and boom-and-bust cycles.** Over the last two and a half decades, the country has experienced three recessions, and entered into six IMF programs. In response to the latest sharp economic downturn in 2014-16 in the wake of declining commodity prices, the new government elected in 2016 launched a comprehensive “Economic Recovery Program” in 2017,

¹ See for example, Sant Maral foundation survey, May 2020. https://830a862d-3fe6-40e6-b731-5a65590fd0cf.filesusr.com/ugd/915e91_6967750f46d24ae49e445089ead06009.pdf.

² It was reported that 2244 domestic violence perpetrators were investigated during January – March 2020, a 99.3% increase from the same period in 2019, and 97.4% of the perpetrators were men. There was also a 76.6% increase in people seeking protection in shelter houses. The report follows the first round of lockdown measures.

³ National Statistics Office of Mongolia.

supported by a coalition of international partners including the IMF, the Bank, and bilateral partners.⁴ GDP growth returned to about 6 percent during 2017-2019, thanks to a recovery in commodity prices and demand in the coal sector, higher private investment supported by FDI, and increased private consumption. Buoyant revenues and tight spending limits stabilized public finances, yielding two consecutive years of budget surpluses in 2018-19, and allowing for a substantial decline in public debt. The fiscal buffers thus built have been critical in allowing the government to respond to the latest COVID-19 induced downturn.

13. The economy contracted by over 5 percent in 2020, the country's first sizable recession in over a decade. The COVID-19 pandemic adversely affected exports, FDI, private investment, and domestic activities. The mining sector was hit amid the collapse in external demand and domestic lockdown measures. Non-mining sector output also contracted, largely driven by slowdowns in the manufacturing, trade, and transportation sectors, as well as tourism. Meanwhile, private investment plummeted amid lower FDI inflows and negative growth of private sector credit. As a result, about 45 percent of firms have permanently exited the market since the beginning of the pandemic and monthly sales volumes have experienced up to 42 percent reduction compared with the prior year. With restrictions on mobility, 87 percent of firms experienced a decrease of hours worked. With about 76 percent of all firms delaying payments to financial institutions, the nonperforming loan (NPL) ratio in the banking system increased to 11.8 percent as of February 2021.⁵ On the other hand, education, information technology, health, finance and insurance, and public service sector have shown growth as the pandemic has increased the demand and opened new opportunities for some sectors.⁶

14. Fiscal performance deteriorated substantially in 2020 after the major improvements in 2017-19. The overall budget deficit rose sharply to 9.5 percent of GDP amid the significant revenue shortfall and surge in spending for economic stimulus measures during the COVID-19 pandemic. The government has announced three phases of stimulus measures amounting to about 11 percent of GDP for the period between April 2020 and July 2021. These measures are a mix of forgone revenue and spending relief (see Box 1 below). Cognizant of the risks to fiscal sustainability, the approved 2021 budget aimed to contain the budget deficit to below 2 percent of GDP. However, in early 2021, responding to the nationwide lockdowns and the sharp deceleration of domestic economic activity over the turn of the year, the authorities announced a new stimulus program. The program is focused on stimulating private sector investment and job creation through bank credits. While direct fiscal expenses are expected to be limited, the program could create significant contingent liabilities through state-bank lending and credit guarantee mechanisms, and through investment programs funded by state-owned enterprises and secured against

⁴ Key reform measures included the termination of off-budget spending by the DBM and the BoM; additional safeguard measures such as the establishment of a Fiscal Council; strong adjustment measures to reduce on-budget spending; revenue mobilization measures such as raising taxes on higher income earners and on tobacco, alcohol, petroleum and old vehicles; and budget priorities to strengthen social protection and basic public services (especially education and health).

⁵ NPL ratios has been very high in consumption, trade, construction, real estate, mining, processing, and manufacturing sectors averaging at 23%, while in the agriculture, transportation, warehousing, and services sectors, the levels averaged around 6%.

⁶ Data are from Enterprise surveys, COVID-19: Impact on firms (<https://www.enterprisesurveys.org/en/covid-19/map>); 2020 Financial Stability Council report- Central Bank, Financial Regulatory Commission, MOF, Deposit Insurance Corporation. https://www.mongolbank.mn/documents/sanhuugintb/FSC_report_202008.pdf; and National Statistics Office- January 2021 https://www.1212.mn/BookLibraryDownload.ashx?url=covid_economy_2021.01.pdf&In=Mn

mining revenues. In April, a further round of cash transfer to each citizen was announced to compensate the income losses from a 15-day strict lockdown.⁷

Box 1. The size of fiscal relief measures by Mongolia is among the highest in the region

Since the beginning of 2020, the Government of Mongolia has approved a COVID-19 fiscal relief package in 3 phases amounting to over MNT 4.3 trillion (equals to US\$1.5 billion, or about 11 percent of GDP). The measures are primarily focused on supporting households and firms (particularly SMEs) to cushion losses of income and avoid mass unemployment and bankruptcies. This includes about 8.8 percent of GDP in income support measures to households and 2.2 percent of GDP in income support measures to firms. Key spending measures include the expanded child money program (CMP) and higher health spending.

The size of fiscal relief measures by Mongolia is among the highest in the region. The optimal size of any support package is contingent on the severity of the outbreak and a country’s initial conditions (such as the state of the health sector; commodity dependence; fiscal and monetary space and degree of informality). With these caveats, Mongolia’s fiscal support package is significantly higher than the average size of fiscal measures in developing EAP countries, estimated at around 5 percent of GDP (Figure 2).

Figure 1. Fiscal relief measures

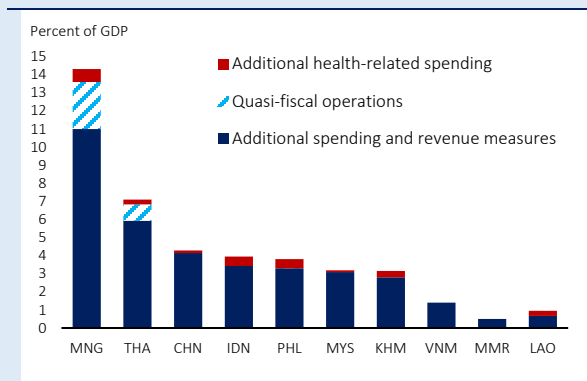
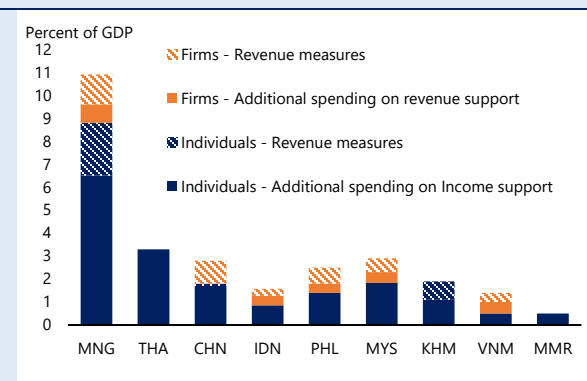


Figure 2. Income support and revenue exemptions



With limited fiscal space, the fourth round of stimulus announced in January 2021 financed largely through the financial sector including some quasi-fiscal operations by the Bank of Mongolia (BoM).^{*} The announced measures add up to about US\$3.5 billion (over 20 percent of GDP) and would be primarily financed by banks and the BoM, and the government is expected to cover the cost of interest subsidies and provide loan guarantees. The 3-year plan aims to support small and medium enterprises, thereby to prevent further job losses prompted by the COVID-19 crisis; support agricultural and non-mineral export sectors through subsidized loans; accelerate investments in mega projects including railroad construction to reduce the cost of coal exports; and expand households’ access to affordable housing through subsidized mortgage program. The program’s direct fiscal impact is relatively limited although contingent liabilities will need to be carefully assessed; its economic impact will depend on the take-up by the banking sector.

Source: MoF, World Bank, EAP update (October 2020), IMF World Economic Outlook Update (June 2020); World Bank staff estimates.

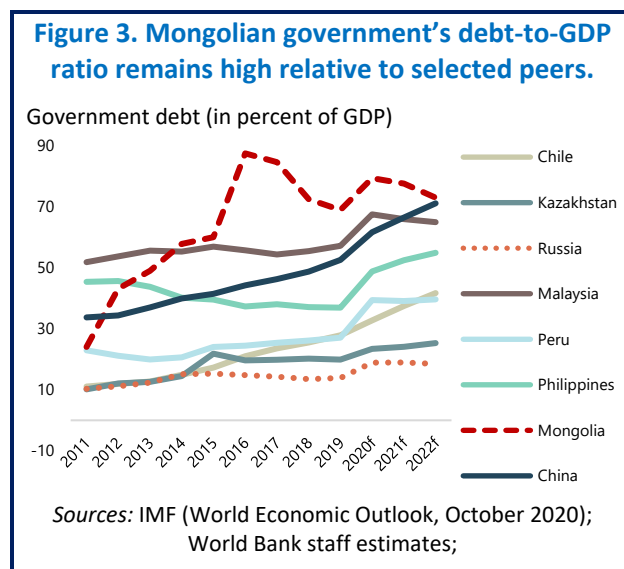
Note: Data for regional countries are as of September 12, 2020. Data for Mongolia is as of end-2020. Data refer to general government, except for Indonesia, Malaysia, and the Philippines, which refer to central government only. Income and revenue support measures include direct transfer payments; reduction or deferral of payment commitments; foregone revenue from tax cuts, credits, and exemptions; and other financial assistance to individuals and firms.

The total value of fiscal relief package mentioned in this box does not include the cost of the cash transfer announced in April 2021.

⁷ To contain the surge of virus outbreak, the authorities announced a strict lockdown of 15 days during April 10-25, 2021. To compensate for the income losses, a one-time stimulus cheque of MNT 300,000 (about US\$100) is provided to each citizen (about 3.1 million including children). The estimated total cost of about US\$320 million is reportedly being financed by the clearance of tax arrears from the OT mine.

15. **The government debt to GDP ratio has increased again in 2020, due to a rising primary deficit and the contraction in output.** Government debt declined to below 70 percent of GDP in 2019, significantly down from almost 90 percent in 2016, thanks to improved fiscal management and a strong recovery in growth. Due to a widening primary deficit and weaker economic growth amid the COVID-19 shock, the debt-to-GDP ratio is estimated to have increased to near 80 percent in 2020. Assuming an improvement in the fiscal stance in 2021-22, the debt level is expected to decline starting from 2021. However, this excludes the debt of state-owned enterprises (SOEs) and contingent fiscal liabilities created by the Bank of Mongolia under the new stimulus package, which may offset the improvement in the general government debt position. (see Figure 3)

16. **Despite lower capital inflows and large private sector debt repayments, the external position improved substantially in 2020 faster than initially expected, amid a notable improvement in the current account position.** After a sharp deterioration in the early months of 2020, external pressures eased in the second half of the year, and the current account even recorded a surplus amid a quick recovery of exports and persistent imports compression (due to lower demand for capital and intermediate goods and declining service fees). Despite a fall in foreign direct investment and sizable private sector external repayments, the balance of payments improved, with the authorities taking advantage of improved financing conditions to refinance external debt. The Mongolian tugrug depreciated moderately and the level of foreign exchange reserves reached a historical high of US\$4.5 billion, supported also by higher gold purchases by the authorities. The new stimulus package may rekindle import demand, however, and partially reverse some of the recent build-up of external buffers.



17. **In 2020, monetary policy was loosened to mitigate the economic impact of the pandemic through policy rate cuts, increased banking sector liquidity, and the introduction of regulatory forbearance.** Moreover, the monetary authorities engaged in quasi-fiscal activities. The looser policy stance followed a period of tightening starting in late 2018, which helped slow credit growth and stabilize inflation, giving the central bank some room to ease its policy stance when the pandemic hit. However, improved external position can easily reverse as the recovery of domestic demand fuels imports coupled with rising oil prices, hence monetary policy space continues to be limited by the country's relatively vulnerable external position.

18. **Despite the relaxation of macroprudential regulations and buffers, banks remain cautious in lending.** In 2020, domestic credit contracted by about 5 percent (year-over-year) compared to growth of 5.1 percent in 2019. While a sizable portion of this contraction is explained by the authorities' decision to write off the pension loans in January 2020, issuance of new loans remained subdued due to heightened perceptions of risk, deteriorating asset quality, and significant currency mismatches (including deposit dollarization). Regulatory and supervisory forbearance may be hiding more serious problems in the financial sector which limit bank appetite to extend new loans. Indeed, given weak capital buffers, financial sector stability remains a potential concern and source of downside macro-economic risk. In the face of a loosening monetary stance and limited commercial credit creation, banks have been

accumulating excess liquidity. One of the motivations for the new stimulus program aims to recycle this liquidity back into the real economy. If this is done without due attention to underlying credit quality, the weak capital buffers of the banking sector may be further eroded and put financial and macroeconomic stability at risk.

19. **Supported by the sizable stimulus program, the Mongolian economy is projected to rebound in 2021.** Following the contraction in 2020, the Mongolian economy is expected to grow by 6.8 percent in 2021, as the authorities take control of the pandemic, stimulus measures prop up domestic demand, the adverse impact of the global economy recedes, businesses and consumers adjust to the new norm of living with the pandemic, and a vaccine is introduced. However, the recovery is subject to risks of (i) a sharp rise in domestic COVID-19 cases that could trigger stricter and prolonged lockdowns; (ii) the potential for further global waves of the virus that would worsen the domestic and external environment; (iii) possible financial instability as regulatory forbearance is withdrawn and the underlying fragile condition of bank balance sheets is revealed; (iv) weather-related shocks; and (v) the likelihood of new spending and overstretched public finances in the run-up to the presidential election in June 2021.⁸

Table 1: Key Macro Economic Indicators (Updated January 2021)

MONGOLIA selected indicators	2017	2018	2019	2020e	2021f	2022f
Real GDP growth, at constant factor prices	5.3	7.2	5.2	-5.3	6.8	7.2
Agriculture	1.8	4.5	8.4	6.2	3.0	6.0
Industry (incl mining)	0.7	7.9	3.1	-6.2	10.1	6.6
Services	10.8	7.5	5.9	-8.3	5.5	8.2
Inflation (CPI, end-period)	6.4	8.1	5.2	2.3	6.5	7.0
Current account balance (% of GDP)	-10.2	-16.8	-15.4	-4.3	-8.9	-10.7
Net Foreign Direct Investment (% of GDP)	12.7	16.3	16.5	12.4	14.0	14.8
Fiscal Balance (% of GDP)*	-3.8	2.6	1.4	-9.5	-2.6	-1.5
Debt (% of GDP)**	84.6	72.7	69.2	78.4	76.9	71.7

**DBM spending is excluded from fiscal balance and monitored separately.*

***General government debt data excludes SOE's debt and central bank's liability from People's Bank of China (PBOC) swap line.*

2.3 Poverty and Shared Prosperity

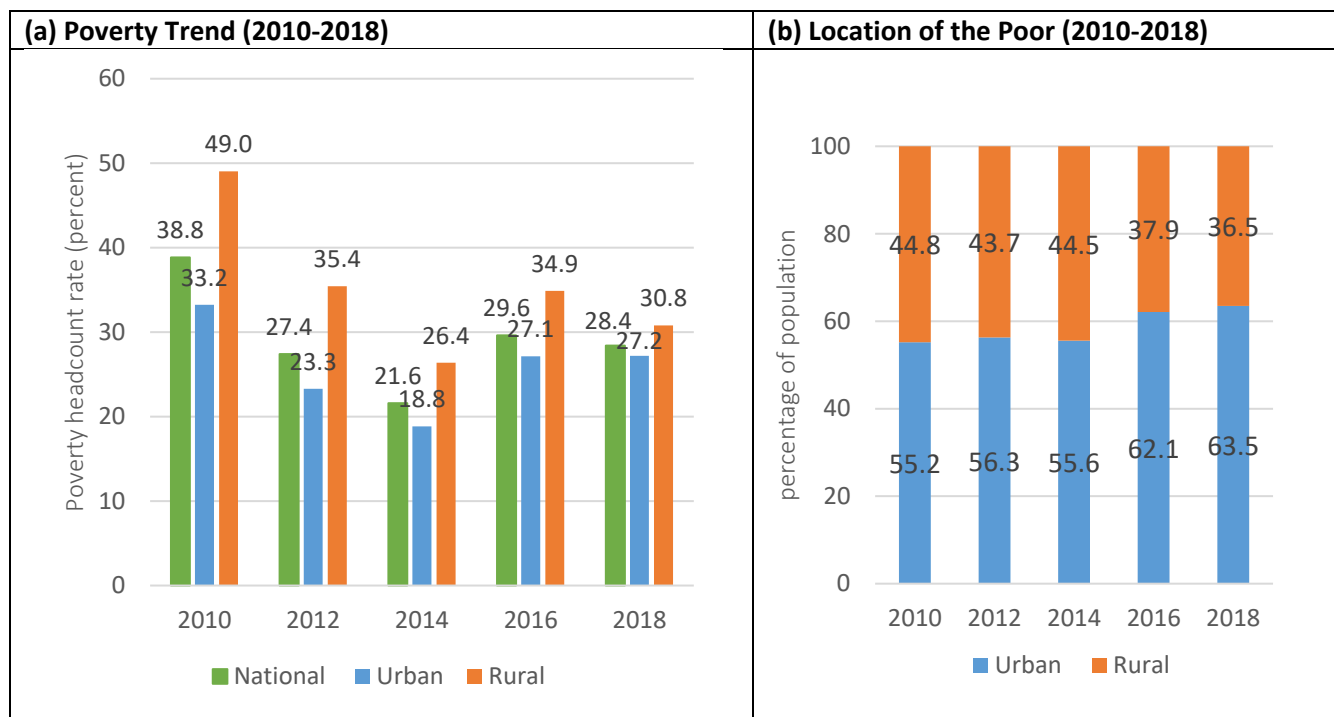
20. **Mongolia's national poverty headcount rate decreased slightly from 29.6 percent in 2016 to 28.4 percent in 2018.** Between 2016 and 2018, poverty reduction was uneven, declining in rural but not in urban areas. Growth in rural areas was faster and favorable to the poor, contributing to reducing rural poverty by 4 percentage points from 34.9 percent in 2016 to 30.8 percent in 2018. By contrast, less-inclusive growth in urban areas was accompanied by stagnating poverty, leaving the poverty headcount unchanged at 27 percent from 2016 to 2018 (Figure 4a). Poverty is increasingly concentrated in urban areas (Figure 4b). While the percentage of poor under the national poverty line is substantial, the number of people living under the international poverty line of US\$3.20 (2011 PPP) for lower-middle income countries remains at around 5 percent.⁹

⁸ On the positive side, in October 2020, FATF removed Mongolia from the list of countries with inadequate protection against money laundering and terrorist financing, commonly referred to as the FATF 'grey list'.

⁹ As countries have grown economically, the level of extreme poverty based on the International Poverty Line (IPL, \$1.90/day 2011PPP) has gradually become less relevant to the lives of the people in middle-income countries. In developing EAP, China, Thailand, Mongolia, and Malaysia all have extreme international poverty rates of less than 1 percent. For most countries, national poverty lines are increasing with national per capita consumption and income. The lower-middle income class (LMIC) poverty line (\$3.2/day 2011PPP), based on the median values of national poverty lines from lower-middle income countries, sets international poverty benchmarks among lower-middle income countries.

21. **Inequality has remained stable over the decade.** Between 2011 and 2018, the bottom 40 percent achieved 1.0 percent annual growth in real consumption per capita, which is 0.33 percentage points higher than the average per capita consumption growth. These shared prosperity patterns have also been accompanied by stable inequality, with the consumption Gini index remaining between 32-34 over the same period.

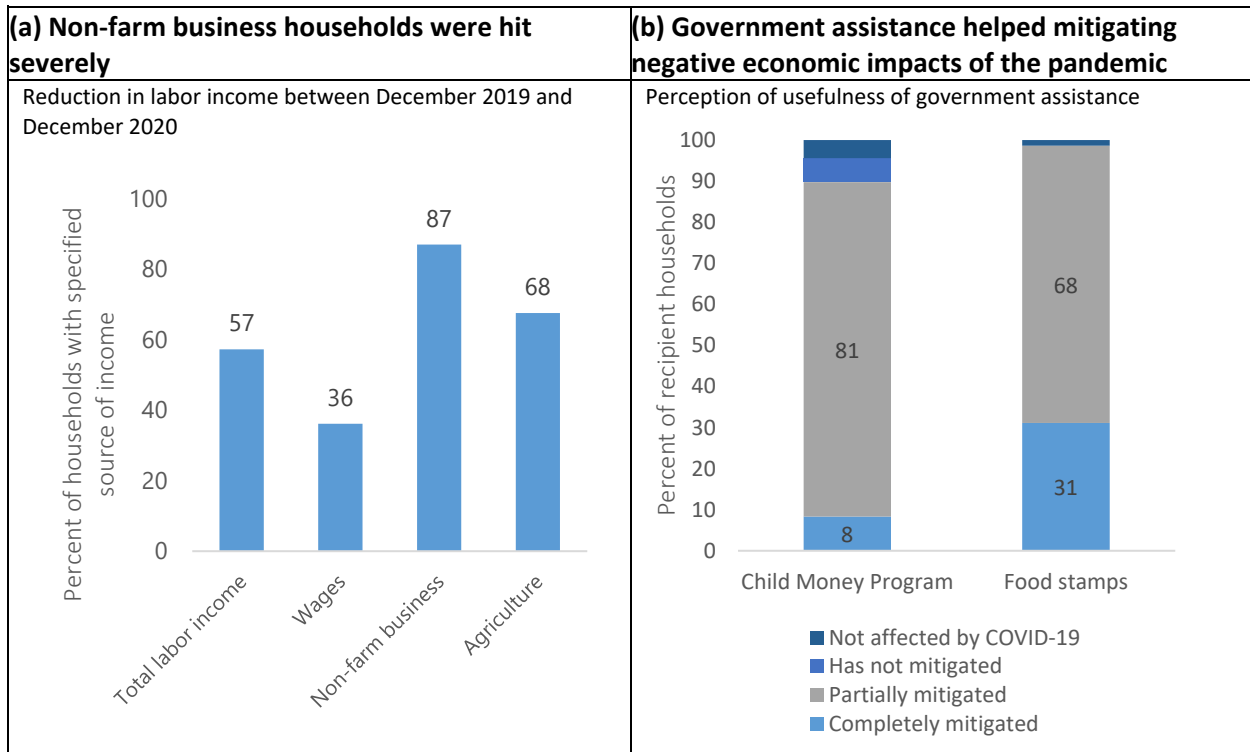
Figure 4: Poverty trends and location of the poor, 2010-2018



Source: WBG and NSO, HSES (Household Socio-Economic Survey), 2018

22. **The COVID-19 pandemic has led to broad reductions in household income, some of which are compensated by the Government’s social assistance measures.** A household phone survey conducted by the National Statistics Office of Mongolia and the World Bank in early 2021 indicates that the pandemic had caused significant disruptions in employment and broad reductions in labor income. With the rise in COVID-19 cases in early November 2020 and stricter containment measures, about 85 percent of households engaged in non-farm business were not able to operate fully during December 2020 and nearly 90 percent experienced income losses compared to the same period last year (Figure 5a). Herders have been able to work uninterrupted during the pandemic, but their livestock income has declined due to disruptions in supply chains and contractions in external demand for livestock products. However, the government’s generous direct transfers to households helped mitigate some negative income shock. The phone survey results indicate 81 percent of Child Money Program (CMP) recipient households reported that CMP partially mitigated negative impacts of the pandemic and another 9 percent reported it completely offset impacts (Figure 5b).

Figure 5: Income losses and impacts of Government transfers under the COVID-19 pandemic



Source: Mongolia COVID-19 Response Phone Survey (Round 3, December 2020)

Note: For Figure 4a, the sample is restricted to households with the specified source of income for each category for the last 12 months.

2.4 Development Challenges

23. **The WBG’s 2017 Strategic Country Diagnostic (SCD) for Mongolia identifies three main challenges: unstable economic growth, population wellbeing at risk, and growing climate-related and environmental stress, and some of these challenges have been further accentuated by the COVID-19 crisis.**¹⁰ The recurring boom-and-bust cycles put at risk past gains in standards of living and poverty reduction. Low life expectancy, relative to comparison countries, and a growing incidence of non-communicable diseases pose serious risks to population well-being. With nearly half of the population living in *gers*, inadequate housing is partly explaining population vulnerabilities due to limited access to sanitation, central heating, and transportation. Climate change and human actions have brought about higher disaster risks and environmental degradation. This has become particularly evident in the growing frequency and severity of climate-related disasters such as *dzud*, droughts or floods. Together with more permanent factors such as pollution of the air, water, and pastureland, these recurrent events are turning into substantial obstacles to economic growth and rising living standards.

¹⁰ World Bank, Mongolia: Systematic Country Diagnostic. 2018.

<https://openknowledge.worldbank.org/bitstream/handle/10986/30973/mongolia-scd-final-version-november-2018-11282018-636792121231072289.pdf?sequence=1&isAllowed=y>. The SCD was prepared to inform the CPF originally scheduled for 2018. The CPF was however subsequently postponed and a PLR was prepared instead in 2019. Nonetheless, the analysis by the SCD remains fundamentally valid, and aligned with other analytical work by the WBG.

24. **The SCD proposes two main strategies to tackle Mongolia’s development challenges, the formation of *intangible capital* and *genuine savings*.**¹¹ The formation of “intangible capital” means the creation of efficient regulations and capable institutions that effectively design, implement, and monitor government plans and actions. This intangible capital is needed to better manage volatile resource revenues, promote a competitive business environment, provide quality social services, and protect natural resources. Although Mongolia’s corpus of regulations is strong and modern in many areas, there is often a significant implementation gap to better enforce and monitor what is already on the books. On the other hand, Mongolia needs to accumulate a more diversified set of financial, physical, and human capital assets. These “genuine savings” seek to transform the rents from commodity exports into a new mix of productive assets so that economic diversification evolves naturally as relative endowments and competitiveness of the country shift from natural assets to human and other forms of capital. This will make Mongolia less vulnerable to external shocks. So far, the record is mixed: while there has been strong investment in mining in the recent past, investments in infrastructure, human capital and the preservation of natural resources have been relatively low.

25. **Based on the two strands of challenges, the SCD proposes a list of five development priorities for Mongolia.**

- ***Governance: a cross-cutting root-issue behind all key challenges.*** Prudent macroeconomic management is the key economic governance challenge. In addition, three broad governance issues are highlighted: pro-cyclical election policies (exacerbating boom-bust-bailout cycles), poor enactment and implementation of laws (an “implementation gap”¹²), and clientelistic political competition, with frequent shifts following changes in parliamentary composition, including frequent and deep turnover of civil servants.
- ***Jobs and private sector development: the fundamental problem for most Mongolians.*** High unemployment rates, especially among youth, and low female labor participation indicate that more can be done in terms of job creation. As the economy grows, skills mismatch of recent graduates (especially at the tertiary level) is a cause for stagnating employment, productivity, and fulfilment of higher value jobs. Private Sector Development as the main driver of growth and jobs is constrained by fiscal crowding out and an unpredictable investment climate. Despite some advances in Doing Business indicators, private investors still perceive Mongolia as a high-risk environment.
- ***Human capital accumulation and protection: turn mining riches into wellbeing.*** Remaining ***health*** challenges call for an expansion and quality enhancement of primary care, together with better incentives in the hospital system to cope with growing demands from rising non-communicable diseases. While public spending on ***education*** remains at mid-level (compared to peer countries), the supply-demand gap is widening – especially for critical early childhood education – given the country’s young demographics and fast urbanization. Moreover, upskilling in poor-quality tertiary and vocational education is much needed to prepare the incoming

¹¹ These are partly derived from the WBG’s *Diversified Development Report*, which examines the development experience of several resource-rich countries. See Gill, Indermit et al, *Diversified Development. Making the Most of Natural Resources in Eurasia*, WBG, Washington, 2014.

¹² Unlike some of its comparators, Mongolia lacks commitment to comply with rules and regulations from a long-term development perspective. Fragmented politics make it even more necessary to establish a consensus among all key actors in the political spectrum (regulatory/executive agencies, the parliament and non-state actors) to ensure that rules and resources yield the desired development outcomes.

workforce for higher value jobs. In addition, the **social protection** system will need to be more targeted and fiscally sound. Despite its recognized merits in terms of coverage and equity, it has had limited impact on easing macro-shocks or spurring poverty reduction. Pensions deserve special attention as fiscal subsidies to the pension system continue to balloon.

- **Infrastructure: the groundwork of future diversification.** Being land-locked and large in size, transport and logistics are acute concerns for Mongolia. The state is heavily involved in core infrastructure such as power, water, and transport, and is likely to remain an important player in these areas. However, more private sector investment and PPP options would ease fiscal pressures and help to curb rising public debt, as well as provide end-consumers with better technology, governance, and efficiency in the provision of utilities.
- **Protection of Natural Resources: shortsightedness would be a grave mistake.** Climate change and recent economic developments contribute to a deterioration of natural resources and population wellbeing. The depletion of water sources in some areas, high levels of air pollution in UB, pasture degradation and increasing climate-related disaster risks call for enforcement of laws and regulations and additional investments in improved infrastructure. Legitimate conflicts of interest in the use of natural resources should be discussed transparently, recognizing the trade-offs involved.

26. **Aligned with the SCD, the Bank’s recent CEM also advocates a shift “from Mines to Minds” in accelerating Mongolia’s development.** It argues that Mongolia should use its mineral wealth to invest in people and institutions, while gradually reducing its dependence on the mining sector. (see Box 2 for more details) ¹³

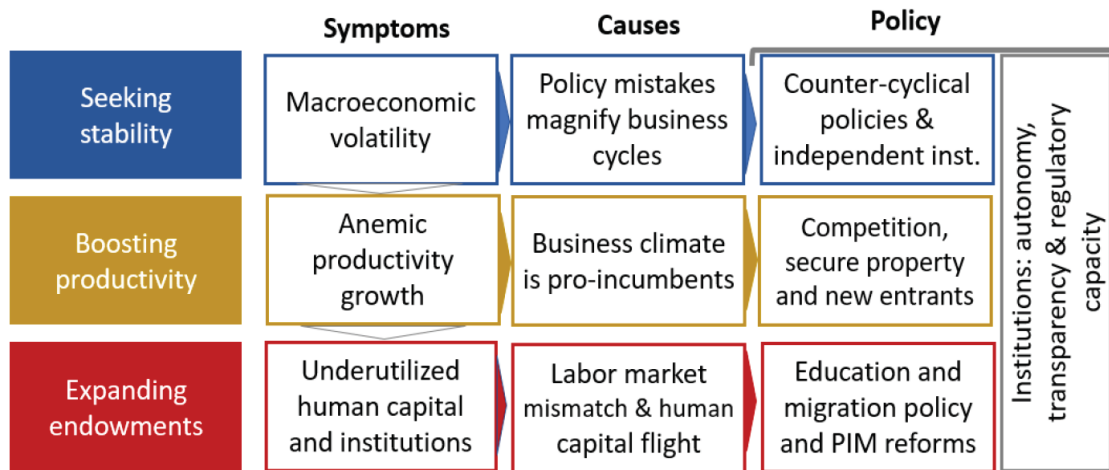
27. **COVID-19 has exacerbated some of the fundamental challenges identified by the SCD and the CEM.** On macro and fiscal management, the COVID-19 impact has been significant. How to improve macroeconomic and monetary policies and enforce fiscal discipline have become more challenging. Gradually phasing out the short-term relief measures and returning to the important agenda of structural reform will be central. COVID-19 has threatened past gains on human capital through health impacts and loss of learning due to school closures. It has also increased the vulnerability of the poor and underprivileged. The need for more targeted and sustainable social protection has become more critical than ever. Increased gender-based violence during the COVID-19 lockdown has also highlighted the need to address gender equality and GBV. Similarly, the increased demand for online service provision during the pandemic has highlighted the need for better digital connectivity.

¹³ Nganou, Jean-Pascal; Eckardt, Sebastian; Zhao, Luan; Batsuuri, Davaadalai; Batmunkh, Undral; D’Hulster, Katia. 2020. Mines and Minds: Leveraging Natural Wealth to Invest in People and Institutions (English). Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/en/273001600370275964/Mines-and-Minds-Leveraging-Natural-Wealth-to-Invest-in-People-and-Institutions>

Box 2: Mines & Minds: Leveraging Natural Wealth to Invest in People and Institutions, Mongolia Country Economic Memorandum September 2020.

Mines represent Mongolia’s present, while minds—its people and institutions—are its future. A shift in investors’ preference towards sustainability and the COVID-19 shock are expected to force Mongolia to accelerate its pace of structural transformation. Yet, Mongolia’s transition is moving in the opposite direction as seen by: (i) **extreme macroeconomic volatility**; (ii) **negative productivity growth**; and (iii) **intensive use of natural capital and underutilization of human capital**.

Mongolia’s development ought to shift to a model that leverages mines to invest in its minds (people and institutions). Accelerating Mongolia’s structural transformation requires 3 main transitions: **Seeking Stability**; **Boosting Productivity**; and **Expanding Endowments**.



Source: World Bank staff

Note: PIM = public investment management

Based on the analysis, the CEM recommends four key policy actions to build the foundation of a diversified and sustainably growing economy.

- **Macroeconomic policies to smooth consumption over the business cycles:** Implement countercyclical fiscal and monetary policies – supported through transparent fiscal rules, an independent fiscal council, a market-driven exchange rate, and a well-functioning stabilization fund – to smooth consumption over the business cycle rather than maximize current consumption;
- **Bold investment climate reforms to enhance firms’ productivity:** Undertake bold investment climate reforms to enhance competition, secure investor rights, and create a more level playing field that enables productive firms to invest, grow, and create more jobs.
- **Changing the mindset from diversifying products to expanding endowments:** Move away from the mindset of diversifying products to expanding endowments, especially in terms of better utilization of Mongolia’s young and educated, especially female, labor force.
- **Governance reforms for better institutional autonomy, transparency, and regulatory quality:** Accelerate the implementation of fundamental governance reforms (especially on the government effectiveness and control of corruption) to reduce political interference, increase transparency, and improve regulatory quality throughout the economy.

III. WORLD BANK GROUP PARTNERSHIP FRAMEWORK

3.1 Government Program and Medium-term Strategy

28. **Mongolia's long-term development goals are enshrined in a new *Mongolia Vision 2050*, approved by the Parliament in May 2020.** The strategy was developed by a taskforce of 1,500 individuals led by then Cabinet Secretary, now the Prime Minister. It has nine core goals and fifty objectives, to be carried out in the next three decades: 2020-2030, 2031-2040, and 2041-2050.¹⁴ At the heart of the *Mongolia Vision 2050* is the objective to become a high-income country, with a high level of human development, and improved living standards in terms of good governance, security and environmental sustainability. The vision seeks to balance development prospects regionally, while improving the quality of life in the country's urban centers including Ulaanbaatar which presently suffer from pollution, congestion, poor housing conditions, and urban sprawl.

29. **Following the long-term vision, the national mid-term development strategy is articulated in the General Guidelines for Medium-Term Development (2020-2025) and the Government Action Plan 2020-2024, approved by the newly elected Parliament in September 2020.** The General Guidelines set out 5-year targets in each of the nine areas from the Vision 2050 framework. The Government Action Plan then provides further details on the government program for its 4-year term. The current Plan presents government actions in six broader areas. Its top priority is to mitigate the economic and social challenges caused by the COVID-19 pandemic, followed by actions to promote human, economic and social development, improve environmental balance and governance especially e-governance, and enhance regional and local development.

30. **The new government formed in January 2021 has promised continuity to implement the approved government plan.** The new Prime Minister served as Cabinet Secretary in the previous government, and led the preparation of the Vision 2050 document. In his speech to the parliament, the Prime Minister introduced four objectives for his new cabinet: (i) overcoming the pandemic in a short period of time; (ii) reviving the economy and supporting businesses; (iii) setting up a new system to support the middle class, focusing on housing, urban development and education; and (iv) good governance and digital governance.¹⁵

3.2 Proposed WBG Country Partnership Framework

3.2.1 Lessons Learned from last CPS

¹⁴ Specifically, the nine goals are (1) Shared National Values – Becoming a nation with a deep sense of shared national values; (2) Human Development -- Raising Mongolia's Human Development Index to 0.9 and making the world's top-10 countries in terms of Happiness Index; (3) Quality of life and the middle class -- Bringing 80 percent of the total population to middle class by 2050; (4) Economy -- Increasing GDP by 6.1 times, GDP per capita by 3.6 times, reaching 15,000 USD, and exceeding the threshold of the world's developed countries; (5) Good governance – Establishing a sustainable governance, full human rights, a fair system and eradicating corruption; (6) Green growth -- Promoting green growth and ensuring environmental sustainability; (7) Peaceful and secure society -- Creating a favorable external and internal environment to protect the core national interests; (8) Regional Development -- Developing regions within the country that are integrated into the regional economy with competitiveness and a stable settlement system; (9) Ulaanbaatar and satellite cities -- Developing Ulaanbaatar into a livable, environmentally friendly and human-centered city.

¹⁵ The Mongol Messenger, "Prime Minister L. Oyun-Erdene presents four key objectives of his Cabinet", February 5 2021, <https://montsame.mn/en/read/252671>.

31. **The first lesson incorporated in this CPF is to align with the political cycle in Mongolia.** The last CPS was prepared only two months prior to general elections. This complicated the WBG's dialogue with the new government and caused slippages in the financing program. This CPF is deliberately timed to align with the government's term to ensure robust consultation and sufficient ownership.

32. **The second lesson is to be more realistic regarding the medium-term prospects.** The last CPS was written at a time when Mongolia was the fastest growing economy in the world with a very positive medium-term outlook. These forecasts had to be revised significantly, even in the initial CPS years, but especially after the economic crisis hit in 2014. Circumstances change quickly in Mongolia, and planning based on medium- and long-term forecasts needs to be reviewed on a regular basis, particularly in light of the ongoing COVID-19 crisis. This calls for realistic ambitions and project designs that are robust and flexible to changing economic and political circumstances. Another implication of this context is that the outcomes of WBG interventions may take some time to materialize. Building on success, once demonstrated, is likely to be more effective than opening too many new fronts at the same time.

33. **Third, selectivity is important in multiple aspects for all WBG institutions.** For IFC, high selectivity in clients, even with higher concentration risk, have protected the portfolio in downturn. A highly selective approach to choosing equity partners is particularly important in small markets like Mongolia, where long holding time may be necessary before exit opportunities are identified. For the Bank, given the relatively limited amount of IBRD resources available and the need to avoid a fragmented IBRD loan portfolio, the Bank program will have to become more focused. A greater focus of resources in fewer sectors may increase the WBG's impact and help improve portfolio quality. Because of limited counterpart capacity and the significant time needed to get projects off the ground, the Bank could leverage past success to build future interventions.

34. **Fourth, even when aligned with the political cycle, it will still be important to remain flexible.** Volatility will likely continue as a key feature of Mongolia in the years ahead, as the uncertainties around COVID-19 continue to unfold. Even a better alignment with the election cycle will not suffice to protect the program from changes in the internal and external environment. The WBG will need to strike the right balance between selectivity and flexibility in managing the evolving lending portfolio.

35. **Fifth, solid understanding of the political economy will be required to get the balance right.** During the last CPS period, there were several instances of setbacks in the reforms supported by the Bank, such as in social protection. The Bank could learn from these experiences to engage early and proactively to influence policy formulation and maintain a close dialogue to inform policy trade-offs, but also to understand when underlying support for reform is fragile and set expectations accordingly. A strong track record of delivering results and persistence in engagement may provide additional mitigation against the risk of frequent policy shifts and turnover in key counterparts. Another element of risk mitigation in Mongolia's context is for project and implementation designs to minimize opportunities for interference.

3.2.2 Consultations

36. **This CPF takes into account consultations with stakeholders in Mongolia in the past three years.** In 2017-2019, extensive public engagements with diverse stakeholder groups were organized in Ulaanbaatar and five provinces across Mongolia to inform the SCD and an earlier effort to prepare a CPF which was then postponed. Another round of consultation took place more recently focusing on the current draft CPF, with virtual meetings organized with line ministries, local authorities from provinces and Ulaanbaatar city, and CSOs. An online consultation was carried out from December 2020 to March

2021. In total, over 500 participants from different stakeholder groups were consulted. In addition, the WBG conducted its regular Mongolia Country Survey in 2020 among key stakeholders.¹⁶

37. **Some common themes were surfaced from various consultations.** Addressing COVID-19 impact is clearly the top priority among all stakeholders in the short term. The Bank’s proactive measures in supporting the COVID-19 response was broadly appreciated, and more support in mitigating the economic and social impact was requested. In the medium-term, different stakeholders understandably have somewhat divergent views on where the Bank interventions are needed. But putting them together, the issues of job creation, broad-based economic growth and private sector development including digital development, better infrastructure in both urban centers and localities, and supporting human development are common areas of interest. CSO groups have consistently voiced concerns over governance issues, and the sustainability of investment in the mining sector. (see Annex 7 for details)

3.2.3 WBG Objectives

38. **Under this CPF, the overall objective of the WBG is to promote resilient recovery and inclusive and sustainable growth in Mongolia.** Based on consultations with government, development partners, and other stakeholders in Mongolia, the CPF aims to support in the short term the Mongolia’s economic relief and recovery from COVID-19, while laying the foundation for more inclusive and sustained growth over the medium term. The CPF aims to balance supporting the short-term needs with the medium-term objective to return to the agenda of structural reforms which are needed to rekindle growth and make it more sustainable and inclusive, in line with the principle of “building back better”.

39. **The CPF will build on the ongoing WBG program under implementation, which will naturally form the basis for a large share of the CPF engagement areas and results framework.** The current Bank portfolio in Mongolia is relatively young. Out of the 13 projects under implementation, four are scheduled to close in FY22. The remaining nine projects will be implemented well into the 5-year lifespan of the CPF. Similarly, IFC and MIGA are committed to long-term engagements in Mongolia including in the OT mining project. Therefore, expected results from the current portfolio will constitute the majority of the results framework of the CPF. The existing portfolio also provides some indication of where client demand has remained constant. The CPF will thus also consider including repeater projects or scale up of successful interventions where appropriate to leverage capacity and ownership built through past engagements.

40. **The ongoing WBG program has been adjusted to support the government’s COVID-19 response.** In total, the WBG has committed \$258.15 million so far, including \$116.15 million of commitments by the Bank. To support the public health response, an emergency financing project (\$26.9 million) was quickly mobilized as part of the first batch of the Global COVID-19 Multiphase Programmatic Approach (MPA) in FY20. It was followed by an additional financing (\$50.7 million) to support purchasing and distributing COVID-19 vaccines approved in FY21. They were complemented by a \$1 million grant from the Pandemic Emergency Facility. Beyond public health response, the Bank also supported response actions in a range

¹⁶ According to the results of the Mongolia Country Opinion Survey FY2020, perceived development priorities in Mongolia have shifted slightly since the last survey was conducted in FY 17. While emphasis remains on education and governance (although much less concern reported about governance this year), there is increased focus on health and a noteworthy level of emphasis on food safety. Nearly half of respondents identify jobs/employment as the top contributor to poverty reduction, followed by education, private sector development, agriculture, and governance. Corruption surfaces as a key issue throughout the survey. It is regarded as one of the top two reasons for slow/failed reform in the country (along with political pressures), and one of the top five development priorities.

of sectors, through a new project in social protection and reallocated resources from existing projects in education, social protection, governance, and SME support. IFC has also provided financing to business and microlenders to maintain business activities and employment opportunities in response to COVID-19, especially for women. (See Table 2 for details on the WBG response.)

Table 2: WBG COVID-19 emergency support so far

Project Name	Budget (\$M)	Activity Description
E-Health Project	2.20	Provision of essential medical equipment as pandemic response
COVID-19 Emergency Response and Health System Preparedness Project	26.90	a) Emergency COVID-19 prevention and response community engagement (risk communication, response support, Human Resources development, creating One health environment); b) Strengthening Health Care Delivery Capacity (provision of medical and laboratory equipment and reagents, and medical supplies)
AF to COVID-19 Emergency Response and Health System Preparedness Project	50.7	Purchasing and distributing COVID-19 vaccines, and related health care delivery capacity.
Pandemic Emergency Grant	1.0	(a) PPEs and medical countermeasures and supplies to public officers at high-risk screening points and health care providers in selected areas; (b) facilitate logistics for the delivery of medical supplies and PPEs to frontline health facilities and relevant areas
Mongolia Education Quality Reform Project	5.00	Support cash transfers under the Child Money Program during COVID-19 crisis (coverage 1.3 m children, Apr-Sept 2020)
Mongolia Employment Support Project	15.00 + 2.6	Support Social Insurance contribution exemption for the self-insured under the Voluntary Social Insurance scheme (coverage 133,000 people, Apr- Sept 2020). The microloan program with US\$2.6 million financing under the project will also provide temporary interest rate relief for borrowers during the time of crisis.
Mongolia Emergency Relief and Employment Support Project	10.00	Support Social Insurance contribution exemption for about 70% of the total qualified employers and employees under mandatory Social Insurance scheme (coverage 45,250 employers and 571,607 employees) for one month
Strengthening Governance in Mongolia Grant	0.75	Provide more targeted just-in-time technical assistance to meet the government's specific needs in response to the emergency in the short and medium term within the original scope of the project
Mongolia Export Development Project	1.50	Support the non-mining sector SMEs to help them to stay in business.
SMART Government Project	0.5	Strengthen the Government ICT capabilities to respond to COVID-19 crisis. It will be used for acquiring videoconferencing licenses, tracking system for emergency service vehicles, and wireless internet access stations for remote soums.

MCS Covid (IFC)	130.00	Support MCS, a diversified business group in Mongolia, on health care, construction and property, ICT, and consumer goods, to create and preserve jobs during the COVID-19 crisis. The project also has a substantial gender focus.
Transcapital (IFC)	12.00	Increase access to finance for underserved segments in Mongolia, namely micro-enterprises/individuals, especially towards women and in the rural and semi-urban areas in the country.
Total	258.15	

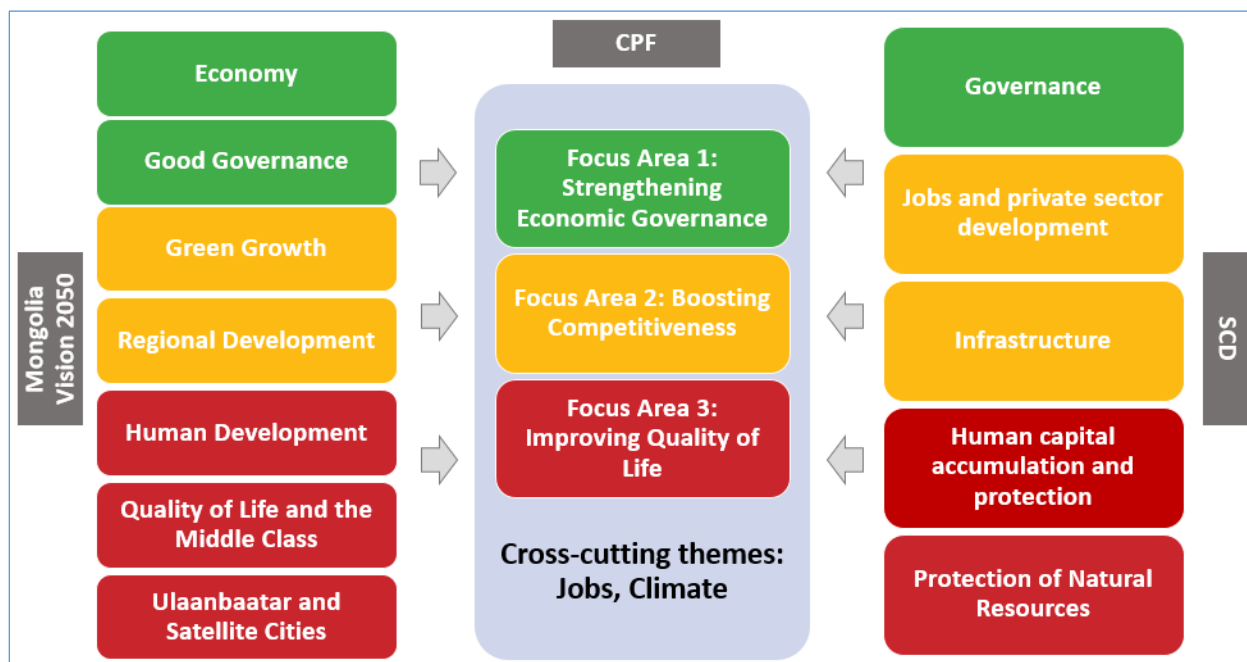
41. **Building on the existing portfolio, the CPF intends to shift the focus of the WBG engagements towards real economy sectors through fewer and larger new lending operations over the course of the five-year CPS period.** The current portfolio of 13 Bank projects covers 9 sectors, with an average financing amount of \$30 million for each project. It also contains several TA projects to engage on governance and institutional reforms. While these operations will continue, new Bank lending operations under the CPF will shift towards potentially fewer and larger operations in real-economy sectors, including infrastructure financing. This is aligned with the priorities in the government’s program, while the larger project sizes and greater selectivity also reflects Mongolia’s graduation from IDA. In addition to investment projects, policy reforms will be advanced by policy-based lending, high-quality ASAs and other non-lending instruments. As in the previous CPF, the DPO engagement will be used as a cross-sectoral platform for advancing critical macroeconomic and structural reforms. In areas such as social protection, water and energy, high-quality analytical work has been a key comparative advantage of the Bank and helps the WBG to remain a respected and relevant partner in these sectors in Mongolia.

42. **Designed in the COVID-19 context, the CPF intends to anticipate some potential post-COVID-19 trends.** COVID-19 has reshaped economies, societies, and people’s daily lives in profound ways. While the post-COVID world remains unclear, some trends are emerging. In some cases, COVID-19 has accelerated trends that were already underway prior to the pandemic, such as technology and digital connectivity. The new government in Mongolia has made digital transformation a priority. In other areas, COVID-19 has made existing challenges more daunting, such as in job creation—after the job losses caused by COVID-19, it’s not clear how many of the lost jobs will return. It has also transformed sectors such as travel, tourism, retail, and services. Response to COVID-19 also holds profound implications for climate change. The CPF will attempt to address some of these emerging challenges, and create space for adjustments as the post-COVID world continues to evolve.

43. **The CPF will build in flexibility at the outset—it will present indicative lending operations for the first half of the CPF, and create space for further dialogue and adjustments in the later years.** Past experience has shown that flexibility is key to support resource rich countries that are vulnerable to price shocks or in countries where government changes frequently.¹⁷ This is also a key lesson from past engagements in Mongolia. The evolving COVID-19 situation adds to the uncertainties and the need for flexibility. The WBG will use the Performance and Learning Review to take stock and make adjustments.

¹⁷ See IEG 2015, WBG Engagement in Resource-Rich Developing Countries: The Cases of the Plurinational State of Bolivia, Kazakhstan, Mongolia, and Zambia. Clustered Country Program Evaluation Synthesis Report, World Bank, Washington, DC.

Figure 6: CPF alignment with Government Vision and SCD



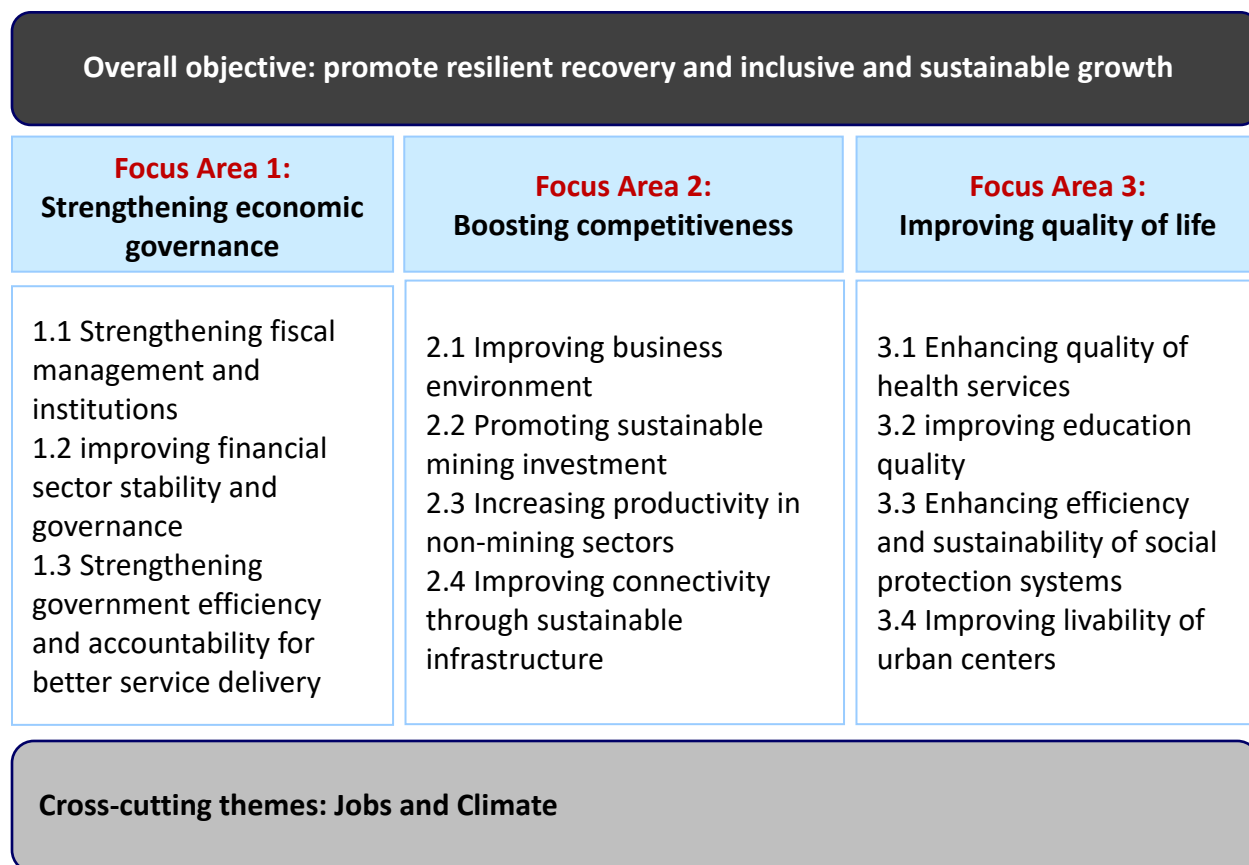
44. **The alignment of the CPF program with the SCD and the government program is high, although the program is narrower than either, reflecting the need for selectivity and focus in order to deliver tangible results over a five-year period.** Figure 6 demonstrates how the objectives of the Mongolia Vision 2050 and the priorities identified by the SCD map into the focus areas of the CPF. However, by design, not all Vision 2050 objectives and all aspects of the challenges highlighted in the SCD can be addressed by the WBG. The government’s financing plan and prioritization, engagements by other development partners, the WBG’s available financing, and dialogue with clients all shape WBG’s engagements. Two shifts in emphasis with respect to the SCD are notable.

- *First, the approach to governance in the CPF is narrower and targets core areas of economic management as well as specific bottlenecks in sector service delivery.* The core idea is to try to build trust and ownership for more complex institutional governance reforms through a track-record of service delivery under Bank-supported programs. While the Bank will continue to engage on institutional reforms through ASA and several Trust Funded technical assistance activities, the demand for technical assistance through IBRD loans is expected to decline, thereby obliging the Bank to choose a more focused approach.
- *The second shift is the relative decline in human capital investments in the initial lending plan.* This in part reflects the strong existing portfolio, the presence of other development partners in the sector, such as the strong role of the Asian Development Bank (ADB) in the health sector, and the need for more diagnostic work to better understand the extent to which skills mismatches are a binding constraint on job creation in Mongolia. Subject to the outcome of the diagnostic and government demand, new lending in the area of skills development could be envisaged during the second half of the CPF.

The Bank also does not have dedicated financing planned in natural resources management, while several bilateral donors are engaged. Conscious of the large financing needs, the WBG’s approach in the infrastructure sector will be focused on mobilizing private sector solutions and collaboration and coordination with other development partners.

3.3 Objectives supported by the WBG Program in each focus area

Illustration 1: CPF Focus Areas and Objectives



45. **The CPF framework contains three focus areas and two cross-cutting themes, as presented in illustration 1.** While each of the focus areas will be presented below, their interlinkages are important to recognize upfront. Economic stability based on sound economic policy and institutions will form the foundation for business growth. Boosting competitiveness is essential to drive economic growth and create more opportunities for individuals. Better quality of life through better jobs with higher incomes and productive investment in health, education and other services can lead to more human capital accumulation—which in term can boost competitiveness of the economy. Jobs and climate as the two cross-cutting themes will be integrated into the focus areas and bring WBG interventions together towards more and better jobs and more climate resilience. Together, they contribute to the objective of the CPF to promote resilient recovery and inclusive and sustainable growth.

Focus Area 1: Strengthening economic governance

Objective 1.1 Strengthening fiscal management and institutions

46. **Mongolia needs to manage economic volatility that has troubled its economic development.** The volatility of Mongolia’s growth reflects in large part fluctuations of commodity prices. Sound macroeconomic policies are necessary to mitigate the resource curse. On fiscal policy, it is necessary to simplify fiscal rules, prioritize debt reduction measures, ensure effective functionality of the Fiscal

Stabilization Fund (FSF), and strengthen debt management. On monetary policy, limiting foreign exchange (FX) interventions and allowing greater flexibility of nominal exchange rate, and strengthening macro and micro prudential measures will be crucial. Effective structural policy reforms including customs will also be important to strengthen the business climate and boost trade beyond natural resources.

47. The WBG will continue to support improving Mongolia’s economic and fiscal management through both lending and analytical work. The recent CEM provides the analytical underpinning of the Bank’s engagement in supporting economic stability and diversification. Building on the last Economic Management Support Operations (EMSO), a new programmatic DPO could be envisioned to further strengthen macro-fiscal resilience, support the post-COVID economic recovery as well as reforms in other critical sectors.¹⁸ The Bank will continue to coordinate closely with the IMF and other partners on the priorities of policy-based operations, including in assessing Mongolia’s debt sustainability and the adequacy of the macroeconomic framework. The ongoing support under the Strengthening Fiscal and Financial Sustainability (SFFS) and Strengthening Governance in Mongolia projects will provide technical assistance to reform areas including strengthening fiscal discipline, improving the quality of Public Financial Management (PFM), regulatory and institutional arrangements, capacity for public investment management, and economic policy making more generally. Should the authorities express interest, the Bank could consider extending further TA support. Other analytical work could include sectoral PERs or a fiscal risk assessment of SOEs. Finally, an ASA with the National Statistical Office (NSO) will help improve the quality and timeliness of key socio-economic data, as part of the effort to inform multi-dimensional poverty reduction measures.

Objective 1.2 Improving financial sector stability and governance

48. Despite past efforts to strengthen financial stability, enhance financial efficiency and depth, and improve access to financial services, the banking-dominated financial sector in Mongolia continues to face challenges. The banking sector represents an important source of potential macroeconomic risks, and the reform agenda remains incomplete. The safety and soundness of the banking sector remains hard to assess due to supervisory and regulatory forbearance which impacts the reliability of the prudential data. While Mongolia has recently been removed from the FATF grey list, work remains to be done on AML/CFT. The Deposit Insurance Corporation of Mongolia (DICOM) requires further strengthening with a stronger capital base following international standards in order to perform its role as a solid financial safety net. Developing safe and efficient financial market infrastructure is critical for economic development and work remains to be done to foster innovation in payments and create an enabling environment for a broad set of service providers. Housing finance subsidies were a source of quasi fiscal expenditures in the past and the authorities have expressed interest in Bank analytical support to build a more sustainable and at the same time affordable housing finance market.

49. The World Bank will have more targeted engagement in the financial sector, building on ongoing progress. The World Bank has supported the authorities on financial sector issues for nearly a decade, and contributed to the development and implementation of several major pieces of legislation, and reform actions. In 2019-2020, lack of progress in the financial sector effectively ended the Mongolia’s Extended Fund Facility program with the IMF and the Bank’s third EMSO operation. Financial sector reform actions would continue in a new DPO. The Bank’s ongoing Strengthening Fiscal and Financial Stability project will continue to provide TA to support capacity building in the core financial sector

¹⁸ While the current dialogue has not included environmental fiscal reforms, further efforts during the CPF period will try to explore supporting relevant fiscal policy reforms that can help foster climate-resilient and green growth.

institutions.¹⁹ The Mongolia Financial Sector Support TA program will provide critical assistance for strengthening financial sector stability through comprehensive banking sector monitoring as well as TA to address key weaknesses in the financial sector. The Reserves Advisory and Management Program (RAMP) engagement by the World Bank's Treasury has been providing TA and capacity building services to the Bank of Mongolia in enhancing its reserve management capacity. Treasury may potentially provide advice to the asset management practices of the Future Heritage Fund (FHF) at the government's request.²⁰

50. **IFC's engagement in the banking sector will also make important contributions to financial sector stability.** IFC has provided equity and debt investments to two of the top four banks in Mongolia and has provided advisory services to financial sector regulators and partner banks. IFC's advisory will continue to support partner banks' corporate governance, risk management, and help them develop sustainable energy financing, digital solutions and improve their AML/CFT practices. To further advance capital markets, IFC can help develop NBFIs, including microfinance, leasing, and insurance companies. In this regard, IFC has recently provided an innovative Tugrug denominated loan facility financing to Transcapital, one of the largest NBFIs. If sufficient interest from private investors is identified, through the Distressed Asset Recovery Program (DARP), IFC can help improve the financial health of banks and NBFIs. IFC will also continue supporting green bond market development and promoting the adoption and implementation of sustainable finance framework in NBFIs sector and in the capital markets.

Objective 1.3 Strengthening government efficiency and accountability for better service delivery

51. **Mongolia has made considerable progress in many areas of governance over the last decade, but needs to further strengthen its accountability institutions and systems, as well as efficiency and transparency in the public sector to better serve the people.** On paper, a robust legal framework is in place, but in practice institutional capacity and regulations are influenced by power asymmetries. Technical decisions are overshadowed by short term political interests, eroding the credibility and commitment to the prudent management of public resources and resulting in low confidence in the government's ability to deliver public goods and services to its citizens. Mongolia's civil service has been of uneven capacity and increasingly politicized across different levels of the public sector. While progress in the combat against corruption has been slow, there have been significant improvements in budget transparency and an increasingly active civil society is pushing for greater accountability.²¹ ICT solutions may help in this regard. However, to unlock the technological potential, Mongolia needs to enhance its legal environment for e-Government, narrow the digital divide, and develop online public applications and services for citizens. The Bank's ongoing SMART Government project has helped the government in using ICT to improve accessibility, transparency, and efficiency of public services in Mongolia.

52. **The WBG will build on ongoing engagements with a focus on improving public sector service delivery and strengthening bottom-up accountability.** Planned engagements include a) a potential follow-on Digital Transformation project to enhance the government's digital service delivery platforms,

¹⁹ Support will be in line with the Medium-Term Banking Sector Strengthening Program for 2020-2023.

²⁰ Given the country's high public debt and historically low global interest rates, striking the balance between reducing existing debt and accumulating in the FHF would need to be carefully considered under proper management of the FHF.

²¹ While progress has been recorded with regards to fiscal transparency with Mongolia increasing its score in the Open Budget Survey (OBS) from 46 in 2017 to 56 in 2019, anti-corruption efforts have not been as effective as expected given the country ranked 93rd of 180 countries (in the bottom half) on the 2018 Transparency International Corruption Perception Index. The 2019 Study of Private Perceptions of Corruption (STOPP) in Mongolia by the Asia Foundation also documented sharp increases in the lack of citizen's trust in many state institutions (national government, the legislature, mining, and land administration) in the country.

provide transformative digital public services, and ensure cybersecurity of the country's public data and mission-critical IT systems; b) a potential follow-on operation to the Third Sustainable Livelihoods project (SLP3), possibly in the form of a P4R operation, in support of the government's flagship Local Development Fund and fiscal decentralization efforts. It would aim for improved governance, community participation and resilience in planning and delivery of priority investments including technical assistance to implementing the new roles and responsibilities for service delivery at the decentralized level of local government. This is also an important part of the Bank support to the rural population in Mongolia; c) continuation of the support to PFM (Strengthening Fiscal and Financial Stability project and Strengthening Governance in Mongolia, supported by a EU trust fund) with a possibility to increasingly leverage digital solutions for improved budget planning, execution, financial reporting, and fiscal transparency as well as to advance gender responsive budgeting; and d) MASAM project, co-financed by the GPSA (Global Partnership for Social Accountability) and the SDC to mainstream social accountability to improve citizens' access and participation in decision-making processes towards more effective use of public funds for improved public service delivery and investments.

53. **Recently completed anticorruption and civil service reform ASA have provided additional insights into some further governance weaknesses.** Possible interventions may be considered to support civil service reform efforts, subject to the government's commitment. The WBG is also providing advice and capacity building on Financial Investigations and Anti-Money-Laundering regulations through the Stolen Asset Recovery Initiative (StAR). At the project level, political economy analysis will continue to inform project design and implementation arrangements. The approach will build on the WBG's prior experience of similar analysis of governance and political economy issues in Mongolia and other countries.

Focus Area 2: Boosting competitiveness

Objective 2.1 Improving the business environment

54. **An unpredictable business climate restricts private sector activities in Mongolia.** Mongolia ranks #81 out of 190 countries on the ease of Doing Business.²² The 2019 Enterprise Surveys found political instability, tax regime, and access to finance as the top three obstacles for firms.²³ The implementation of laws and regulations in Mongolia is weak while access to regulatory information, licenses, and finance is uneven. The 2020 Business climate survey done by the National Chamber of Commerce of Mongolia shows that all size businesses encounter difficulties in obtaining necessary permits to start a business due to heavy bureaucratic processes, the numerous steps and signatures required, gaps between laws and regulations, and other technical requirements. Regulations are frequently changing, and the playing field is uneven and biased in favor of SOEs. Insufficient investor protection mechanisms and the lack of a stable and transparent regulatory environment undermine investors' confidence. Foreign investors also indicate that opening a business in Mongolia is more difficult compared to domestic investors. In addition, private sector managers in Mongolia spend three times more time dealing with government regulations than other parts of East Asia.

55. **Access to finance, especially for SMEs, continues to pose a challenge of doing business in Mongolia.** SMEs account for about 98 percent of total registered business entities and employ about half

²² Mongolia's performance in Doing Business Report is highly uneven. While it is doing relatively well on getting credit (ranked #25), dealing with construction permits (#29), and protecting minority investors (#25), it is doing poorly on resolving insolvency (#150), getting electricity (#152), trading across borders (#143) and starting a business (#100).

²³ 2019 Enterprises Survey-Mongolia, World Bank, <https://www.enterprisesurveys.org/en/data/exploreeconomies/2019/mongolia#2>.

of Mongolia's total workforce. Access to finance is a key constraint to SMEs' development, including high interest rates, strict collateral requirements, short-term maturities, and lack of appropriate financing products and services suitable for SMEs' needs.²⁴ In addition, banking risks forced the banks to reduce lending and significantly increase their holdings of safer assets. Loans to the private sector are primarily mortgages and consumer loans, leaving relatively little financing left for business needs or capital investments. Mongolia's capital market is further characterized by a lack of depth and diversity in terms of instruments available, a small investor base, and relatively low regulatory capacity. Mongolia's non-banking financial institutions (NBFI) remain underdeveloped, but with a substantial role to play going forward in enhancing access to finance for micro enterprises and deepening the financial market through development of leasing and insurance.

56. **The WBG will continue to actively support improving the business environment.** It will build on progress made by IFC advisory program on investment climate on reducing business costs and administrative burden with respects to inspection and permit processes, as well as trade facilitation and insolvency. Through an ongoing advisory project, IFC is also working with the regulators to improve Mongolia's insolvency resolution framework to facilitate restructuring of the distressed businesses, an important area for post-COVID economic recovery. IFC will continue its advisory support through second phase of policy reforms on investment policy, promotion, and protection, as well as sector specific business climate improvement interventions. Further discussions with authorities are ongoing to agree on the specific focus of interventions, including potentially supporting Doing Business reforms, especially in those areas where Mongolia is lagging behind such as Trade Across Borders. Such interventions would encourage the government to take specific actions to restore investor confidence and facilitating private investment, both foreign and domestic, reduce barriers to export, and ensure more effective implementation and enforcement of current laws and regulations. IFC will also continue assisting the government with formulating a new Investment Policy Statement, to be developed in a consultative manner with public and private stakeholders. This should be consistent with the future amendments to new Investment Law and the country's economic strategy. The Bank's potential new DPO may also support policy actions to support increasing investor confidence, investment promotion measures, and trade facilitation. In addition, MIGA will work together with the Bank and IFC to support and de-risk private sector solutions.

57. **Efforts will continue to enhance access to finance, especially for SMEs, who have been severely affected by COVID-19.** IFC will continue to work with partner banks to provide dedicated credit lines for financing of MSMEs, including those operating along agriculture supply chains, and will work with banks in issuance of green loans and green bonds. Risk-Sharing facilities can also be used to enable commercial banks to provide funding to SMEs and affordable housing projects. IFC's work in developing NBFIs, including microfinance, leasing and insurance companies will further enhance financial inclusion. IFC's innovative Tugrug denominated loan facility financing to Transcapital, one of the largest NBFIs, will benefit 15,000 micro, rural and women entrepreneurs. IFC is working to promote value chain finance market development to improve access to finance for MSMEs and underserved segments. To support these and other initiatives, IFC will continue exploring funding sources for Tugrug to be able to offer long-term local currency funding. In addition, the Bank's ongoing Export Development Project and Employment Support Project are also supporting entrepreneurs and MSMEs for business and export growth opportunities.

²⁴ As of October 2020, the average interest rate for SME loans was 16.5 percent and the average maturity was 18.9 months for individuals, and 12.3 percent and 36.1 months for businesses.

Objective 2.2 Promoting sustainable mining investments

58. **The mining sector will continue to play a key role in promoting economic development in Mongolia, but it has to be managed in a more sustainable and inclusive way.** Mongolia needs to attract and retain quality FDI to develop world-class mining projects. The government's capacity to manage mining assets, especially in joint ventures with international partners needs to be enhanced. Environmental sustainability including water use, greenhouse gas (GHG) emissions as a result of energy use, energy efficiency, and inclusion through local supply chains and benefits for local communities are critical to the future of the mining sector in Mongolia.

59. **The One WBG engagement will continue in the mining sector.** IFC and MIGA have major exposure in the OT mining project²⁵ and the investment will continue during the CPF period, while the Bank has been engaged in mining sector governance. IFC and MIGA expect to continue supporting OT as an important contributor to Mongolia's economy. IFC's potential participation in follow-up financial support to OT will be predicated on the client's demand, policy stability and the broader macroeconomic environment. The MIGA guarantee is expected to remain in place until 2027. IFC Advisory Services will work with OT to launch a local supplier development program in South Gobi and UB, focused on building business skills and facilitating access to finance for SMEs. It will also promote renewable energy and energy efficiency solutions, specifically for the mining industry to reduce the sector's carbon footprint, and improve information sharing and data flows among government agencies, between government and the public (especially mining communities), as well as the industry and communities. Through the Disclosure to Development program, IFC will work to improve the community's awareness through innovative tools and methodologies to enhance transparency in the infrastructure and natural resources sector. On the Bank side, an ongoing ASA, building on previous engagements, aims to develop strategy options for mining sector development to inform future policy directions in the sector and provide further implementation support for EITI.²⁶ Finally, the WBG entities will also continue to coordinate dialogue with the government on OT and continue to work with other investment partners, e.g., European Bank for Reconstruction and Development (EBRD).

Objective 2.3. Increasing productivity in non-mining sectors

60. **The WBG will put a strong focus on supporting the development of non-mining sectors in Mongolia, particularly around sectors with high potential for job creation, especially for youth and women.** To build a diverse economic base and create employment opportunities, Mongolia's non-mining sectors will need to be further developed. The agricultural sector has the potential as a driver for economic diversification and as a key source of broad-based employment. It currently employs about a third of the population and represents 13 percent of GDP. The share of livestock in agricultural output is 90 percent, with meat and milk as primary products. However, lack of market-oriented livestock and agriculture

²⁵ Despite controversies in public discussions, the OT project has brought important contributions for Mongolia: \$1.6 billion in tax payments, \$2.5 billion spending in local procurement and \$7.9 billion spending in-country from 2010-18; 2,649 employees, 93% Mongolian; engagement on participatory water management, local procurement, access to finance, renewable energy for mining & disclosure to development programs; industry-led Voluntary Code of Practice (agreed with 13 mining companies including OT) on responsible water management; trained 1,000+ community, government and industry stakeholders on mining and groundwater management; communications strategy for responsible mining and water management, and in 2018, began building OT's local supplier development program on capacity building and access to finance; and with OT and other mining companies financed feasibility study for shared renewable energy solution in South Gobi.

²⁶ The Bank has a track record of TA on improved regulatory performance (MSISTAP 2009-15) and financing sector megaprojects (MINIS 2011-19); engagement in governance (Extractive Industries Transparency Initiative (EITI) grants 2010-2018).

production systems, marked by low productivity and flaws in the regulatory environment have hindered Mongolia's access to export markets. Recent WBG studies have identified tourism, transport services, wool, cashmere, and leather products as potential sectors where Mongolia may have a comparative advantage, but important logistic, financial and organizational challenges remain.²⁷ Tourism in particular is estimated to contribute around 11.8% of GDP and around 9 percent of employment, with potential to rise further. Services, especially the digital industry, also hold promise.

61. The WBG will support enhancing productivity, job creation, and climate actions in agriculture, especially livestock.²⁸ Targeting the livestock sector, *the ongoing Livestock Commercialization project (LCP)*, approved in FY20, will strengthen animal health systems and enhance livestock and crop productivity and commercialization. The project is implemented together with the IFC team that brings private sector perspective, as well as the knowledge of working with regulators in the livestock sector. It will support framework conditions for greater private sector involvement by strengthening key institutions, and promote product quality and food safety standards, and consequently enable enterprises including those led by women to enhance their productivity and business activities. Building on this, IFC is developing upstream investment opportunities in the sector. If the project interventions prove to be effective, further financing could be considered to scale up in the sector. Complementing the LCP, *the pipeline Urban Competitiveness and Regeneration project*, will help improving the competitiveness of the leather and wool SMEs and contribute to value addition and job growth in these sub-sectors.²⁹ *A further ASA on the transformation of Mongolia's agri-food system* will review its agricultural policies and public expenditures (especially subsidy and other support programs). In its most recent Nationally Determined Contributions under the Paris Agreement, the Government has identified agriculture in general, and livestock specifically as key areas for its climate actions. The WBG will engage to improve the sustainable use of pastureland, livestock regulation, manure management, and climate-smart agriculture. IFC and MIGA will also look to pursue engagements in higher value segments, such as meat, dairy, and cashmere where the potential for scale-up and export is relatively strong.

62. Another promising sector is the tourism sector. The WBG is already supporting the sector through IFC's previous engagement in the premium as well as midmarket segments. IFC and MIGA will look to develop quality tourism projects outside Ulaanbaatar, and build eco-tourism aiming to create a strong multiplier effect on rural jobs and incomes. IFC Creating Markets Advisory can help identify and grow high-value niche markets for tourism, following emerging post-COVID-19 best practices as well as increasing market interest in destinations that are not only less visited, but also less densely populated. With its vast and relatively undeveloped landscape for environmentally sustainable tourism, Mongolia holds a significant competitive advantage in post-COVID-19 tourism. IFC PPP Advisory can look into potential privatization of MIAT Mongolian Airlines (the national carrier) through PPP should there be preparedness at the government level. The Bank's *Inclusive Tourism Development ASA* will specifically identify policy measures and investments to support the implementation of the State Policy for Tourism Development 2019-2026 and promote the growth of Mongolia's tourism industry.

²⁷ IFC, 2017, *Country Opportunity Spotlight* and Latimer, Julian, and Marcin Piatkowski, 2018, *Trade and Transport Facilitation Assessment of Cashmere, Wool, meat and Leather Industries, and Opportunities along the Central Economic Corridor in Mongolia*, Policy Note, World Bank.

²⁸ In addition, these sectoral interventions are complemented by ongoing efforts to improve the business environment and the ongoing Export Development Project supporting SMEs in the non-mining sector to strengthen their export capabilities and expand access to export markets.

²⁹ Direct support to SMEs includes upgrading firm level equipment, skills training, financing through the SME fund, improving access to infrastructure facilities, and overall improvement in the quality of products.

63. **The Bank will also support the growth of Mongolia’s digital economy for jobs and competitiveness.** Mongolian citizens and businesses already have good mobile and internet connectivity to make use of digital applications,³⁰ and the government has the ambitious goal of completing the e-Mongolia initiative in seven years. The new government has further prioritized the digital agenda. The pipeline *Digital Transformation project*, in addition to supporting digital governance described under Objective 1.3, will create jobs for youth and women, digitize key local industries to enhance their competitiveness, and build Mongolia’s digital and ICT industry for economic diversification and resilience.

Objective 2.4. Improving connectivity through sustainable infrastructure

64. **Improving the competitiveness of Mongolia’s economy will require increased investments in infrastructure to overcome the country’s geographical challenges.** Providing and maintaining efficient ground transportation infrastructure is a key challenge given that the country is landlocked and its harsh climate conditions and low population density. Mongolia lags behind other countries in global infrastructure rankings³¹, with high costs of logistics and transportation.³² In addition, the quality of infrastructure is often suboptimal and lags in repair and maintenance. On the policy side, fragmented infrastructure selection, planning and implementation processes, and an uncondusive investment climate and regulatory framework have failed to attract private financing for infrastructure. As a result, many residents do not have access to markets, employment opportunities, basic services. Urban infrastructure in Ulaanbaatar and other urban centers cannot meet the demands of its residents, contributes to losses in economic productivity and quality of life, while the fast rate of motorization impacts on the GHG balance of the country. In addition, economic corridors with Russia and China have not met their potential.

65. **Working together, the WBG will support sustainable transport through a new lens of focusing on the value chains.** Given Mongolia’s spatial challenge and low population density, selective and targeted interventions based on value chains are vital to generate economic, social, and environmental impacts. This approach is presented in the recently completed Infrastructure Sector Assessment (InfraSAP) study by the WBG. It uses a value-chain based approach to select priority infrastructure investments, and proposes actions to attract private financing, and overcome institutional fragmentation in the governance framework. Based on the study, a *Transport Connectivity and Logistics Improvement Project* is under preparation as a WBG initiative to use an integrated logistics hub concept to bring together the transport and logistics services around strategic value chains such as meat. Bank and IFC are working closely from the concept phase to ensure the infrastructure services and private investments are integrated in the project design. (see Box 3 for more details) In addition, IFC will continue engaging with line ministries and agencies to identify assets to mobilize private capital and explore potential PPP solutions or privatizations in transport, power, and water/wastewater utilities. MIGA guarantees will also focus on complementing these activities by de-risking foreign private investment in the transport sector.

³⁰ The Communications Regulatory Commission’s latest report on Mongolia’s IT sector shows the increase in the Internet service from 200,000 subscribers in 2010 to 2.6 million by December 2016; increasing internet penetration to 86 percent. The use of mobile and smart phones has increased from 60% of population in 2009 to 102% in 2015.

³¹ See for example the World Economic Forum’s *Global Competitiveness Report 2019*, which ranked Mongolia 101 out of 141 countries in infrastructure. Mongolia ranked 112 with regard to quality of roads, 112 with regard to road connectivity, and 117 with regard to efficiency of air transport.

³² For example, out of the 21 aimags in Mongolia, railway reaches only 7 and only 16 are connected to the capital city through paved roads.

Box 3. Mongolia Infra-SAP and a WBG initiative on improving value chain

The Mongolia Infra-SAP analyzes Mongolia's infrastructure needs and investment priorities against the background of the country's low population density, high mining dependence, and its landlocked location. It argues that these features impose the necessity to be selective in making investments in infrastructure. A "build and they will come" approach will not work. Instead, the Infra-SAP suggests an approach to selecting priority infrastructure investments based on an analysis of key value chains in the economy. Mongolia's population is small relative to the country's size and its mineral wealth, limiting the range of economic activities in which it has a comparative advantage. In addition to value added mining, key sectors of the economy that could be further developed are the livestock industry, including cashmere, meat, and dairy production; the tourism sector; digital services, based on Mongolia's high Internet penetration rate and high level of human capital; and the renewable energy sector, including wind and solar power. The focus on these sectors does not imply that other sectors should be neglected; it means that these areas are likely to generate sufficient scale of demand for infrastructure services to shape investment decisions. The Infra-SAP therefore looks at key infrastructure gaps from the perspective of developing each of these value chains and makes three recommendations:

- 1) **Improve institutional infrastructure and decision making** for selection, planning, and implementation of infrastructure projects.
- 2) **Align interventions & infrastructure investments along value chains.** In selecting infrastructure priorities, Mongolia should look at key economic value chains and target infrastructure constraints specific to these value chains and associated corridors. The government should focus on developing a medium-term strategic plan with a realistic priority list of projects, based on a rigorous economic and financial assessment of investment needs.
- 3) **Leverage more private financing for infrastructure,** by improving the regulatory framework and investment climate, leveraging large mining investments, and reforming tariffs to create sustainable revenue streams.

Based on the InfraSAP study, a **Mongolia Transport Connectivity & Logistics Improvement Project** is under preparation bringing both Bank and IFC together to support value chain development in Mongolia. The project aims to improve transport connectivity and logistics for strategic value chains in Mongolia with specific focus on the meat value chain as an anchor. The project will help set up a framework for results-based maintenance of key sections of roads that are critical for connectivity between locations of meat production and consumption. It will also support greater private sector participation in provision of transport and logistics services. This will include pilot Logistics hubs for consolidation of meat products to enable unbroken cold chain system and a logistics and supply chain platform to link herders, operators, and the market.

The proposed IBRD financing will support public infrastructure – mostly roads connecting the regional hubs, access roads and connectivity within the hubs, along with basic public utilities. Through a concession, private sector partners will provide above ground facilities and services related to warehousing and cold storage, mobile abattoirs, and logistics services. The concession will also form the basis for operating the hub. This will include the purchase and leasing of mobile abattoirs to allow for economies of scale in their procurement and financing. Recently IFC signed a cooperation agreement with the Mongolian Bankers' Association to create a value chain financing market in Mongolia. Building on the creation of a collateral registry and a modernized Secured Transactions Law, the agreement intends to create the enabling environment for small-scale loans to SMEs in the livestock sector. These activities will help create complementary de-risking or credit enhancement mechanisms to enable the financing or leasing of mobile abattoirs for small entrepreneurs.

Source: World Bank. 2020. *Mongolia InfraSAP: Infrastructure for Connectivity and Economic Diversification*. World Bank, Ulaanbaatar. © World Bank. <https://openknowledge.worldbank.org/handle/10986/34779>.

66. **Mongolia's energy sector is also facing serious challenges in providing reliable and sustainable energy supply for electricity and heating.** Mongolia has underinvested in the energy sector for several

decades and there is a looming crisis due to insufficient capacity to meet growing power demand.³³ To meet this growing demand, electricity and district heating networks will need additional generation capacity as well as network upgrades. In the meantime, the existing energy system is heavily dependent on coal, contributing significantly to both greenhouse gas emissions and air pollution. Mongolia has substantial renewable energy potentials but only a small portion has been exploited. This means Mongolia must plan for an energy transition.

67. **The WBG's engagement in the energy sector will focus on energy efficiency and energy transition and transition towards renewable energy.** The *ongoing second energy sector project (ESP2)* aims to improve reliability of electricity distribution networks and increase renewable energy generation. The *Ulaanbaatar heating sector improvement project* under implementation will expand access to and enhance efficiency of the district heating network in the poorer parts of the city and reduce air pollution. Furthermore, the WBG's *analytical support on an Electricity Supply Strategy* can lay the foundations for an energy transition, guide needed investments and improvements of the policy framework. Further investments in the energy sector could focus on system upgrades to increase the ability to absorb variable renewable energy in the grid and to export surplus generation. IFC will look for opportunities to support renewable energy investments and through advisory to support the implementation of renewable energy projects, and financial institution's climate strategies. MIGA will also explore opportunities to strengthen foreign direct investment in the energy sector through its political risk guarantees. These activities are closely aligned with Mongolia's Nationally Determined Contributions (NDCs).

68. **Mongolia still needs to strengthen its digital connectivity for economic competitiveness, addressing widening rural disparities, and responding to COVID-19.** The country is still ranked 118th out of all 193 economies in ITU's Regulatory Tracker for 2018. There is a digital divide between rural areas and urban centers. Many *baghs* (farmsteads) are still relatively under-connected: 62% of 4G subscribers are in Ulaanbaatar while only 38% are in the provinces. The proposed *Digital Transformation project* can promote private sector investment for 5G networks; improve access to mobile phones and internet for rural inhabitants to connect to urban markets; increase digital literacy of rural inhabitants and other disadvantaged segments of Mongolia's society; and enable citizens and businesses to have access to digitalized public and private sector services.

Focus Area 3: Improving quality of life

Objective 3.1 Enhancing quality of health services

69. **Mongolia's health sector faces challenges in delivering quality service and COVID-19 has highlighted the need to strengthen public health response and preparedness.** The health service delivery is characterized by large technical and allocative inefficiencies. The system is not equipped to meet the growing burden of Non-Communicable Diseases, the leading cause of mortality and morbidity in Mongolia. A global study of health care access and quality in 195 countries had Mongolia ranked only 119th.³⁴ Mongolia needs to transition to a high value delivery system, supported by efficient use of public expenditure. COVID-19 has further exposed weaknesses in public health systems, and highlighted the need to build and strengthen public preparedness.

³³ Mongolia is ranked 152 in the Getting Electricity indicator of the 2020 Doing Business Report.

³⁴ Measuring performance on healthcare access and quality index for 195 countries: a systematic analysis from the Global Burden of Disease Study 2016.

70. **The ongoing WBG interventions will support the health sector, particularly focusing on supporting public health response and preparedness.** To respond to COVID-19, the Bank rapidly mobilized an emergency response and health system preparedness operation in FY20, as part of the Bank-wide COVID-19 Strategic Preparedness and Response Program under the WBG’s Fast Track COVID-19 Facility (FTCF). This was followed by additional financing in FY21. Both operations are designed to enhance Mongolia’s capacity to prevent and respond to the COVID–19 outbreak and other public health emergencies, through strengthening national systems for public health preparedness, financing medical supplies and COVID-19 vaccine purchase and distribution. The ongoing e-Health project aims to support effective management and control of non-communicable diseases (NCDs) by facilitating the real-time exchange of patient information and providing accurate and regularly updated data to monitor NCDs. The Bank is working with the authorities to resolve its implementation bottlenecks. IFC’s investment in Intermed will continue to support providing private healthcare services based on international best practices. The Bank will also stay engaged in the broader health sector, but will organize its support to be complementary to other development partners including ADB’s strong presence.

Objective 3.2 Improving education quality

71. **While Mongolia invests considerably in the education sector, the return on investment in terms of learning outcomes and preparedness for the labor market lags behind.** Even before the COVID-19 pandemic, Mongolia was coping with a learning quality crisis.³⁵ Closing the quality gap will be critical, but is complicated by the absence of effective national learning assessments, low non-salary operational budgets, insufficient school-level autonomy, and a lack of targeted services in rural areas and among hard-to-reach populations. A disconnect with labor market needs further undermines the development of relevant skills for the Mongolian economy. This is evidenced by a low labor force participation rate among youths nationally and a low employment rate among graduates of technical and vocational education and training and tertiary education. In rural Mongolia, extremely limited labor market opportunities lead to high inactivity among youth and a job profile dominated by traditional herding, unpaid work, and self-employment in the informal sector. Supporting the Government’s ambitious economic agenda including the digital agenda will require significant investments in new skills at all levels of the education system and through lifelong learning programs.

72. **Ongoing engagements will continue the Bank’s support in the education sector in the initial phase of the CPF, and further support on skills development will be explored based on a better understanding on the extent to which skills mismatches are a binding constraint on job creation in Mongolia.** The ongoing *Education Quality Reform Project* aims to improve the quality of education for primary school children, with an emphasis on improving native language and mathematical skills in the early grades while strengthening school-level planning. Through a recent restructuring in June 2020, the project is also geared towards addressing the impact of COVID-19 school closures. It introduced a focus on e-learning platforms, online education content especially for helping schools deliver “catch-up” lessons, teacher professional development, and enhancing school-based management and opportunities to reach remote populations.³⁶ The ongoing *ESSRY project* financed by the Japan Social Development Fund

³⁵ Mongolia’s expected years of school (EYS) at 13.2 years far exceeds the average for lower middle-income countries (10.4 years) and even marginally exceeds that for high income countries (13.1 years). Yet, the learning adjusted years of school (LAYS), which discounts time spent in school by a factor measuring how much children learn, is only 9.2 years. This means that children are in school and not learning for 4 years.

³⁶ School closures precipitated by the pandemic are expected to have significant implications for long term earnings based on the calculations of learning loss for students. Simulations using the World Bank’s *Country Tool for Simulating COVID-19 Impacts*

(RETF) aims to empower vulnerable, disadvantaged youth with socioemotional and entrepreneurship skills which are critical for school success and subsequent entry into the labor market.³⁷ The Bank also recently supported the government's development of its *Education Sector Mid-Term Development Plan for 2021-2030* in collaboration with development partners.³⁸ The new strategy identifies sector priorities to enhance the equity, quality and relevance of education services. These ongoing projects lay a strong foundation for future engagement, potentially on the cross-sectoral skills development agenda, including digital skills. A better understanding on the skills development agenda from the Jobs Diagnostics will further inform future Bank engagement to enhance the connection between schooling and labor market needs. Should government move forward with additional reforms in the education sector, the Bank will be ready to mobilize and engage quickly.

Objective 3.3: Enhancing efficiency and sustainability of social protection systems

73. **Progress is needed to build efficient and sustainable social protection systems.** Although Mongolia devotes almost 3% of its GDP to social assistance, only a small portion is targeted at the poor and vulnerable, two groups most adversely affected by shocks and crises like COVID-19 or climate-related disasters. Most expenditures are categorically targeted and not focused on the poorest, and the few targeted benefits offer only limited support. While the government is able to identify the poor through a PMT-based (Proxy-Means Test) Integrated Household Database, this capacity remains underutilized. On pensions, the state subsidy to the Pension Insurance Scheme is projected to quickly escalate to unsustainable levels. During the COVID-19 crisis, temporary exemption of contributions to social insurance was justified to provide substantial economic relief, but at significant cost. The emergency Employment Support project provided temporary relief to eligible workers in response to the COVID-19 crisis through supporting their social insurance contributions. Parametric reforms are urgently needed to address escalating fiscal expenditures and make the scheme more equitable for workers and beneficiaries.

74. **The World Bank will continue to support the Government in its efforts to strengthen social welfare programs, labor markets, and social insurance.** The Bank will support the government efforts of reforming its social welfare system building on a trusted partnership with its main counterpart, the Ministry of Labor and Social Protection. Bank support will continue to support the reorientation of categorical social welfare programs to assist the poor and the vulnerable. This will include policy advice on draft legislation, support for measures to consolidate social assistance programs, strengthen the Social

on Learning and Schooling Outcomes and data from Mongolia's *COVID-19 Household Response Phone Survey*, estimate a loss in LAYS of 0.6 years as a result of 7 months of lost schooling in the previous academic year. The calculations assume that distance learning through TV lessons is less effective. Therefore, learning losses will reduce the average annual income for each student by between an estimated US\$702 and US\$903. This implies that even in the most optimistic scenario, the present value of lifetime earnings of all students in this cohort would fall by US\$5 billion, equivalent to 38 percent of the country's 20209 GDP. Investments will be urgently required to improve distance education and digital education in the near term.

³⁷ The Entrepreneurship-Focused Socioemotional Skills for the most Vulnerable Youth in Rural Mongolia (ESSRY) project is piloting a school-based, community-driven program targeting rural youth in 25 of Mongolia's poorest rural district across five aimags. By offering in-class training and the opportunity for practical application through a small grant scheme, the project is designed to improve the quality and relevance of training for rural youth and support acquisition of socioemotional and entrepreneurship skills that are linked not just to success in school, but are also highly valued in the labor market. The project will also help strengthen the policy environment that supports entrepreneurship education. Complementary investments by the ADB and other donors target higher education; autonomy, accountability, corporate governance; equity and access among disadvantaged groups; and technical and vocational education and training.

³⁸ Recent analytical work on the education sector plan supported by the Global Partnership for Education examined the challenges of weak learning outcomes, socio-economic and geographic disparities, inefficient allocations and relevant curriculum, and supported the government's Education Strategy to improve the quality of education through the development of a system of open, distance, online and flexible learning pathways.

Registry and targeting system, encourage active use of the targeting system by social programs to determine eligibility and/or benefit levels, and establish the foundation for adaptive programs responding to shocks, including natural and climate-related disasters. Strengthening social protection will be one of the key pillars under the potential new DPO. The Bank will also support the government efforts to reform its pension insurance scheme and other social insurance legislation and programs, to improve their fiscal sustainability and equity.

Objective 3.4 Improving livability of urban centers

75. **Urban centers and their livability are key to the wellbeing of the majority of the Mongolian population.** The urban population of Mongolia increased from 57 percent in 2000 to 69 percent in 2018, with 46 percent of the population residing in Ulaanbaatar. Seventy-three percent of Mongolia’s GDP is attributed to three cities—Ulaanbaatar, Darkhan, and Erdenet. Enhancing the livability of urban centers, including managing urban sprawl, improving environmental sustainability especially air quality, and inequitable access of urban infrastructure and services, are important challenges facing Mongolian cities. Support to the urban centers go hand in hand with the Bank’s long-standing support to the rural population through various interventions.³⁹

76. **The WBG is supporting improvement of the livability of urban centers in multiple dimensions.**
- To reduce air pollution, the ongoing *Ulaanbaatar Clean Air Project (UBCAP) and its Additional Financing* will continue to help reducing particulate matters in Ulaanbaatar, including through supporting ger area residents gain access to cleaner heating appliances. More than 40,000 households have benefited.
 - To meet increasing demand for heating services during the harsh winters, improve air quality and reduce emissions, the ongoing *Ulaanbaatar Heating Sector Improvement Project* is providing essential investments to expand transmission capacity and improve efficiency of the district heating network.
 - To build a sustainable urban transport system, years of Bank-supported ASAs and technical assistance have led to a Sustainable Urban Transport for Ulaanbaatar (SUTU) Program.⁴⁰ It aims to tackle the multi-faceted urban transport challenges of traffic congestion, air pollution, road safety and quality of public transport services through an integrated well-functioning urban transport system.⁴¹ It includes a multi-year investment program, including a *pipeline Bank-financed Ulaanbaatar Sustainable Urban Transportation* project, with potential areas of collaboration with IFC to bring in private sector solutions.
 - To address industrial pollution to soil and water, the proposed *Urban Competitiveness and Regeneration project*, a multi-phased program to be developed in partnership with IFC and other development partners, could invest in urban land remediation, improved monitoring of water

³⁹ The Bank has supported the rural population in Mongolia through a long-standing series of Sustainable Livelihoods projects. It now supports the Local Development Fund, the premier instrument of the government to support rural areas. In addition, other interventions in health, education, social protection, and livestock all cover rural population of Mongolia.

⁴⁰ During 2014-2020, the World Bank team and Municipality of Ulaanbaatar officials have been working on a series of technical assistance program, including sector diagnostics and sector strategies with specific recommendations for improving capital investment planning, transport infrastructure asset management, public transport financial sustainability, bus management system, passenger information system, mass transit deployment, road safety, and climate resilience.

⁴¹ The SUTU Program will help Municipality of Ulaanbaatar (MUB) move from its piecemeal and fragmented approach to addressing in a comprehensive manner the root causes of the urban transport issues, including: (1) lack of a comprehensive strategy & weak planning and management capacity; (2) sparse and disconnected street network; (3) inefficient public transport services & poor pedestrian facilities; and (4) lagging traffic management & road safety considerations.

quality and restoration of degraded riverbank areas adjacent to the Tuul river. This would help capture the value of currently degraded areas and future Bank engagement could support mixed use development, and urban regeneration of this land, which is in close proximity to the central business area of Ulaanbaatar.⁴²

- *Affordable housing* is another area of focus in the latest government stimulus package. The Bank could support the government in further reforms and investments to ensure sustainable housing finance and avoid a repeat of off-balance sheet fiscal housing subsidies through BoM. Working with the private sector on sustainable urbanization, IFC will look for investment opportunities in affordable and green housing, including in collaboration with ADB's ger district redevelopment initiative; engaging with Ulaanbaatar City to help designing financing solutions at sub-national level; and developing risk sharing facilities with commercial banks to promote affordable housing and green finance. IFC will also provide advisory support to developing green building standards and energy efficiency projects for private investments.
- Finally, there are a number of other areas with potential to be explored further towards the medium-term of the CPF. The WBG will ensure selectivity to build a strong link to climate resilience and complementarity with other development partners. For example, in the water sector, the Bank has built a solid foundation through *the 2030 Water Resources Group*.⁴³ Further engagements be explored potentially around circular economy solutions, water and river basin management, and solid and plastic waste management. In addition, the Bank's work on land administration and geo-spatial information management can also unlock opportunities in urban management, transport, and other sectors.

Cross-cutting themes

Jobs

77. **Mongolia faces a jobs challenge, especially for its youth.** Mongolia's labor market is characterized by mismatches between supply and demand across the economic cycle, across skill levels and types, seasons and across space. This has been translated into high and rising unemployment and falling labor force participation, especially for women.⁴⁴ Female labor force participation has been low at around 53-56 percent and declining in recent years.⁴⁵ With the current economic downturn, these imbalances have become more pressing. The jobs challenge comes from a disconnect between the sources of economic growth and the sources of jobs. The employment share of the mining sector, the most productive sector and a key driver of economic growth, has remained stagnant at below 5 percent of the workforce for the past twenty years. In the meantime, a steady transition of employment out of agriculture—from about half of all jobs in 2000, to about a third in 2010, and a fourth in 2019—has not been met by employment growth in high productivity manufacturing and services sectors. Further challenges emerge from a mismatch of the demand and the supply of skills. The absence of a direct feedback mechanism or a deeper involvement from the private sector on the skills development has meant that the educational and training institutions do not adequately respond to market demands.

⁴² This is in addition to the benefit of supporting non-mining sector described under Objective 2.3. Design of the project has been informed by ongoing ASA on Cities and Climate change, value chain analysis and sector study on leather and wool sectors, studies on demand assessment and land value capture.

⁴³ A number of analytical products have been done around water pollution management, urban water tariff reforms, river basin governance, wastewater recycling and reuse, water management in mining, and water valuation and incentives.

⁴⁴ According to the education ministry, the unemployment rate of youth aged 15 to 24 in Mongolia has sharply increased from 9.6 percent from 2008 to 16.5 percent in 2019. Today, an estimated 40 percent of higher education graduates are unemployed.

⁴⁵ The gender gap is particularly large among the younger generation. For those aged 25-29, labor force participation for men is 87 percent while it is only 62 percent in women.

Likewise, large public sector employment, with a focus on different types of skills, has perpetuated the slow response of educational institution to address evolving demands for skills in the market.

78. Job creation has been a challenge in the past, and the new government has committed to renew its efforts. In the past, the authorities have long aimed at improving the functioning of the labor market and the access to jobs through employment support policies such as public employment services and active labor market programs. However, these efforts have suffered from design weaknesses, in particular a lack of attention to actual demand for skills and a stronger link to businesses. Given weaknesses in the investment climate and private sector job creation, there are clear limits to what labor market policies alone can achieve, but improvements in spending efficiency are clearly possible. The new Government intends to renew its effort. The Government Action Plan commits to “create 150 thousand new jobs as a result of implementation of the major development projects and through support for private sector, SMEs and employment promotion.” Diversifying and creating new drivers of economic growth and job creation underline many of the government’s policy actions, including the latest stimulus program announced by the Government. Among them, the growth of the digital economy, a trend amplified during COVID-19, holds new potential for growth and jobs. (see box 4)

Box 4. “Digital Jobs” in Mongolia

Mongolia can catalyze the digital economy as a driver of growth and job creation. A digitalized economy has the potential to create multiple types of digital jobs for Mongolia. These include:

1. new jobs directly tied to digital technologies such as engineers, networking specialists, hardware specialist; and new jobs in the ecosystem such as mobile app developers, data scientists, community specialists in social networks;
2. job growth in traditional occupations through digital entrepreneurship and the creation of new businesses; or the expansion of existing firms, such as growth from tapping into foreign/new markets;
3. transformed jobs by changing the work practices and processes in existing jobs through the introduction of digital technologies; and
4. outsourced jobs as the internet permits global outsourcing of tasks to more-specialized locations or workers (e.g. offshoring); allowing global firms to benefit from different cost and productivity conditions, or from the availability of specific skills or firms in another country.¹

Studies have found that Mongolia has the potential for developing a vibrant digital economy⁴. These studies assessed Mongolia to have a young population with literacy and numeracy rate ranked 11th in the world, relatively well-established digital connectivity, and key foundations such as digital ID and national portal for public services (e-mongolia.mn). Many platforms in Mongolia have begun to offer common digital services, such as e-commerce and e-wallet. Entrepreneurs with earlier success record of launching technology-based ventures have started grooming the next generation entrepreneurs in collaboration with a global community of investors, startups, and professionals (e.g. Irbis Ventures). Digitalization of economic sectors including mining, agriculture and other industries is also an important step towards a more competitive and sustainable economy.

¹ Organization for Economic Co-operation and Development (OECD). 2016. *A Digital Economy Toolkit: Chapter 9 – Skills and Jobs in the Digital Economy*. <https://www.oecd-ilibrary.org/skills-and-jobs-in-the-digital-economy/5j1wt5491ps6.pdf?itemId=%2Fcontent%2Fcomponent%2F9789264251823-12-en&mimeType=pdf>

² Government of Mongolia/Pathways for Prosperity Commission/Access Solutions LLC. 2019. *Mongolia in the Digital Age: The Digital Readiness Assessment*. <https://artnet.unescap.org/sites/default/files/file-2019-11/Digital%20Readiness%20Assessment%20Final%20Draft%20%2009.09.pdf>; World Bank. 2020. *Mongolia InfraSAP: Infrastructure for Connectivity and Economic Diversification*. <https://openknowledge.worldbank.org/handle/10986/34779>; and American Chamber of Commerce in Mongolia. 2020. *Position Paper on Digital Transformation and Economy*. <http://www.amcham.mn/amcham-mongolia-position-paper-digital-transformation-economy/>

79. **As a cross-cutting theme, the WBG will adopt an integrated cross-sectoral approach and bring all three focus areas together to tackle the jobs challenge.** The WBG support under Focus Area 1 to enhance economic stability and institutions will be foundational to job creation. Focus Area 2 on boosting competitiveness will advance the demand side of jobs, while Focus Area 3 will focus on enhancing human capital and promoting relevant skills—both are essential on the supply side of jobs. During the COVID-19 pandemic, much of the WBG efforts have focused on retaining jobs. As the economy recovers, creating jobs that matches the post-COVID-19 reality will be essential.

- *A Jobs Diagnostics* has started to understand the labor market and its challenges and constraints. It will generate evidence that provides further insights into various aspects of the jobs challenge faced by Mongolia and identify broad policy direction to increase the quality and quantity of jobs.
- *Private sector development* will be key to absorb the rapidly changing structure of the labor market.⁴⁶ Building on ongoing work, a more hardnosed diagnostics on the doing business constraints may be necessary to inform policies to attract private investment and build a better business environment that allows productive and labor intensive firms to grow. Additional support may be required for microentrepreneurs and SMEs which are significant sources of jobs. The WBG support, particularly IFC and MIGA’s direct support to private investments, will have a direct impact on jobs.
- The WBG support to various *non-mining sectors* under Focus Area 2 will be mobilize direct interventions that could lead to more and better jobs. This includes the sectors where a large share of jobs are concentrated including agriculture, livestock, and tourism. The *digital economy* could be a new driver of growth and jobs. In addition to the ongoing and new Bank interventions on e-governance and digital transformation, digitalization efforts are also embedded in other interventions such as livestock, tourism, SMEs, and other areas. IFC will enhance its engagement with the private sector in the digital service economy.
- Finally, *enhancing skills development* is another area to integrate various actors (employers, training providers, educational institutions, and employment service providers) in the private and public domains and become more responsive to the changing demands of the market. The ongoing Mongolia Employment Support Project plans to make the labor market information system more efficient and improve intermediation services including job-matching. A Bank-Executed Trust Fund (BETF) financed by the Korean World Bank Partnership Facility will further complement this by developing a taxonomy of skills of jobs that are in high demand. Such a taxonomy will lay the foundation for a stronger skills development system, including education, training, and intermediation services. Furthermore, the Mongolia Emergency Response and Employment Support Project will provide an opportunity to the government to pilot innovative approaches towards skills development.⁴⁷ Further engagement to better understand and advance the agenda will be explored.

Climate

80. **Mongolia is both a contributor to as well as a victim of increasing climate change and environmental pollution.** The country’s strong dependence on coal— in terms of domestic consumption

⁴⁶ The employment growth has been driven by the entry of a larger numbers of small firms in the market. These new entrants face constraints in getting established in the market and subsequently growing. Entry of large firms has been constrained by unpredictable investment climate. Foreign investors still perceive Mongolia as a high-risk environment.

⁴⁷ The government, with the Bank support, has continued to make progress on making the public employment services more client-centric, improving the job-matching platforms (along with the concurrent Korean development assistance), providing necessary business skills in additional to financial support to microentrepreneurs. The Bank is also piloting innovative approaches to skills development, including those of the youth, improved labor market analysis, and information systems.

for energy production and commodity exports—and heavy use of pastoral animal husbandry causes high levels of GHG emissions per capita, air pollution, and other environmental consequences. At the same time, the overall socioeconomic development of Mongolia relying on rain-fed agriculture and having a growing urban population concentrated in a few cities is vulnerable to deteriorating environment, climate change and other natural disasters such flood and *dzud*. Addressing climate challenges and protecting the environment are therefore essential to maintain Mongolia’s extraordinary endowment of clean air and water, vast pastureland and unspoiled nature.

81. **Mongolia has recently increased its level of ambition to address climate change under the Paris Agreement.** Mongolia is a signatory to the Paris Agreement and has recently enhanced its NDCs in October 2020 (see table 3 below). The enhanced NDCs now aim to reduce the country’s GHG emissions by at least 22.7 percent or 27.2 percent by 2030 without or with international support, respectively, compared to a business-as-usual scenario (excluding land use, land-use change, and forestry).⁴⁸

Table 3: Key Priorities of Mongolia’s Nationally Determined Contribution (NDC)

Component	Sector	Priorities
Mitigation	Energy Production	Use renewable energy sources Improve efficiency of energy production.
	Energy Consumption	Actions in transportation*, construction*, industry.
	Non-Energy Sector	Actions in agriculture (especially livestock management*), industrial processes and product use, waste management
Adaptation	Animal husbandry and pastureland	Increase the productivity of the animal husbandry sector while ensuring the sustainable development of the sector and reducing the impacts and risks associated with climate change
	Arable Farming	Enable the sustainable supply of healthy food for the population, fodder for livestock, raw materials for the light and food industries through the agricultural products, by properly utilizing the positive impacts and reducing the adverse impacts of climate change in the agriculture sector.
	Water resources	Increase efficient water use methods, enhance the adaptive capacity of the water sector.
	Forest resources	Create forest ecosystems well adapted to climate change and enhance carbon sink by implementing sustainable forest management.
	Biodiversity*	Enable adaptation opportunities and adaptive capacities for vulnerable biodiversity to climate change.
	Natural Disaster	Build resilience to natural disasters by reducing the risks and adapting to impacts of climate and weather-related hazards and disasters
	Public Health*	Strengthen healthcare services and capacities for early warning of potential health risks, and provision of proactive and response measures through the comprehensive study of climate change impacts on public health.
Livelihood and social safeguard*	Establish a system providing social safeguard, insurance, and prevention measures to reduce the vulnerability of social groups and build their resilience to climate change impacts by identifying groups vulnerable to climate change.	

⁴⁸ Mongolia’s Nationally Determined Contributions to The United Nations Framework Convention On Climate Change (updated submission). 2020.

<https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Mongolia%20First/First%20Submission%20of%20Mongolia%27s%20NDC.pdf>

* sectors/actions which have been added or substantially updated in Mongolia's newest NDC from 2020 compared to the previous version from 2015

82. **Accordingly, as a cross-cutting theme of the CPF, the WBG intends to enhance its own ambition to support the Mongolian authorities' efforts to manage climate-related risks and opportunities.** The WBG efforts to address climate change cuts across multiple sectors, and addresses both the mitigation and adaptation aspects of the climate agenda.

- **Power and heating:** The Bank aims to improve energy efficiency, diversify the energy mix through the scale-up of renewable energy, and supporting and leading a policy dialogue on reforms are closely aligned with Mongolia's NDCs. The ongoing *Energy Sector Project* deploys solar photovoltaic technology and improves the efficiency of the distribution networks, the ongoing *Ulaanbaatar Clean Air Project* supports Mongolia's mitigation efforts by replacing traditional heating coal stoves with more efficient alternatives, and the *Ulaanbaatar Heating Sector Improvement project* will also enhance the efficiency of heating and reduce emissions. Furthermore, several ASAs aim to promote mitigation efforts through more efficient heating options, scaling-up renewable energy, and improving public transport. In addition to the Bank, IFC looks to invest in renewable energy supply and support green building solutions, including through investment and advisory support for commercial and green mortgages, while MIGA will explore opportunities for cross-border investment in renewable energy.
- **Urban:** In the urban sector, the Bank is supporting the Government in implementing its NDC priorities by (i) addressing mitigation and adaptation in urban areas, specifically through the Cities and Climate Change ASA; and (ii) through capacity building activities. The Cities and Climate Change Study financed by the Global Facility for Disaster Reduction and Recovery (GFDRR) and the NDC Support Facility focuses on modeling urban growth scenarios and their impact on climate change in three urban centers: Ulaanbaatar, Erdenet and Darkhan. Findings from this study have informed the design of the Urban Competitiveness and Regeneration Project and are also expected to inform integration of climate change considerations in the development and implementation of urban master plans in the three cities. Under this ASA, the World Bank also provides targeted capacity building and training for government officials to implement Mongolia's NDC with regard to disaster early warning systems, the circular economy and sustainable industrialization, as well as modeling and tools for scenario analysis.
- **Agriculture and livestock:** Given the prominence of agriculture and livestock in Mongolia's NDCs, the Bank will enhance engagement to unleash the potential for climate change mitigation and adaptation. Key opportunities for lowering GHG emissions through livestock and manure management (which could be coupled with decentralized biogas production) could be considered in Bank's engagement in livestock. More climate-resilient agricultural practices and opportunities for integrated landscape management could also be introduced through Bank support.
- **Further efforts will be explored across the portfolio.** Further mitigation opportunities will be explored in agriculture and livestock management (objective 2.3), sustainable mining (objective 2.2), and fiscal management (objective 1.1). To support environmental fiscal reforms, the Partnership for Market Implementation, a new trust fund managed by the World Bank's Climate Change Group, could be mobilized to help Mongolia explore carbon pricing policies commensurate to its specific national context. From an adaptation perspective, opportunities exist in particular in agriculture and livestock management (objective 2.3), and in social protection systems (objective 3.3).
- **Long-term strategies for low-carbon development:** To help implement Mongolia's existing NDCs and inform future updates, the WBG will explore with authorities an engagement process on developing *long-term strategies for low-carbon development*. Closely linked to the Government's own goal of green growth under *Mongolia Vision 2050*, such an engagement on long-term

strategies on climate change would enable Mongolia to assess the socio-economic opportunities and challenges of its development process that is aligned with the country's own and other countries' NDCs and the Paris Agreement's temperature goals. It could also evaluate the impacts and risks from changes in trading patterns.⁴⁹ To finance related analysis, the WBG would seek to facilitate access to climate-related trust funds managed by the bank's Climate Change Group and others. Relevant bank analysis such as country environmental analysis or the newly envisioned country climate development report could provide the appropriate analytical underpinning.

83. Although not formally a cross-cutting theme, the CPF will continue to promote gender equality. Mongolia continues to make progress in closing gender gaps in health and education, but important gaps remain regarding longevity, economic opportunities, ownership and control of productive assets, and exercising voice and agency.⁵⁰ The female labor force participation rate is at 53% compared to the male participation rate of 68% (2019). The gender gap increased from 12 percentage points in 2016 to 15 percentage points in 2019. On average women earn less than men; the gender pay gap has reached 25%.⁵¹ Gender based violence (GBV) remains a widespread social problem: 31% of women have experienced physical or sexual violence in their lifetime, while 58% of ever-partnered women have experienced at least

Box 5: WBG support to women-led enterprises

There is a gender gap in the participation in microentrepreneurial activities. According to the 2019 labor force survey (LFS) only 11.7 percent of women with basic and secondary education were self-employed compared to 19.6 percent of men. Women in particular face greater barriers to becoming self-employed or starting a microbusiness, often due to a lack of access to social or financial capital. Consequently, only 37 percent of young self-employed entrepreneurs were females. Moreover, in rural areas women lack collateralizable assets and hence less likely to obtain commercial loans to run their businesses as compared to men.

To help address these gaps the Mongolia Emergency Relief and Employment Support Project and the Livestock Commercialization Project are targeting support to microentrepreneurs and women-owned or -led enterprises. With support from the Women Entrepreneurs Opportunity Facility, IFC set up a syndicated loan facility with a commercial bank to target a large share of financing towards women-owned or operated SMEs. As a result, over 36,000 women-owned business received microfinance loans. More recently, IFC's COVID-19 response support to MCS, a diversified business group, has a substantial gender component. Under this, IFC Gender Advisory will support MCS in strengthening recruitment and retention of women employees and leaders. Potential interventions include needs assessment and solution design related to employer-supported childcare and/or Human Resources policy advice and training related to managing the impact of gender-based violence on the business. The MCS team is also considering assessment of gender diversity among its network of SMEs suppliers and distributors based on IFC guidance.

⁴⁹ It would also evaluate the impacts and risks from changes in trading patterns. For instance, China, Mongolia's neighboring country and largest off-taker of Mongolia's coal exports, has committed to fully decarbonizing its economy by 2060. Consequently, China's demand for carbon-intensive export commodities such as coal is likely to decline over time due to stricter climate policies on the regional level, and it would be beneficial to anticipate such economic risks to Mongolia's export economy well in advance.

⁵⁰ The CPF was informed by the following key gender assessments: i) World Bank (2018) Perceptions of Precariousness: A Qualitative Study of Constraints Underlying Gender Disparities in Mongolia's Labor Market; ii) NSO and ADB, Pilot Survey on Measuring Asset Ownership and Entrepreneurship from Gender Perspective in Mongolia, 2018; and iii) IRIM (Independent Research Institute of Mongolia) and UNDP (United Nations Development Programme) (2016) Mainstreaming, acceleration and policy support (MAPS) for SDGs: Gender baseline analysis against SDGs in Mongolia.

⁵¹ Data from National Statistics Office, April 2020.

one type of violence.⁵² COVID-19 has exacerbated domestic violence. At the same time, the gender gap in life expectancy is widening further: women live 9.67 years longer than men. Adult male mortality is nearly 2.4 times higher compared to that of females.

84. The WBG’s ongoing portfolio and new interventions will continue to incorporate gender actions across WBG interventions. Based on the Country Gender Action Plan for the Mongolia portfolio (FY19-23), the priorities areas for promoting gender equality in Mongolia include reducing school dropout among rural boys, enhancing women’s access to economic opportunities and growing women-led businesses, closing the gender gap in retirement ages, promoting women’s participation in local planning and public policy making, empowering women as agents for change, enhancing the national capacity to introduce gender-responsive budgeting, and supporting the priority needs of the National Committee on Gender Equality in knowledge and capacity building. Many of the WBG lending and ASAs are already advancing these objectives, e.g. enhancing women’s access to economic opportunities is supported by the Bank’s Employment Support project, Export Development project, Livestock Commercialization project, as well as IFC’s engagements with private sector. (see Box 5 as an example). In addition, a recent study by the Bank found that risky health behaviors (e.g. smoking, alcohol consumption, poor diet, lack of exercise, and not seeking medical care) have caused men’s shorter life expectancy, compared to women, and that men with stronger masculine traits or beliefs were more likely to demonstrate such behaviors. This is a valuable finding for strategic planning in the country and to sharpen work that the National Committee for Gender Equality is undertaking to reduce the gender gap in life expectancy. Going forward, a gender assessment will inform the design of new investments and the CPF will target at least 55 percent of new projects invest in reducing priority gender gaps. The WBG will also look into the impact of COVID-19 on gender-related issues including challenges in childcare in the WBG engagements in Mongolia.⁵³

85. The Bank’s engagement will be underpinned by the Environmental and Social Framework (ESF) across the CPF focus areas. Consistent with the ESF and the Bank’s commitment to environmental and social sustainability, the Bank will work with government and counterparts to ensure that opportunities to enhance development benefits are sought for the poor and the vulnerable, and for promoting the sustainable management of natural and living resources. During the CPF period, the government’s environmental and social (E&S) risk management capacity will be supported at a project level. Analytical work currently underway examining worker, workplace and community safety is an example, and similar activities could be undertaken to identify opportunities to improve social and environmental outcomes and project development outcomes. The growing infrastructure portfolio will provide opportunities for increased engagement with key stakeholders and systems improvements that meets the needs of Mongolia. E&S capacity development to allow good practice E&S risk management in accordance with the new ESF will build on work to date, and will provide a platform for further strengthening country systems and develop client capacity to manage E&S risks and opportunities beyond Bank’s own investments.

⁵² Data from UNFPA (United Nations Population Fund), 2018.

⁵³ See Devercelli, Amanda E.; Beaton-Day, Frances. 2020. Better Jobs and Brighter Futures : Investing in Childcare to Build Human Capital. World Bank, Washington, DC.

Table 4: WBG ongoing and planned engagements

<p>Focus Area 1: Strengthening economic governance</p>	<p>Focus Area 2: Boosting competitiveness</p>	<p>Focus Area 3: Improving quality of life</p>
<p>1.1 Strengthening fiscal management and institutions</p> <p><u>Ongoing engagements</u> Strengthening Fiscal and Financial Stability Project (closing 01/31/2022); Strengthening Governance in Mongolia Project (Trust Fund, closing 12/31/2021); Mongolia Poverty and Equity ASA.</p> <p><u>Potential new engagements</u> COVID-19 Economic Recovery Support Operation (DPO)</p>	<p>2.1 Improving business environment</p> <p><u>Ongoing engagements</u> IFC Advisory Services Investment Policy and Agriculture Investment Promotion (closing June 30, 2021) IFC investment in banking and SME credit lines; Export Development Project (closing 12/31/2023);</p> <p><u>Potential new engagements</u> COVID-19 Economic Recovery Support Operation (DPO); Phase two of investment climate reform engagements under IFC CMA.</p>	<p>3.1 Enhancing quality of health services</p> <p><u>Ongoing engagements</u> Mongolia COVID-19 Emergency Response and Health System Preparedness Project & Additional Financing (closing 03/31/2023); Mongolia PEF Support for COVID-19; E-Health Project (closing 09/30/2022); IFC investment in Intermed.</p>
<p>1.2 Improving financial sector stability and governance</p> <p><u>Ongoing engagements</u> Strengthening Fiscal and Financial Stability Project (closing 01/31/2022); Mongolia Financial Sector Support TA; RAMP support by WB Treasury; IFC AS on financial sector including Green Finance Market Development Project-(604826)</p> <p><u>Potential new engagements</u> COVID-19 Economic Recovery Support Operation (DPO); IFC AS on Credit Registry development; IFC AS to support the partner banks</p>	<p>2.2 Promoting sustainable mining investments</p> <p><u>Ongoing engagements</u> IFC investment, AS and MIGA guarantee in OT (expiring 12/15/2027); Disclosure to Development program to improve community awareness in mining; Strategy for more Sustainable and Inclusive Development of Mineral Resources (ASA); EITI implementation support grant for FY22-24.</p> <p><u>Potential new engagements</u> Potential new investment from IFC, subject to conducive business environment and interest from experienced operators that are well equipped to manage E&S risks</p>	<p>3.2 improving quality of education</p> <p><u>Ongoing engagements</u> Education Quality Reform Project (closing 12/31/2022); Entrepreneurship-focused socioemotional skills for the most vulnerable youth in rural Mongolia.</p>
<p>1.3 Strengthening government efficiency and accountability for better service delivery</p> <p><u>Ongoing engagements</u> Third Sustainable Livelihoods Project (closing 10/31/2022) & TF support; SMART Government (closing 10/31/2021); Mainstreaming Social Accountability for Improved Transparency and Participation in Mongolia - MASAM Second Phase (closing 6/30/2023); Strengthening Governance in Mongolia (Trust Fund, closing 12/31/2021).</p> <p><u>Potential new engagements</u></p>	<p>2.3 Increasing productivity in non-mining sectors</p> <p><u>Ongoing engagements</u> Export Development Project (closing 12/31/2023); Livestock Commercialization Project, implemented jointly between (closing 06/30/2025) & IFC upstream engagement; Transforming Mongolian Agrifood Systems (ASA); IFC AS on Investment Policy and Agribusiness Investment Promotion; and Trade Facilitation and Agri Sector Export Competitiveness; Mongolia Inclusive Tourism Development (ASA); IFC investment in Shangri-La and Ibis Styles hotel; Mongolia Climate and City Resilience (ASA) Mongolia Jobs Diagnostics (ongoing)</p>	<p>3.3 Enhancing efficiency and sustainability of social protection systems</p> <p><u>Ongoing engagements</u> Employment Support Project (closing 09/30/2021); Mongolia Emergency Relief and Employment Support Project (closing 12/31/2023); Mongolia COVID, Social Protection and Jobs Diagnostics (ASA); Employment Support Project (closing 09/30/2021); Mongolia Emergency Relief and Employment Support Project (closing 12/31/2023);</p> <p><u>Potential new engagements</u></p>

<p>Follow-on project on Local Development Fund; Digital Transformation Project; Political Economy ASA.</p>	<p><u>Potential new engagements</u> Ulaanbaatar Competitiveness and Regeneration Project; Mongolia Transport Connectivity and Logistics Improvement Project; Digital Transformation Project; Virtual Cooperatives of Pastoral Communities (Japan Social Development Fund (JSDF) Grant focusing on cashmere and wool); IFC potential engagements in tourism, agriculture; New IFC AS on Mongolia meat supply chain; Potential MIGA engagement.</p>	<p>COVID-19 Economic Recovery Support Operation (DPO)</p>
	<p>2.4 Improving connectivity through sustainable infrastructure</p> <p><u>Ongoing engagements</u> Second Energy Sector Project (09/30/2022) & Solar PV - Scaling up Renewable Energy Program (SREP) Grant; InfraSAP (recently completed).</p> <p><u>Potential new engagements</u> Mongolia Transport Connectivity and Logistics Improvement project; IFC investment & AS in RE, greening financing and PPP; MIGA potential engagement in renewable energy.</p>	<p>3.4 Improving livability of urban centers</p> <p><u>Ongoing engagements</u> Ulaanbaatar Clean Air Project (closing 12/31/2021); Ulaanbaatar Heating Sector Improvement Project (12/31/2025); Mongolia Cities and Climate Change (ASA); 2030 Water Resources Group; ASA on land administration and geo-spatial information management.</p> <p><u>Potential new engagements</u> Ulaanbaatar Sustainable Urban Transport Project; Ulaanbaatar Competitiveness and Regeneration Project; IFC potential investments in affordable and greening housing, and AS on green building and energy efficiency.</p>

3.4 Implementing the Country Partnership Framework

3.4.1 Financial Envelope and Instruments

86. **Mongolia will be an IBRD-only client for the first time during this CPF period, complemented by some exceptional IDA allocation granted during IDA19 to support Mongolia’s COVID-19 response.** The indicative Bank lending program for Mongolia could be around US\$400-600 million for the CPF period. Actual IBRD lending volumes over the CPF period will depend on country demand, overall country performance, as well as global economic and financial developments, IBRD’s financial capacity, and demand by other Bank borrowers. In addition, to assist Mongolia to respond to urgent COVID-19 related needs, in April 2020, the Board granted Mongolia temporary access to the IDA19 Crisis Response Window in FY21, for the same Performance-Based Allocation amount the country received in FY20, i.e. US\$50.7 million. This exceptional IDA allocation has been committed for additional financing of the COVID-19 Emergency Response and Health System Preparedness Project to support vaccine financing.

87. **The current Bank portfolio consists of 13 projects with a total commitment of \$400.21 million.** Out of the committed funds, over thirty-six percent (\$126.14 million) have been disbursed. All of these projects are IPFs.⁵⁴ Portfolio quality has turned around from four problem projects in the beginning of FY20 to only one. Four projects are in the current pipeline, with additional projects at early planning stage. (See annex 5 for details)

88. **The WBG will explore the use of different lending instruments, including contingency risk financing mechanisms.** While investment project financing (IPF) has been and will continue to be the primary instrument, Mongolia used a Development Policy Operation (DPO) series in FY18, and two tranches were completed. A new DPO is envisioned, but its materialization will depend on a number of factors. The Bank and the Mongolian authorities have also discussed the use of the Program for Results (PforR) instrument, and a potential P4R in support of the next stage of the local development fund will be explored further. Given the risks of shocks in Mongolia, the use of contingency risk financing mechanism such as CERC (Contingent Emergency Response Component) and others will be part of the toolbox for project design. The WBG will also examine the use of guarantees as opportunities arise.

89. **The Bank will actively seek co-financing opportunities with other partners to leverage the Bank's limited resources.** The Bank has co-financed investment activities with partners such as Japan and Korea in the past. The recent Mongolia economic recovery program was a collaborative effort among IMF, ADB, Japan, China, and Korea, and the Bank. The Bank's current portfolio has two co-financed projects with Switzerland and the Scaling-Up Renewable Energy Program. The Bank will continue to look for co-financing opportunities, particularly in sectors where financing needs are large, with multilateral (including ADB, AIIB, EBRD) and bilateral partners. Furthermore, different climate financing sources may further be explored as well as complementary grant funding to support ASA for climate-relevant activities.

90. **In addition, the Bank will continue to provide advisory services and analytics in strategic areas.** Most ASAs will continue to complement ongoing and new lending operations in specific sectors, but others could be independent of any Bank financing and constitute an alternative way of supporting policy and financing decisions by Mongolian partners. Such ASA may also be used to inform financing by other bilateral or multilateral partners or even the private sector as a means to leverage additional resources. ASA will continue to be a mix of short-term policy advice and technical assistance as well as longer-term diagnostics such as the recently completed CEM and InfraSap assessment. (See Annex 5 for the current ASA portfolio.)

91. **IFC will be looking to play a strong catalytic role using the full range of its investment and advisory instruments to support private sector growth in Mongolia.** Under IFC's 3.0 framework, IFC will work closely with the Bank, other donors and institutions to help create and unlock markets in Mongolia. IFC will explore and support projects where the private sector, including private sources of financing, can play a more meaningful role – including in infrastructure, thus helping relieve fiscal pressures from the Government of Mongolia. IFC will seek to leverage, coordinate with and build on financial and technical assistance by other partners. Infrastructure sectors (power generation and distribution, transportation) may offer opportunities for direct funding, PPPs, and potential privatizations, while funding available under IFC's Upstream and Creating Market's Advisory Window (CMAW) would be utilized for development of upstream market-creating opportunities.

⁵⁴ The first two tranches of the Economic Management Support Operations (EMSO) have been disbursed, therefore, are not in the portfolio anymore.

92. **Mongolia is one of IFC's largest exposures globally.** As of March 2021, IFC's investment portfolio stood at \$644 million for its own account and \$827 million mobilized from other institutions. The OT project accounts for \$398 million and \$817 million, respectively; other sectors with substantial exposure include construction and real estate/ affordable housing, accommodation and tourism services, and commercial banking. In addition to continued engagement in the mining sector, other priority areas for IFC engagements during the CPF period include interventions promoting increased competitiveness through better access to finance (especially for green finance, SMEs, and women-owned SMEs), agribusiness, tourism, and sustainable infrastructure development. Depending on the progress of key reforms and economic stability, IFC's cumulative investment program during the CPF period may have a broad range – from US\$100 million on the low end to US\$800 million on the high end (for IFC's own account and mobilization), depending on the pace of economic reforms and investment attractiveness of Mongolia.

93. **IFC's Advisory Services portfolio will continue to expand during the CPF period.** Of the six ongoing IFC Advisory Services (worth US\$5.7 million in funds managed by IFC, as of end-March 2021), three will continue throughout most of the CPF.⁵⁵ Going forward, IFC will continue expanding its advisory program, with potential areas of engagement aligned with the CPF objectives and cross-cutting themes.⁵⁶ IFC will also continue working under direct advisory mandates with key clients, including advisory services with partner banks on corporate governance, risk management (including AML/CFT risks), sustainable energy financing and digital solutions for enhanced inclusion. Recently IFC has received requests from the government to support Doing Business reforms, continuation of Systemic Investor Response Mechanism (SIRM), FDI promotion and developing supply linkages of domestic SMEs with foreign companies.

94. **MIGA's exposure in Mongolia, from its guarantee of the development of the OT mine, remains the largest in the EAP region (see Annex 6).** This currently stands at \$835 million, making Mongolia one of the top ten countries in MIGA's portfolio, with 4 percent of total gross exposure. MIGA's intervention contributed to mobilizing foreign private financing in support of the strategic mining sector in Mongolia, and was part of MIGA's strategic priority of supporting investments in IDA eligible countries.⁵⁷ The guarantee is for a period of up to 12 years (2015 – 2027) against the risks of expropriation, transfer restriction and inconvertibility, war and civil disturbance, and breach of contract. Going forward, MIGA will explore support for cross-border investments in key sectors such as infrastructure and renewable energy through close coordination with the Bank and IFC.

95. **The WBG entities are working together to mobilize private capital in Mongolia, especially with regards to infrastructure investments and mining.** In the mining sector, the WBG collaboration has been longstanding. While IFC provided one of its largest investments loan for the OT mine and MIGA provided a political risk guarantee to facilitate the commercial financing, the World Bank provided technical assistance for mining sector regulations and, more broadly, on fiscal and macroeconomic management. New WBG interventions will consider the potential for crowding in additional private resources. The planned Mongolia Transport Connectivity and Logistics Improvement pipeline project based on the

⁵⁵ Three AS projects – supporting trade and export facilitation, investment policy and investment promotion in the agriculture sector, and green building project – will reach completion around end-FY21. Three other AS projects involving green finance market development, insolvency reform and value chain financing market development, will continue through 2023-24.

⁵⁶ Areas include green financing (including green bonds and green buildings) and integration of environmental, social and governance requirement for the financial sector, access to finance for SMEs, credit registry, renewable energy, competitiveness of Mongolia meat supply chain and Covid post recovery of tourism sector.

⁵⁷ At the time the guarantee was issued, Mongolia was an IDA-country.

InfraSap study will provide opportunities for private sector solutions for critical infrastructure projects. Similarly, the planned Urban Competitiveness and Regeneration Project will also create conditions for private sector investments. In the livestock and tourism sectors, the Bank's Livestock Commercialization project and analytical work are working together with IFC to identify potential investment opportunities.

3.3.2 Financial Management and Procurement

96. **During the CPF period, the financial management arrangements for Bank operations will focus on further integration into the country systems.** Currently, existing country systems and processes are used in WBG operations to the extent possible and efforts are made toward greater and, eventually, full use of country systems. In particular, the Bank relies on the Mongolian National Audit Office in selecting auditors for Bank-financed projects, and all local currency project transactions run through the government's Treasury Single Account (TSA), with the foreign currency transactions in process of transitioning also to the TSA. Leveraging the greater use of country systems in WBG operations and the continued Bank support provided to the PFM reforms in the country, the Bank fiduciary staff will continue to build the capacity of the project management office staff, implementing agencies and other relevant stakeholders.

97. **Mongolia has continuously developed its PFM system, which features timely and orderly annual budget processes and a fully functional treasury system.** Recent PFM reform actions have targeted the upgrading of the Government Financial Management Information System; putting in place a uniform chart of accounts to support strong accounting, recording and reporting practices; establishing an accounting and auditing standards board with improved capacity; operationalizing statutory internal audit units in all government ministries; building capacity for the debt management office; preparing the government's consolidated financial statements timely and in accordance with the applicable international standards; as well as ensuring timely submission of government audit reports to the legislature.

98. **Despite the achievements driven by a modern and comprehensive PFM legal framework, there are opportunities for further improvements.** Those include, among others, more realistic revenue projections; better predictability in budget execution and visibility in cash flows to line ministries; integration of budget entities' financial reporting and government-wide consolidation in the Government Financial Management Information System (GFMIS); completion of the International Public Sector Accounting Standards (IPSAS) implementation; stronger Public Investment Management (PIM) processes and controls, particularly in relation to PPPs; strengthening of civil service management and payroll controls through nationwide rollout of the piloted Integrated Payroll System; more transparent and competitive procurement processes to achieve value for money. The government has adopted a PFM Strategy and Action Plan that was approved by the Minister of Finance in December 2018. The Bank is supporting these ongoing efforts through the Strengthening Fiscal and Financial Stability Project and the EU-financed Strengthening Governance in Mongolia Project.

99. **On procurement, since the approval of the first Public Procurement Law in 2000, various public procurement reform actions have been taken by the government, but results have been mixed due to frequent government changes and institutional restructuring.** Past changes to the allocation of procurement decision making responsibilities undermined the continuity in procurement reforms and related capacity building efforts. Therefore, a large part of the public procurement personnel still lacks capacity and experience in public procurement and contract management. A particular concern relates to potential conflicts of interest both between companies, but also between government officials and participating companies. It is therefore important to monitor not only overt conflict of interest, but also

to pay attention to beneficial ownership of companies. Looking into who are the real beneficiaries behind the winners of bidding procedures will be necessary to ensure there are no conflicts of interest that would undermine the integrity of the procurement process and pose a potential reputational risk to the Bank financing.

100. **A greater use of e-Procurement system will enhance the efficiency of Bank financing.** An electronic procurement system was developed and made operational in Mongolia in 2016. The system itself has been positively assessed against the MDB (Multilateral Development Bank) guidelines both by ADB and the Bank. But its use has been uneven due to connectivity problems, insufficient training to users and associated lack of understanding on how the system works. Several recent changes require further efforts to develop and implement new strategy on procurement capacity building and upgrading existing e-government procurement system.⁵⁸ The Bank will work towards supporting the further development and rollout of the system by making use of this system to the extent feasible. It can start with the publication of opportunities and results related to our portfolio. Capacity building through e-learning could be delivered. The eventual goal is to work towards the full use of the system for Bank financed projects.

3.3.3 Partnerships and Donor Coordination

101. **The WBG has been active in collaborating and coordinating with other development partners in Mongolia.** The WBG cooperated very closely with other development partners such as ADB, IMF, Japan, Korea, and China to support Mongolia's economic recovery from the 2014-16 downturn and again during the COVID crisis. In recent years, the Bank has also been partnering with various development partners in specific areas e.g. the Swiss Agency for Development and Cooperation and Korea for strengthening governance, public outreach and oversight, the financial sector, and social accountability; Japan for early childhood development and entrepreneurial skills development. Since 2018, an EU Trust Fund has financed various Bank activities to support the Government's PFM reforms. The Bank has also been successful in mobilizing grants and co-financing in such areas as groundwater management in Southern Mongolia with Australia's Department of Foreign Affairs and Trade (DFAT) and boosting clean energy in the remote west with the multi-donor Scaling-Up Renewable Energy Program under the Climate Investment Funds. The World Bank also received funding from the NDC Partnership to support alongside other development partners the implementation of Mongolia's NDC commitments.

102. **Donor coordination mechanism works reasonably well in Mongolia.** Strategic coordination takes place through the Development Partners group co-led by the Bank and the UN. Monthly meetings are chaired in turns by the Bank and the UN. These meetings serve as a platform for exchanging the information about the most recent programs and presenting relevant research or analytical findings. A number of thematic donor groups were also set up focusing on various development sectors. For each group a leading agency is facilitating joint meetings and exchange of information. The most active ones are those focusing on Agriculture and Extractives. The World Bank also maintains a dedicated virtual collaboration platform among development partners.

⁵⁸ According to the Action plan of the Government, public procurement process is required to be free of human interactions and conducted entirely through electronic government procurement (e-GP) system with potential machine-readable data solutions. As the recent amendment of the Public procurement law of Mongolia, 2019 (PPLM) has introduced several new terms such as electronic bidding and online shopping, the Government plans to upgrade existing e-GP system and to expand its coverage by application of online shopping under the framework agreement arrangements. In the meantime, the Ministry of Finance has been revising relevant legislative documents including regulations and standard bidding documents in accordance with the amended PPLM.

IV. MANAGING RISKS TO THE CPF PROGRAM

103. **The risks to the program are substantial overall.** Based on the Systematic Operations Risk-rating Tool (SORT),⁵⁹ key risks include macroeconomic, political and governance as well as environmental and social risks.

Table 5: Summary Risks (H: High; S: Substantial; M: Moderate; L: Low)

Risk Categories	Rating
1. Political and governance	S
2. Macroeconomic	H
3. Sector strategies and policies	M
4. Technical design of project or program	M
5. Institutional capacity for implementation and sustainability	S
6. Fiduciary	S
7. Environment and social	S
8. Stakeholders	M
Overall	S

104. **Macroeconomic risks will be high.** Given the volatility of Mongolia’s economy and COVID-19 impact, it is likely that the macroeconomic situation continues to be volatile during the CPF period and have an impact on achieving the CPF objectives. The ongoing dialogue between the authorities and investors on the potential revision of some major investment agreements could also affect economic stability and the investment climate. Mitigating actions include ongoing dialogue with authorities on its macro-economic policy, particularly on its management of the COVID-19 response. Working with international partners, the planned DPO could also support strengthening the macro-economic framework, and help the country stay the course of structural reforms.

105. **Political and governance risks will be substantial.** These risks have materialized during the last CPS period and are likely to remain substantial. They include frequent changes in government and civil service, which have led to delays in project implementation, as well as difficulties in engaging with government on the planning for new Bank projects, and interference in the implementation of ongoing operations. These interferences can undermine implementation capacity and sustainability. The 2021 presidential election period may also pose a risk for continued economic reform program. To mitigate this risk, the team will focus on having a better understanding of the political economy, more stakeholder consultation to build coalition, more robust and simpler project designs that deliver results relatively quickly to build ownership. The WBG country team will monitor development in the country carefully and make necessary adjustments on country dialogue or program. The WBG teams will also continue to supervise project implementation carefully to manage any potential interference and disruptions.

106. **Risks in institutional capacity for implementation and sustainability also remain substantial.** Weak capacity and institutional frameworks subject to political pressures have been an implementation

⁵⁹ A definition of risks and a rating guide is provided in the SORT Interim Guidance Note, available at: http://www.worldbank.org/content/dam/Worldbank/document/SORT_Guidance_Note_11_7_14.pdf.

challenge to the WBG. Learning from past experiences, some mitigation measures include simpler project designs, more robust implementation arrangements to staff implementation units independent from political decisions, and building on existing capacity and past successes from earlier WBG interventions. A better political economy understanding at the project level can also help facilitate implementation.

107. **Fiduciary risks continue to be substantial.** Key fiduciary risks are related to budgeting, funds flow and disbursement, and external auditing. Discretionary project budget cuts by government have caused instances of postponed project activities and slow project implementation. The Bank will work closely with the Ministry of Finance and project implementing agencies to enhance transparency in the project budgeting process. The Bank team will engage the Treasury Single Account which has recently assumed responsibility over the project funds flow and disbursement to ensure efficient processing of project transactions with proper safeguards in place. The Bank will also closely engage the Mongolian National Audit Office to address the inefficient procedure of selecting and contracting external auditors for the Bank portfolio.

108. **Environmental and social (E&S) risks are substantial, particularly given the planned increase of infrastructure investments.** In the past, in the mining related and other infrastructure projects, there have been some complaints from affected communities about potential adverse social and economic impacts. The more the Bank will engage in these areas, the higher the risks. Past experience has shown that comprehensive consultation with affected communities are important steps to mitigate environmental and social risks. The rollout of the Environmental and Social Framework (ESF) of the WBG is underway and will face difficulties. The lack of experience and capacity in the counterpart agencies on ESF will be an important challenge. This will be particularly problematic as long as external experts are unable to travel to Mongolia due to COVID-related travel restrictions. Actions are already underway to address some of the risks, including translation of the ESF into Mongolian, and strengthening the local capacity of government staff and consultants on the ground. But as implementation starts, the E&S risks will require close attention and careful management.

ANNEX 1: CPF RESULTS MATRIX

Pillar 1: Strengthening economic governance <i>SDG 8: Decent work and economic growth • SDG 10: Reduced inequalities • SDG 16: Peace, justice, and strong institutions</i>		
<p>Under the Pillar 1, the CPF seeks to strengthen economic governance through increased credibility of fiscal budget, quality and predictability of public investments, and capabilities and consistency of public service. Objective 1.1 is oriented on strengthening fiscal management and institutions: stabilizing the macroeconomy, increasing the Government’s capacity in macroeconomic and fiscal management. The support is expected to help restore prudent macroeconomic management through reductions of fiscal deficits to sustainable levels, tax mobilization and curbing public debt growth. These pre-requisites should help enable an effective counter-cyclical fiscal policy, with fiscal buffers to manage the economy’s exposure to boom-bust commodity-price cycles. The second objective 1.2 centers on improving financial sector stability and governance. Under this objective the Bank engagement will continue efforts to strengthen financial stability and enhance financial efficiency and depth. Objective 1.3 aims to improve the efficiency and effective use of public resources by enhancing transparency, participation in the budget processes, and mainstreaming social accountability at both central and local levels. More effective use of public funds in key sectors will contribute to improved public service delivery and public investments.</p>		
<p>Objective 1.1 Strengthening fiscal management and institutions</p>		
<p>Intervention Logic: Improving the outcomes of fiscal management will require strengthened institutions and accountability. Its key elements include strengthening fiscal discipline with enhanced efficiency of tax revenue and expansion of tax base, and improvements in the quality of public financial management including budget preparation, reporting and public investment management, and building economic policy making capacity. The work program is based on the analytical underpinning of supporting economic stability in the recent CEM. A new programmatic DPO is envisioned, building on the past Economic Management Support Operations (EMSO), to further strengthen macro-fiscal resilience through fiscal reforms, and deepen critical structural reforms. The Strengthening Fiscal and Financial Sustainability (SFFS) and Strengthening Governance in Mongolia projects will support Public Financial Management - focused primarily on addressing specific needs of the GoM to establish a sound fiscal discipline, improve expenditure management by strengthening the budget credibility, to establish the foundations for medium-term budgeting. The Bank will continue close coordination with IMF and other partners in policy operations in these areas. Finally, an ASA with the National Statistical Office (NSO) will help improve the quality and timeliness of key socio-economic data, as part of the effort to introduce multi-dimensional poverty measures.</p>		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Reduction of structural fiscal deficit (P174050) Baseline: 12.2% of GDP (2020) Target: 2.6% of GDP (2023) Aggregate deviation of expenditures is reduced to 15% or less and commitment controls are in place. (P161048)	Disclosure of consolidated information on SOE liabilities (P174050) Baseline: no (2020) Target: yes (2023)	<p>Current projects:</p> <ul style="list-style-type: none"> • Strengthening Fiscal and Financial Stability Project (P161048) • Strengthening Governance in Mongolia (Trust Fund) (P168248) <p>Potential new engagements:</p>

<p>Baseline: Aggregate deviation is >15% and no commitment controls in place (2017)</p> <p>Target: Aggregate expenditure deviation is contained within 15% and commitment controls in place (2022)</p>	<p>A comprehensive PFM strategy adopted and under implementation to support the achievement of fiscal discipline and strategic budget planning and execution. (P168248)</p> <p>Baseline: No (2019)</p> <p>Target: Yes (2021)</p>	<ul style="list-style-type: none"> • COVID-19 Economic Recovery Support Operation DPO (P174050) • Ulaanbaatar Subnational Financing Legal Framework Analysis (P605765)
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<p>Objective 1.2 Improving financial sector stability</p>		
<p>Intervention Logic: The Bank’s engagements will aim to strengthen financial stability, and enhance efficiency and depth of financial sector. Support to the financial sector reforms is envisioned in a new DPO, along the ongoing Strengthening Fiscal and Financial Stability project that provides TA support to the sector. IFC AS on financial sector resilience of the banking sector. Essential banking sector monitoring and policy advice will be strengthened through Mongolia Financial Sector TA. IFC will support the banking sector through its investment to banks and advisory to enhance the banks’ corporate governance, risk management, and AML/CFT practices. IFC will also continue its advisory support in green bond market development, improvement of the public credit registry and adoption/implementation of sustainable finance framework. Finally, the Reserves Advisory and Management Program (RAMP) engagement by the World Bank’s Treasury has been providing TA and capacity building services to the Bank of Mongolia in enhancing its reserve management capacity. Given the challenges of attribution in the financial sector, the results indicators under this objective are more output-oriented. Nonetheless, they are important elements to contribute to the financial sector stability in Mongolia.</p>		
<p>CPF Objective Indicators</p>	<p>Supplementary Progress Indicators</p>	<p>WBG Program</p>
<p>Independence of central bank enhanced through amending relevant legal acts (P174050)</p> <p>Baseline: 0 (2020)</p> <p>Target: 3 (2023)</p> <p>Regulatory framework for financial sector improved measured by number of legal acts drafted/revised and submitted to the Parliament (P161048)</p> <p>Baseline: 0 (2020)</p> <p>Target: 10 (2023)</p> <p>Assessment of individual banks carried out in accordance with Basel Core Principle 10 on Effective Banking supervision (P173584)</p>	<p>Green bond issuance guideline/framework is developed in line with international standards and adopted by regulators (IFC AS)</p> <p>Baseline: 0 (2021)</p> <p>Target: 1 (2023)</p> <p>Credit Registry is upgraded with new software in line with international standards (IFC AS)</p> <p>Baseline: 0 (2021)</p> <p>Target: 1 (2023)</p>	<p>Current projects:</p> <ul style="list-style-type: none"> • Strengthening Fiscal and Financial Stability Project (SFFS) (P161048) • Mongolia Financial Sector Support TA (P173584) • RAMP support by WB Treasury • IFC investment in banking (41748), (43012) • IFC AS on financial sector including Green Finance Market Development Project-(604826) <p>Potential new engagements:</p>

<p>Baseline: None (2020) Target: Assessment carried out (2023)</p>	<p>Number of International Association of Deposit Insurers (IADI) core principles that DICOM complies with. (P173584) Baseline: 8 (2020) Target: 10 (2023)</p> <p>Risk governance framework of Development Bank of Mongolia (DBM) established and functioning in line with good practice. (P173584) Baseline: None (2020) Target: Developed (2023)</p>	<ul style="list-style-type: none"> • COVID-19 Economic Recovery Support Operation DPO (P174050) • IFC AS on Credit Registry development • IFC AS to support the partner banks
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Objective 1.3 Strengthening government efficiency and accountability

Intervention Logic: To improve efficient and effective use of public resources, WBG will continue to support strengthening institutional capacity, enhancing use of digital solutions, and promoting transparency, accountability, and citizen engagement at the national and local levels. Together with efforts emphasized under the Objective 1.1, the work program will support strengthening capacity to address non-technical constraints to the reform process and facilitate implementation of policies and regulations. A programmatic ASA will support Public Financial Management to channel public investments to strategic projects oriented on diversification of the economy (complementary to Objective 2.3). It will also strengthen the accountability framework (primarily the GoM, the Mongolia National Audit Office, Parliament as well as other non-state actors) to improve the efficiency and effectiveness of public resources. The efforts will focus on enhanced transparency and participation in the budgetary processes and its external oversight, including to advance gender responsive budgeting. The work program to strengthen capacities of civil society and public sector agencies to generate data and monitor the policy making and implementation processes will further improve public service delivery and investments through a more effective use of public funds in key sectors and mainstreamed social accountability. Implementation of evidence-based social accountability mechanisms and tools will inform actions of the GoM to improve current outcomes in the delivery of key services and public investment projects. While the focus will be on local level interventions, project supported mechanisms are also expected to generate systematic data to inform the general budget context to seek compliance and to apply corrective measures in subsequent budget cycles in order to better address the needs of the citizens, in particular the poor.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Average soums' Annual Performance Assessment score (in percent) (P173126) Baseline: 30.37 (2016), 59.15 (2019) Target: 70.00 (2022)</p>	<p>Percentage increase in openness and transparency of electronic procurement (using OECD methodology) (P176631)</p>	<p>Current projects:</p> <ul style="list-style-type: none"> • Strengthening Governance in Mongolia (P166443)

<p>Improved budget transparency by making available to the public key budget documents in accessible and user-friendly formats, as measured by the Open Budget Index (OBI) (P168248). Baseline: 46 (2019) Target: 61 (2021)</p> <p>Increase in number of public services for citizens and businesses through digital channels. (P176631) Baseline: 0 (2020) Target: 100 (2025)</p>	<p>Baseline: 0 (2020) Target: 20 (2025)</p> <p>Gender Responsive Budgeting (GRB) methodology developed and piloted (P168248) Baseline: GRB methodology does not exist (2020) Target: GRB methodology is developed and piloted and adopted by two budget governors.</p> <p>Percentage of target citizens across the country noting improvements in health service delivery and quality of investments as a result of project-supported citizen mechanisms and ICT platforms. (P173992) Baseline: 0 (2020) Target: 50 (2023)</p>	<ul style="list-style-type: none"> • Strengthening Governance in Mongolia (Trust Fund) (P168248) • Third Sustainable Livelihoods Project (P125232/P173126) • MN: SMART Government (P130891) • Mainstreaming Social Accountability for Improved Transparency and Participation in Mongolia - MASAM Second Phase (P173992) <p>Potential new engagements:</p> <ul style="list-style-type: none"> • Follow-on project (P4R) on Local Development Fund • Follow-on Digital Transformation Project (P176631)
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Pillar 2: Boosting competitiveness

SDG 1: No poverty • SDG 8: Decent work and economic growth • SDG 9: Industry, innovation, and infrastructure • SDG 10: Reduced inequalities • SDG 11: Sustainable cities and communities • SDG 16: Peace, justice, and strong institutions

The Pillar 2 of the CPF centers on boosting the competitiveness of the real economic sectors in Mongolia. First, under the objective 2.1, reforms in the business climate and access to finance will help the country to improve conditions for private sector investment and development. The activities envisaged under this pillar will also strengthen Mongolia’s export capabilities and help expand access to export markets. Under the objective 2.2, the WBG seeks to promote sustainable mining investment through investment in the OT project, as well as TA work to develop strategy options for mining sector development to inform future policy directions in the sector. Objective 2.3 will support a broad-based economic growth through diversification of economy and creation of jobs in non-mining sectors with high potential for increased productivity: agriculture and agribusiness, tourism, and digital economy. The final objective 2.4 will improve connectivity through sustainable infrastructure, by improvements in the transport and energy infrastructure and logistics. The CPF will also support strengthening the regulatory environment for competitive digital services, as well as investments in digital infrastructures and services. Finally, the CPF will support the Government’s endeavor to facilitate PPP and access to finance for domestic enterprises and mobilize new investments.

Objective 2.1 Improving business environment

Intervention Logic: Addressing constraints in business climate is critical to unleash private sector development in Mongolia. The main aspects include improving weak implementation of law and regulations, uneven access to regulatory information, multiplicity of licenses and frequently changed regulations, and limited and uneven access to financing by MSMEs. The WBG will build on progress already made on reducing business costs and administrative burden with respects to inspection and permit processes, as well as trade facilitation and insolvency. IFC will continue its advisory support through second phase of policy reforms on investment policy, promotion, and protection, as well as sector specific business climate improvement interventions. IFC support will also be extended to value chain finance and insolvency resolution framework. Further areas of interventions may include supporting Doing Business reforms, especially in those areas where Mongolia is lagging behind such as Trade Across Borders. IFC will also continue assisting the government with formulating a new Investment Policy Statement, to be developed in a consultative manner with public and private stakeholders. This should be consistent with the future amendments to new Investment Law and the country’s economic strategy. The Bank’s potential new DPO is also expected to support policy actions to increase investor confidence, promote investment, and facilitate trade. To further enhance MSME financing, IFC will continue to work with partner banks to provide dedicated credit lines for financing of MSMEs, including those operating along agriculture supply chains, and will work with banks in issuance of green loans and green bonds. Risk-Sharing facilities can also be used to enable commercial banks to provide funding to SMEs and affordable housing projects. IFC’s work in developing NBFIs, including microfinance, leasing and insurance companies will further enhance financial inclusion. These interventions to improve business environment and supporting SMEs will be critical to job creation, a cross-cutting theme of the CPF.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Number of investment grievances resolved. (P600098) Baseline: 0 (2020) Target: 50 (2024)</p> <p>Value of financing facilitated secured with movable assets (P603169) Baseline: US\$1,032,512,446 (2019) Target: US\$3,571,167,471 (2025)</p> <p>Total number of MSMEs supported by IFC credit lines (P41748 and P43012) Baseline: 29,142 (2019) Target: 100,984 (2023)</p>	<p>Number of export credit insurance products introduced in Mongolia (P147438) Baseline: 0 (2016), 0 (2020) Target: 1 (2023)</p> <p>Key regulations to support the implementation of the insolvency law are issued. (P174050) (601526) Baseline: 0 (2020) Target: 2 (20 22)</p>	<p>Current projects:</p> <ul style="list-style-type: none"> • Mongolia Export Development Project (P147438) • IFC AS on Investment Policy and Agribusiness Investment (P600098) • Mongolia Insolvency reform project (P601526) • Mongolia Value Chain Finance Project (603169) • Trade Facilitation and Agri Sector Export Competitiveness (P601976) <p>Potential new engagements:</p> <ul style="list-style-type: none"> • Phase two of investment climate reform engagements under IFC CMA

		<ul style="list-style-type: none"> COVID-19 Economic Recovery Support Operation DPO (P174050)
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Objective 2.2 Promoting sustainable mining investments		
<p>Intervention Logic: The WBG has been engaged in the mining sector, particularly through the large IFC-MIGA investment in the OT mining project. IFC is open to consider supplemental senior debt to OT II, and other later-stage mining projects. The MIGA guarantee to OT is expected to remain in place until 2027. Access to relevant and timely information about the benefits and impacts of mining operations in Mongolia is limited for communities and local decision-makers. Under the From Disclosure to Development Program (D2D), IFC will roll-out the Natural Resource Data Curriculum for infomediaries and will engage with the GoM and OT and, if there is demand, other mining companies in the South Gobi, to help implement open data best practices on how to improve data standardization, and sharing for community. IFC AS will work with OT to launch a local supplier development program in South Gobi and Ulaanbaatar, focusing on building business skills and facilitating access to finance for SMEs. It will also promote renewable energy solutions, specifically for the mining industry; improve information sharing and data flows among government agencies, between government and the public (especially mining communities), as well as the industry and communities. A new Bank TA, building on previous efforts, will aim to develop strategy options for mining sector development to inform future policy directions in the sector and grant financing will be available to support implementation of the Extractive Industries Transparency Initiative in accordance with the 2019 EITI Standard. Finally, the WBG entities will also continue to coordinate dialogue with government on OT and continue to work with other investment partners, e.g. European Bank for Reconstruction and Development (EBRD).</p>		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>New IFC investments in mining Baseline: 1 (OT; 2021) Target: 2 (2026)</p> <p>Improved level of understanding of mining revenue management by community infomediaries in Umnugobi province (disaggregated by gender) (P606096) Baseline: 0% (2021) Target: 20% improvement in understanding by both men and women infomediaries. (2023)</p>	<p>GoM developing strategies for mobilizing finance for investment in development of mineral resources informed by Bank-supported policy dialog (Bank ASA) Baseline: No (2021) Target: Yes (2022)</p> <p>Number of company or government entities in the mining sector that adopts open data best practices for data use and/or dissemination strategies for the benefit of communities; (P601977) Baseline: 0 (2020) Target: 1 (2023)</p>	<p>Current projects:</p> <ul style="list-style-type: none"> IFC investment, AS and MIGA guarantee in OT (expiring 12/15/2027); Strategy for more Sustainable and Inclusive Development of Mineral Resources ASA; EITI Implementation Support Grant IFC From Disclosure to Development (D2D) program to improve community awareness in mining through open data (P606096). <p>Potential new engagements:</p>

- IFC potential new investment

Objective 2.3. Increasing productivity in non-mining sectors

Intervention Logic: Increasing productivity in non-mining sectors is necessary to diversify the economy and spur growth. Work program under this objective will also constitute the direct interventions to support the jobs cross-cutting theme. The agriculture and livestock sector, digital economy and tourism are considered as the potential drivers for economic diversification and increased productivity. The WBG will boost local employment and export competitiveness by supporting these sectors through targeted investments and analytical work to advise on policy actions. The ongoing Livestock Commercialization project and potential follow-on financing will strengthen animal health systems and enhance livestock and crop productivity and commercialization, including through IFC engagement in upstream investments. It will strengthen key institutions and promote product quality and food safety standards, and consequently enhance productivity and business activities. Further financing could be considered to scale up successful interventions, building strong linkages between SMEs and the modern, green, and smart agriculture systems in strategic locations. A further ASA on the transformation of Mongolia’s agri-food system will review its agricultural policies and public expenditures (especially subsidy and other support programs) and support climate smart agriculture investment plan to help Mongolia meet its agriculture sector NDCs. IFC and MIGA will look to pursue engagements in higher value segments, such as meat, dairy and cashmere where the potential for scale-up and export is relatively strong. To mitigate the deep impact of the COVID-19 pandemic, IFC investment and advisory have focused on retaining employment and supporting SMEs. Indicators in the results matrix reflect such effort, and will be subject to adjustment when growth prospect returns. To support digital economy, the pipeline Digital Transformation Project will catalyze growth of Mongolia’s digital economy to create digital-enabled jobs for youth including women, digitize key local industries for their increased productivity and competitiveness in the global digitalized economy, and build Mongolia’s digital industry for economic diversification and resilience. In the tourism sector, IFC will continue its strong engagement in developing quality tourism and create a strong multiplier effect in jobs and incomes through eco-tourism in rural areas. The Bank’s Inclusive Tourism Development ASA will identify policy measures and investments to promote the growth of Mongolia's tourism industry along the State Policy for Tourism Development 2019-2026.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Increased share of jobs in non-mining private sector Baseline: 29 percent (based on Labor Force Survey 2019) Target: 34 percent (based on the trend of structural transformation and the WBG interventions)</p> <p>Increase of inflation-adjusted value addition in the livestock sector (P 165945) Baseline: 0 (2021) Target: 20% (2025)</p> <p>Number of digital-enabled jobs created (P176631) Baseline: 0 (2020)</p>	<p>Structured and evidence-based framework for transforming Mongolian agrifood systems adopted (P174262) Baseline: Basic (2020) Target: Framework developed and adopted (2022)</p> <p>Industrial Park for leather and wool sectors established (P174001): Baseline: Non existing (2020) Target: Established (2025)</p>	<p>Current projects:</p> <ul style="list-style-type: none"> • Mongolia Export Development Project (P147438) • Livestock Commercialization Project (P165945) & IFC upstream engagement; • Transforming Mongolian Agrifood Systems (ASA) (P174262) • IFC AS on Investment Policy and Agribusiness Investment Promotion (P600098); and Trade

<p>Target: 3,000 (2025)</p> <p>Total direct employment retained from IFC investments in non-mining sectors (P44118)</p> <p>Baseline:</p> <p>Employment: 9695 (2021)</p> <p>Target: Baseline number retained (2024)</p>	<p>Number of youth trained in digital technology skills, disaggregated by gender (176631)</p> <p>Baseline: 0 (2021)</p> <p>Target: 10,000 (3,000 are female) (2025)</p> <p>National digital economy strategy adopted (P176631)</p> <p>Baseline: No (2020)</p> <p>Target: Yes (2023)</p>	<p>Facilitation and Agri Sector Export Competitiveness (P601976);</p> <ul style="list-style-type: none"> • Mongolia Inclusive Tourism Development (ASA) (P174777) • IFC investment in MCS (P44118) <p>Potential new engagements:</p> <ul style="list-style-type: none"> • Virtual Cooperatives of Pastoral Communities JSDF Grant (P174733) • Ulaanbaatar Competitiveness and Regeneration Project (P174001) • Mongolia Transport Connectivity and Logistics Improvement project (P174802/174806) • Follow-on Digital Transformation Project (P176631) • IFC potential engagements in livestock, tourism, and other sectors. • Potential MIGA engagement
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<p>Objective 2.4 Improving connectivity through sustainable infrastructure</p>		
<p>Intervention Logic: The Bank will support government efforts to improve infrastructure to leverage the potential economic opportunities of the unique geographical features of Mongolia and reduce economic and social costs. The objective will initially focus on transport logistics and energy. Well-functioning transportation, and energy provision are key elements of the country’s sustained growth and competitiveness. The CPF will also support strengthening the regulatory environment for competitive digital services, as well as investments in digital infrastructures and services. IFC PPP Advisory will look into potential projects to mobilize financing for infrastructure investment.</p>		
<p>CPF Objective Indicators</p>	<p>Supplementary Progress Indicators</p>	<p>WBG Program</p>
<p>Reduction in average interruption duration in energy supply per year in the Project area (P152343)</p> <p>Baseline: BSEDN 809/EBEDN 1200 (2020)</p> <p>Target: BSEDN 800/ EBEDN 960 (2022)</p>	<p>Transmission capacity added (Megawatt) (P152343)</p> <p>Baseline: 43 (2020)</p> <p>Target: 100 (2025)</p>	<p>Current projects:</p> <ul style="list-style-type: none"> • Second Energy Sector Project (P152343) • Solar PV - Scaling up Renewable Energy Program (SREP) Grant.

<p>Improved transport connectivity - measured by percentage of roads in good condition (P174806) Baseline: 40 % (2018) Target: 60% (2025)</p>	<p>Generation Capacity of Renewable Energy (other than hydropower) constructed (P152343) Baseline: 0 MW (2016) Target: 10 MW (2022)</p>	<p>Potential new engagements:</p> <ul style="list-style-type: none"> • Mongolia Transport Connectivity and Logistics Improvement project (174806) • IFC investment & AS in RE, greening financing and PPP. • MIGA potential engagement in renewable energy
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<p>Pillar 3: Improving quality of life</p> <p><i>SDG 1: No poverty • SDG 2: Zero hunger • SDG 3: Good health and well-being • SDG 4: Quality education • SDG 5: Gender equality • SDG 8: Decent work and economic growth • SDG 9: Industry, innovation, and infrastructure • SDG 10: Reduced inequalities</i></p>
<p>The third pillar of the CPF centers on building human capital, promoting inclusion and improving quality of life. The objective 3.1 focuses on enhancing public health response and preparedness building on the Bank support to COVID-19 response. Under the second objective 3.2, the work program will contribute to improve the quality of education, initially through primary education quality, enhancing the teachers training. Support to the skills agenda will be explored. The objective 3.3 is focused to enhance efficiency and sustainability of social protection systems by strengthening the social assistance, making it more targeted and fiscally sound, more effectively protect the poorest, and to reduce vulnerability of extreme poverty in response to external shocks. The final objective 3.4 will improve the livability of urban centers focusing on improving air quality, heating services, urban transportation, and other municipal services.</p>

<p>Objective 3.1 Enhancing quality of health services</p>		
<p>Intervention Logic: Under this objective, the Bank will work to improve quality of health services, with a focus on stronger public health emergency prevention, response, and preparedness. In FY20, the Bank rapidly mobilized an emergency response and health system preparedness operations, followed by an additional financing in FY21. Both operations are designed to enhance Mongolia’s capacity to prevent and respond to the COVID–19 outbreak, through strengthening national systems for public health preparedness, financing medical supplies and COVID-19 vaccine purchase and distribution. In addition, the ongoing e-Health project aims to support effective management and control of non-communicable diseases (NCDs) by facilitating the real-time exchange of patient information and providing accurate and regularly updated data to monitor NCDs. If its implementation challenges can be resolved, the project will contribute to better health outcomes. IFC’s investment in Intermed will continue to support providing private healthcare services based on international best practices.</p>		
<p>CPF Objective Indicators</p>	<p>Supplementary Progress Indicators</p>	<p>WBG Program/Project</p>

<p>Percentage of population vaccinated, which is included in the priority population targets defined in national plan. (P175730) Baseline: 0 (2020) Target: 60 (2023)</p> <p>Number of hospitals meeting MOH established standards to manage Severe Acute Respiratory Infections (SARI) patients including intensive care (P173799) Baseline: 0 (2020) Target: 24 (2023)</p>	<p>Number of health staff trained in provision of COVID-19 vaccination and infection prevention and control per MOH-approved protocols (Number) and Share of females (P175730) Baseline: 0 (2020) Target: 1,000 (2023), of which 500 are women.</p> <p>Percentages of provincial and district general hospitals with personal protective equipment and infection control products and supplies, without stock-outs in preceding two weeks (Percentage) (P173799)</p>	<p>Current projects:</p> <ul style="list-style-type: none"> • E-Health Project (P131290) • Mongolia Covid-19 Emergency Response and Health System Preparedness Project (P173799) • Mongolia PEF Support for COVID-19 (P174571) • COVID-19 Emergency Response and Health System Preparedness Project Additional Financing (P175730) • IFC investment in Intermed (P33808)
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Objective 3.2 Improving education quality

Intervention Logic: Under this objective, CPF will help Mongolia to improve the return on education investment in terms of human capital development and skills preparing students for the labor market. First, in the initial years of the CPF, the Bank support will focus on improving foundational skills, teacher competence and school level improvements. The ongoing Education Quality Reform project aims to improve the quality of education for primary school children with an emphasis on improving native language and mathematical skills in the early grades and strengthening school-level planning. The restructuring in June 2020, reoriented support to address the impact of COVID-19 school closures and focus on e-learning platforms, online education content especially for helping schools deliver “catch-up” lessons, teacher professional development, inclusive education, and enhancing school-based management and opportunities to reach remote populations. Second, the CPF will explore improving the relevance of the education system by modernizing its curriculum to support the acquisition of skills aligned with the needs of a services-oriented labor market. It could also support the revamping and scaling up of skills development programs. Ongoing cross sectoral analytical work such as the jobs diagnostic and the SABER Workforce Development Training Provider Assessment will help build the evidence base for effective intersection of education and skills development systems. A trust fund-supported engagement seeks to empower vulnerable, disadvantaged youth in selected provinces with socioemotional skills for improved performance in school and preparation into the labor market, particularly self-employment. Gender equality and girls’ empowerment will be fully embedded in the Bank interventions in the education sector. The Bank is also ready to mobilize and engage quickly, should government move forward with additional reforms in the education sectors.

CPF Objective Indicators

Supplementary Progress Indicators

WBG Program/Project

<p>The average number of words read correctly per minute at end of grade 2 (oral reading fluency) (P148110) Baseline: 46 (2020) Target: 50 (2022)</p> <p>The average number of correct additions per minute at the end of grade 2 (P148110) Baseline: 14 (2020) Target: 16 (2022)</p>	<p>Number of grant recipients under ESSRY with better market linkages (gender disaggregated) (P165310) Baseline: 0 (female: 0) (2020) Target: 1,000 (female: 400) (2023)</p> <p>Number of beneficiaries with enhanced capacity of doing business (i.e. improvements in skills/mindsets targeted under the entrepreneurship-focused socioemotional learning [ESEL] training) (gender disaggregated) (P165310) Baseline: 0 (female: 0) (2020) Target: 2,500 (female: 1,250) (2023)</p>	<p>Current projects:</p> <ul style="list-style-type: none"> • Mongolia Education Quality Reform Project (P148110) • Entrepreneurship-focused socioemotional skills for the most vulnerable youth in rural Mongolia (P165310) • SABER Workforce Development Training Provider Assessment
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Objective 3.3: Enhancing efficiency and sustainability of social protection systems

Intervention Logic: The Bank under this CPF objective will support the Government of Mongolia to strengthen social assistance and social insurance, increase its impact on poverty reduction and ease macro-shocks. Although Mongolia has the necessary tools to make social assistance more effective and efficient, most programs remain categorical and universal. An integrated household database covering over 80 percent of the households, a beneficiary database for social programs, and a unique ID system that facilitates data and information sharing across databases remain underutilized by social welfare programs. The CPF will support the Government’s efforts to strengthen social welfare programs by improving the economic efficiency and adequacy of social assistance expenditures and extending coverage of poverty targeted programs, and promoting gender equality. The Bank will continue its efforts to reorient social welfare programs and their benefit levels to better assist the poor and the vulnerable and to consolidate categorical programs. This will include policy advice on draft legislation, support of measures to reorient program eligibility and/or benefit levels towards the poor and vulnerable, support of measures to consolidate social assistance programs, strengthening the integrated household database and the targeting system, and establish the foundation for adaptive programs which respond to shocks. The CPF will also support the Government’s efforts to reform its pension insurance scheme and other social insurance legislation and programs, to improve the fiscal sustainability and improve equity and efficiency. The overall fiscal cost of the social insurance system and the direct budgetary subsidy to pensions have been increasing in recent years, reaching 2.2 percent of GDP in 2018, and both are forecasted to materially increase in the coming years. The pension system needs bold and urgent reforms to improve the sustainability of the Pension Insurance Scheme such as increasing the retirement age, closing the retirement gender age gap, increasing the cost of the service buyback, reducing supplementary benefits, gradually reducing the real minimum pension and the partial pension, and adopting automatic price-based indexation.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program/Project
<p>Maintain the level of state subsidy to the pension insurance fund as a result of parametric reforms (P174050) Baseline: 2.2 percent of GDP (2018) Target: 2.2 percent of GDP (2023)</p> <p>Increased share of social welfare expenditure going to the bottom quintile (P174050) Baseline: 36 percent (2018) Target: 45 percent (2023)</p>	<p>Replacement of the current minimum pension under the Pension Insurance System with a Basic Pension for all elderly citizens (P174050) Baseline: No (2020) Target: Yes (2023)</p> <p>Improved methodology to identify the PMT based targeting system by integrating administrative data. (P161048) Baseline: No (2020) Target: Yes (2022)</p> <p>Increase in number of programs using the Integrated Household Database to determine program eligibility and benefit levels (P174050) Baseline: 2 (2020) Target: 3 (2023)</p>	<p>Current projects:</p> <ul style="list-style-type: none"> • Mongolia COVID, Social Protection and Jobs Diagnostics (ASA); • Strengthening Fiscal and Financial Stability Project (P161048) • Mongolia Emergency Relief and Employment Support Project (P174309/ P174116) <p>Potential new engagements:</p> <ul style="list-style-type: none"> • COVID-19 Economic Recovery Support Operation DPO (P174050)

Objective 3.4 Improving the livability of urban centers

Intervention Logic: Urban centers and their livability are key to the wellbeing of a large share of Mongolian population. The urban population of Mongolia increased from 57 percent in 2000 to 69 percent in 2018, with 46 percent of the population residing in Ulaanbaatar. Seventy-three percent of Mongolia’s GDP is attributed to three cities—Ulaanbaatar, Darkhan and Erdenet. Enhancing the livability of urban centers, including managing urban sprawl, improving environmental sustainability especially air quality, and inequitable access of urban infrastructure and services, are important challenges facing Mongolian cities. The CPF under this objective will support Government of Mongolia to improve urban infrastructure and to strengthen city climate resilience, by improving air quality, better access to heating, and better urban transportation services.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Percentage of beneficiaries satisfied with the improvement in heating services (P170676) Baseline: 0 (2020) Target: 70% (2025)</p>	<p>Additional number of households provided with access to clean heating appliances (P167421) Baseline: 0 (2019) Target: 5,000 (2021)</p>	<p>Current projects:</p> <ul style="list-style-type: none"> • Ulaanbaatar Clean Air Project (P122320) • Ulaanbaatar Heating Sector Improvement Project (P170676)

<p>Average travel time savings by buses and cars on selected transport corridors (P174007) Baseline: 0% (2021) Target: 15% (2026)</p>	<p>Develop a comprehensive framework for sustainable urban mobility in Ulaanbaatar (P174007) Baseline: no (2021) Target: yes (2026)</p>	<ul style="list-style-type: none"> • Ulaanbaatar Sustainable Urban Transport Project (P150767/P174007) • Mongolia Climate and City Resilience (ASA) • 2030 Water Resources Group • ASA on land administration and geo-spatial information management • Mongolia Climate and City Resilience (ASA) (P167063) <p>Potential new engagements:</p> <ul style="list-style-type: none"> • Ulaanbaatar Competitiveness and Regeneration Project • IFC potential investments in affordable and greening housing, and AS on green building and energy efficiency
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ANNEX 2: WBG COMPLETION AND LEARNING REVIEW

Completion and Learning Review of the Country Partnership Strategy for Mongolia (FY 2013 – 2020)

Date of CPS (FY13-FY17): May 17, 2012 (Report No. 67567-MN)

Dates of CPS Progress and Learning Reviews: December 16, 2016 (Report No. 106796-MN); and November 13, 2019 (Report No. 139667-MN)

Period Covered by the Completion and Learning Review: July 2012 to December 2020

I. INTRODUCTION

1. **This Completion and Learning Review (CLR) assesses the development outcomes and performance of the World Bank Group (WBG) under the Country Partnership Strategy (CPS) for Mongolia, initially covering FY13-17 and later extended to December 31 2020.** The strategy was built around three pillars: (1) enhance Mongolia’s capacity to manage the mining economy sustainably and transparently; (2) build a sustained and diversified basis for economic growth and employment in urban and rural areas; and (3) address vulnerabilities through improved access to services and better service delivery. The overall CPS outcome is rated Moderately Satisfactory, and overall WBG performance in designing and implementing the CPS is rated Good.

2. **The CPS period witnessed several government changes in Mongolia, but there was more stability and continuity since 2017.** Two months after the CPS was finalized, the June 2012 parliamentary election resulted in a change of the ruling party. Between 2012-2016, the government formation changed multiple times due to changes to the political coalition. Subsequently, shifts in policies and government organizations including the introduction of a Ministry of Economic Development in 2012, then its removal in 2014, affected the implementation of the CPS. The ruling party changed again following the parliamentary election in 2016. Between 2017-2020, the government was more stable, leading a robust economic recovery out of the 2014-2016 crisis.

3. **Economic volatility was significant during the CPS period in Mongolia.** At the start of the CPS implementation, Mongolia was one of the fastest growing economies in the world. However, its vulnerability to external shocks accentuated by shortcomings in macroeconomic policy led to an economic crisis in 2014-2016. Growth slowed down significantly from 11.6 percent in 2013 to -0.2 percent in 2017, well below the initial CPS projections. The economy rebounded in 2017-2019 to around 6 percent annually thanks to a comprehensive “Economic Recovery Program” led by the government supported by a coalition of international partners. But the growth period was cut short again by the COVID-19 pandemic in 2020. Mongolia’s economy contracted over 5 percent, sliding into its first sizable recession since 2009.

4. **Mongolia’s achievement in poverty reduction was moderate over the CPS period, and its gains are under threat by the COVID-19 crisis.** Following a rapid decline in poverty from 2010 to 2014 (from 38.8 to 21.6 percent), the 2014-2016 economic slowdown led to an increase of poverty ratio to 29.6 in 2016. Since then, the ratio decreased moderately to 28.4 percent in 2018. Rural poverty reduction was faster, decreasing from 34.9 percent in 2016 to 30.8 percent in 2018. By contrast, poverty has stagnated in urban areas, leaving the poverty headcount unchanged at 27 percent from 2016 to 2018. While the percentage of poor under the national poverty line is

substantial, the number of people living under the international poverty line of US\$3.20 (2011 PPP) for lower-middle income countries remains around 5 percent. Recent household survey suggests the COVID-19-related economic shock is threatening the modest gains in poverty reduction.

II. PROGRESS TOWARDS CPS DEVELOPMENT OUTCOMES

5. **The overall progress towards achieving the CPS objectives was *moderately satisfactory*.** Despite considerable changes in the external environment and economic policies in Mongolia during the CPS period, the WBG program has achieved the majority of the targets in the seven outcome areas specified in the results matrix (see Table 6-7 below). Even though the pillars remained largely unchanged during the CPS period, various outcome indicators and milestones were adjusted through the two PLRs. These adjustments were necessary for the results framework to better reflect key interventions of the WBG program in the changing context in Mongolia. In total, six indicators originally proposed in the CPS document were dropped. Annex 1 presents progress achieved toward individual indicators and milestones at the end of CPS. Out of eighteen outcome indicators, thirteen have been *achieved*, one has been *mostly achieved*, another two have been *partially achieved*, and two have *not been achieved*. Among the active milestones, 33 have been achieved, 2 have been mostly achieved, 3 have been partially achieved, and 1 milestone has been revised. It is also recognized that parts of the results matrix and the associated indicators do not fully capture the progress and achievements towards the objectives. The assessment of the development outcome therefore takes into account progress towards the results indicators as well as other relevant WBG engagements that are not fully reflected in the results matrix. The remaining section describes the result achievements and activities in support of individual CPS objectives.

Table 6: Development Outcome Rating by CPS Pillar (number of indicators per CLR rating)

	Pillar 1: enhanced capacity to manage the mining economy sustainably and transparently (5 indicators)	Pillar 2: sustained and diversified economic growth (5 indicators)	Pillar 3: improved access to and quality of services delivery (8 indicators)	Total across all pillars (%) (18 indicators)
Achieved	5 (100%)	2 (40%)	6 (75%)	13 (72%)
Mostly Achieved		1 (20%)		1 (6%)
Partially Achieved		1 (20%)	1 (12.5%)	2 (11%)
Not Achieved		1 (20%)	1 (12.5%)	2 (11%)
Development Outcome Rating/Pillar	Moderately Satisfactory	Moderately Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Overall Development Outcome Rating	Moderately Satisfactory			

Table 7: Status at CLR and overall rating of Development Outcomes and Outcome Indicators

Description	Status at CLR	Overall rating
Pillar 1: Enhance Mongolia’s capacity to manage the mining economy sustainably and transparently		MS
Outcome 1.1: Supporting development of a regulatory environment, institutional capacity, and infrastructure for world-class mining		MS
Indicator 1: Number of public/PPP mining-related infrastructure assets ready for tender	<i>Achieved</i>	
Indicator 2: Aimag-wide management and monitoring plans for groundwater use prepared and in use (cumulative)	<i>Achieved</i>	
Outcome 1.2: Supporting a more robust, equitable, and transparent management of public revenues and expenditures		S
Indicator 1: Percentage of citizens satisfied with the mechanisms and outcomes of Community Initiative Fund investment	<i>Achieved</i>	
Indicator 2: Net financing from the BoM to the Housing Mortgage Program	<i>Achieved</i>	
Indicator 3: Capital expenditure for the clearance of promissory notes is removed	<i>Achieved</i>	
Pillar 2: Build a Sustained and Diversified Basis for Economic Growth and Employment in Urban and Rural Areas		MS
Outcome 2.1: Enhancing the investment climate and financial intermediation		MU
Indicator 1: Number of business activities subject to permitting and licensing	<i>Partially achieved</i>	
Indicator 2: The recapitalization of banks is advanced to meet prudential norm	<i>Not achieved</i>	
Outcome 2.2: Creating more opportunities in the rural and urban economy for enhanced livelihoods		S
Indicator 1: Number of loan beneficiaries from the Microfinance Development Fund at soum level and below	<i>Mostly achieved</i>	
Indicator 2: Increase in household income in project areas from livestock and in selected cases horticultural products	<i>Achieved</i>	
Indicator 3: Prevalence or incidence of PPR in the western region – measured by a randomized cross-sectional survey	<i>Achieved</i>	
Pillar 3: Address vulnerabilities through improved access to services and better service delivery		MS
Outcome 3.1: Improve the management, targeting and coverage of social welfare benefits		MS
Indicator 1: Development and introduction of an online integrated information system for social welfare benefits	<i>Achieved</i>	
Indicator 2: The coverage and benefit size of the Food Stamp Program and other poverty-targeted programs increased	<i>Achieved</i>	

Outcome 3.2: Supporting better delivery of basic services (education, health, justice, and infrastructure)		MS
Indicator 1: Number of fixed ECE facilities/ kindergartens built under Bank-supported projects.	<i>Achieved</i>	
Indicator 2: Number of children attending new mobile ger kindergartens.	<i>Achieved</i>	
Indicator 3: Access to legal information and advice across all Ulaanbaatar districts and aimags	<i>Partially achieved</i>	
Indicator 4: Average interruption duration per year in selected area (minutes) – BSEDN / EBEDN	<i>Not achieved</i>	
Outcome 3.3: Reducing the vulnerability of households exposed to natural hazards and pollution		S
Indicator 1: Percentage of herders participating in the Livestock Risk Insurance scheme	<i>Achieved</i>	
Indicator 2: Coverage of targeted households without eligible stoves	<i>Achieved</i>	

Pillar 1: Enhance Mongolia’s Capacity to Manage the Mining Economy Sustainably and Transparently

6. **Objective 1.1: Supporting development of a regulatory environment, institutional capacity, and infrastructure for world-class mining.** Results against the indicators under the objective in the CPS results framework have been achieved, but the two indicators alone do not fully represent the overall progress in the broader objectives as articulated. While clearly more work is needed to facilitate the development of a world-class mining sector in Mongolia, the WBG made some important progress during the CPS period. Achievement towards the objective is rated as moderately satisfactory.

7. The WBG work program in the early stage of CPS focused on enhancing the framework for mineral resources management and regulatory capacity, through continued implementation of the Mining Sector Institutional Strengthening Technical Assistance Project (MSISTAP) IPF, launched in 2009. The country’s first ever National Mining Policy was issued in 2014, and the system for mineral licensing was modernized. Both the mining regulator Minerals Resources and Petroleum Authority of Mongolia (MPRAM) and the state-owned mining company Erdenes Mongol received technical assistance on capacity building. Mongolia’s first ever sector Strategic Environmental and Social Assessment was conducted. This support, coupled with high mineral prices, contributed to a favorable environment for foreign mining investment. Investment in the Oyu Tolgoi (OT) copper-gold mine proceeded, resulting in first production in 2013.⁶⁰ The project was supported by IFC’s \$1.85 billion financing package (comprising US\$400 million for IFC’s own account and US\$1.45 billion in syndications), and MIGA’s political risk guarantee. The MSISTAP IPF closed at the end of 2015. In the later stages of the CPS, the Mining Infrastructure Support Project (MINIS) IPF helped the government to identify feasible mineral processing and mining

⁶⁰ In 2020, the OT mine produced 149,631 tons of copper concentrate, 181,858 ounces of gold concentrate and directly employed 3,355 workers and between 2010 to 2020, Oyu Tolgoi spent US\$11.6 billion in-country in the form of salaries, payments to Mongolian suppliers, taxes and other payments to the Government of Mongolia.

infrastructure projects, as well as to conduct environmental and social impact assessments. It also helped build local capacity to prepare and transact infrastructure projects involving private capital. With trust fund resources from Australia, it also supported groundwater management in the South Gobi. In parallel, the World Bank supported Mongolia to implement and remain compliant with the Extractive Industries Transparency Initiative (EITI) through a series of small grants until the end of 2018. The WBG as a whole has maintained a close dialogue with the government on the OT project, showcased best practice examples in mining and worked to facilitate better alignment among project partners. Beyond the OT mine, IFC has engaged with mining companies in the South Gobi region to address the region's water management challenges by helping them follow international practices in water management and social engagement practices. Through the Disclosure to Development (D2D) initiative, IFC engaged with key stakeholders to promote a dialogue on data challenges and improvement relating to water data accessibility and re-use in the mining sector.

8. **Objective 1.2: Supporting a more robust, equitable, and transparent management of public revenues and expenditures.** The three results indicators under this objective have been achieved. Despite slow and uneven progress during the first half of the CPS, the reform momentum accelerated after the 2014-2016 downturn. Building on past engagements, the WBG was able to seize the crisis and provided strong support to the government's reform efforts and made important progress. The overall rating under this objective is Satisfactory.

9. The WBG's support to the government's efforts to strengthen the fiscal management framework targeted budget planning and implementation, procurement policies, expenditure management including capital expenditure, financial reporting and auditing, as well as asset/liabilities policies. After the 2014-2016 crisis, the World Bank's Economic Management Support Operation (EMSO) enabled the termination of off-budget fiscal expenditures as well as the Promissory Notes Program for financing capital expenditures (see Box 6). It further helped introduce a framework for selection and rationalization of budget investments and promote a more efficient tax revenue base. A Public Expenditure Review (PER), concluded in 2018, provided a detailed analysis of recent trends in budget revenues and expenditures to facilitate policymakers in identifying options for revenue mobilization, spending priorities and strengthening of the fiscal foundation for sustainable and inclusive growth. The World Bank's engagement in these areas of macro-fiscal policy and PFM was complemented by the Strengthening Fiscal and Financial Stability (SFFS) Project and an EU-Trust Fund-financed Strengthening Governance in Mongolia project. Both projects have been supporting the government's capacity in fiscal management and PFM focusing on the priority actions reflected in the Government's 3-year PFM Strategy and Action Plan. In addition, the ongoing Third Sustainable Livelihoods Project (SLP3) has helped improve the fiscal transfer mechanism to local governments, particularly in the context of strengthening effectiveness and efficiency of the Local Development Funds (LDF). The LDF is an instrument for local investments to enhance public participation and transparency in the relevant processes and equity in the allocation.

Pillar 2: Build a Sustained and Diversified Basis for Economic Growth and Employment in Urban and Rural Areas

10. **Objective 2.1: Enhancing the investment climate and financial intermediation.** The overall rating under this objective is moderately unsatisfactory, as one of the results indicators under this objective was partially achieved while the second was not achieved. Nonetheless, the

Box 6: Supporting macroeconomic policy adjustments through DPF.

The Bank's DPF program (EMSO 1-3) launched in 2017 as part of a multi-donor engagement (\$5.5 billion package) anchored around the IMF's Enhanced Facility Fund (EFF) to support Mongolia's government Economic Recovery Program (ERP) adopted in 2016 by a newly elected Government. The ERP aimed to accelerate the recovery as the Mongolian economy was nearly on the brink of an economic crisis resulting from a deteriorating external environment (declining commodity prices and FDI) and the implementation of procyclical policies in 2013-16. The international support program, of which EMSO, financed both by regular IDA and IDA's crisis response window, was a key element, contributed significantly to turn this situation around. The results were significant. The magnitude of fiscal adjustments achieved within a short period of time was exceptional: from a deficit of 17 percent of GDP in 2016 to a surplus of 2.6 percent in 2018. The debt stock also declined substantially, and the accumulation of reserves improved significantly. Many factors, including the ending of quasi-fiscal and off-budget expenditures, as well as positive developments in the mining sector, all have contributed to the performance. The prudent macro policies created positive spillovers in a form of positive market sentiments, which further contributed to restoration of a fast-paced economic growth, throughout beginning of the Covid-19 crisis. Nevertheless, the DPF program was not completed. Actions related to social protection policy were reversed after EMSO-1. After EMSO-2 was approved in 2019, the third tranche did not materialize because of the lack of progress in the financial and banking sector. As a result, CPS results indicators were not achieved under Outcome 2.1.

WBG engagements has made some progress in improving investment climate and financial intermediation in Mongolia.

11. The WBG's efforts to enhance investment climate led by IFC have focused on reducing business costs and administrative burden with respect to inspection and permit processes. A legal act was drafted to reduce the number of business activities subject to permitting and licensing by 44%. The law is yet to be approved and implemented, and hence the target of the corresponding result indicator—the number of business activities subject to permitting and licensing to be reduced by more than 10 percent—is yet to be achieved. But there has been some progress in this area was evidenced by an increase in Doing Business score on the Strength of Legal Rights Index from 5 to 9. The IFC's Mongolia Business Inspections Reform advisory project has also resulted in a significant reduction of inspection time and number of inspections (with a significant decrease by 57% leading to \$2.1 million of compliance cost saving per year), and reduction of costs related to business permit issuance (\$1.4 million per year). IFC also supported the General Agency for Specialized Inspections (GASI) on improving efficiency, transparency and accountability of inspections and risk prevention. In 2013, IFC supported Mongolia's adoption of modern food product safety law to enable Mongolia food producers to access international markets. After adoption of the law, major food processors received international food safety certificates. Starting from 2016, the government of Mongolia established the Investor Protection Council (IPC) to resolve investors' grievances. With IFC assistance, the IPC led to the development of the Systemic Investor Grievance Mechanism that brought more streamlined and effective resolution to investor grievances and helped restore investor confidence.⁶¹

12. In the financial sector, significant efforts were made to strengthen financial stability, enhance financial efficiency and depth, and improve access to financial services. Although banking

⁶¹ The mechanism has successfully resolved 7 cases so far. Anecdotes suggest that the resolution of one case resulted in retained investment of \$3 million and another preventing the loss of sales of \$5 million.

sector recapitalization is yet to realize (the results indicator), some other solid results were achieved. The Bank's support (under the Financial Sector Development Support Program and financial sector component of the Mongolia Multi-Sectoral Technical Assistance Project) helped strengthen financial stability through an improved legal and regulatory framework, restructuring and recapitalization of two failed banks, crisis preparedness, financial safety net (establishment and operationalization of Deposit Insurance Corporation) and improved capacity to recover stolen assets. It also helped improve national payments system and resulted in even higher levels of bank account penetration (93% of adults in Mongolia have a bank account). A new law on Secured Transactions was adopted with an online pledge notice registry operational and an early stage market for movables finance with a large increase in the share of the business lending involving movables. The Capital Market Development TA Project helped strengthen regulation (Securities Markets Law, Investment Funds Law) and supervision of capital markets and insurance sector. The IFC's MSMEs credit lines to partner banks, supported by efforts to develop financial infrastructure (Pledge Law, collateral registry) enabled lending based on movable properties, and development of value chain finance to improve MSMEs' access to finance. As a result, over 150,000 MSMEs were able to get financing secured with movable properties. IFC has also advanced the sustainability agenda in the banking sector since 2013, addressing Environmental and Social (E&S) issues potentially associated with a bank's business activities is now considered as part of the business and risk management. Improved corporate governance practices in IFC portfolio in the financial sector resulted in improved ability to attract external investment and were recognized by local and international bodies. Accounting guidelines compliant with International Financial Reporting Standards were implemented for all entities supported by IFC along with a revised chart of accounts approved by MoF in 2014. In addition, the Bank's Financial Consumer Protection and Financial Literacy Report (2013) formed basis for the development and adoption of the National Financial Education Strategy (2015). Still, despite these improvements, the financial sector reform remains an unfinished agenda. The banking sector continues to face significant challenges as the quality of its assets keeps deteriorating and reforms of the supervisory and prudential framework remain incomplete. The EMSO program incorporated additional policy actions to support implementation of the banking sector reform program, but as the progress towards recapitalization of banks was stalled, the third operation of the EMSO program did not materialize.

13. **Objective 2.2: Creating more opportunities in the rural and urban economy for enhanced livelihoods.** Progress has been made through a variety of WBG interventions reaching the results indicators under this objective. The overall rating under this objective is satisfactory. But economic diversification remains a long-term challenge for the country, and will continue to require WBG support. The objective was expanded in the 2019 PLR to reflect the WBG's engagement to promote economic opportunities in urban areas, in addition to the initial focus on rural areas. In the rural area, the Livestock and Agricultural Marketing Project (LAMP) closed in FY18 addressed constraints for herders in market access, price-quality relationships, and livestock production and helped increase household incomes in selected project *soums*. A follow-up project, the Livestock Commercialization Project, was approved in FY20 to support framework conditions for greater private sector involvement by strengthening key institutions and working on issues such as animal health management systems, product quality and food safety standards. The SLP-2 project provided over 38,000 microfinance loans to rural beneficiaries (1000 shy of the target in the results indicator). Further, pillar 3 of the EMSO series further supported structural reforms to improve the competitiveness of livestock products by strengthening animal health provisions and enhancing trade facilitation (e.g. ratification and implementation of the WTO trade

facilitation agreement). Bank interventions have led to an increase in household incomes for beneficiaries. In 2017, the Export Development Project, which supports SMEs in the non-mining sector to strengthen their export capabilities, and the Employment Support Project, which supports employment facilities and access to micro-loans and trainings for job seekers, were initiated. After implementation delays in the beginning, both have started to show results in rural and urban areas. For example, with support from EDP, new exporting SMEs have emerged, and existing SMEs have expanded the range of exportable products through quality improvements. IFC has worked with its partner banks in designing lending and guarantee products to improve financing for MSMEs along agriculture supply chain, including financing for herders. Through IFC Trade Facilitation TA, Mongolia launched Trade information Portal and publicized Time Release Study in December 2020. This fulfilled its obligations under the WTO Trade Facilitation Agreement on trade information access through internet and sharing TRS data. Furthermore, the Bank has finished an InfraSAP assessment using a value chain approach to inform connectivity interventions to encourage greater private sector participation. Both IFC and the World Bank have also conducted analytical work and advisory services on opportunities for economic diversification.⁶²

Pillar 3: Address vulnerabilities through improved access to services and better service delivery

14. **Objective 3.1: Working with the government on the design, adaptation, and implementation of a comprehensive social welfare information system and database for targeting the poor.** The two objective indicators were achieved, but progress has not been linear. Support for the pension reforms has not achieved the expected results. The overall progress is rated as moderately satisfactory.

15. The objective indicator of establishing a welfare administration information system (WAIS) was achieved. While the usage of the database remains very limited, it has expanded somewhat. The system serves as an inter-sectoral database used not only for social welfare, but also for some other government support and subsidies provided to the poor, including free health insurance and free legal counselling services for the poor.⁶³ The World Bank has supported targeting social welfare benefits to the poor and vulnerable, but has had limited results. Pillar 2 of the EMSO series aimed to strengthen the social protection system. As a result, the government increased the Food Stamp Benefit (FSP) and doubled the program coverage (although starting from a very small base) and, for the first time, earmarked MNT 31.1 billion (US\$10.9 million) in the 2019 budget for a poverty-based targeted cash transfer, which had originally been legislated in 2012. However, the FSP still only covers less than 10 percent of the poorest population and most of the government's benefit programs remain largely categorically targeted. Measures were taken to put in place and strengthen a targeting system based on a proxy-means-testing model, but only the FSP and two other small programs have used the system to allocate benefits. The World Bank has also supported pension reforms to improve sustainability in recent years, which is yet to achieve the expected results. WB supported development of White Paper (Policy Framework) on Pension Reform (2015-2030), which was endorsed by the Parliament. The government in 2017 increased

⁶² E.g. Latimer, Julian and Marcin Piatkowski, 2018, *Trade and Transport Facilitation Assessment of Cashmere, Wool, meat and Leather Industries, and Opportunities along the Central Economic Corridor in Mongolia*, Policy Note, World Bank.

⁶³ The WAIS does not serve as a Social Registry in the sense of registering applicants and beneficiaries of Social Welfare programs, tracing overlapping beneficiaries nor is it used to evaluate programmatic impact.

the retirement age, one of EMSO-1's prior actions, before reversing it shortly thereafter amid considerable political pressure. Phased increases in the contribution rate (from a total of 14% to 19%) were also enacted but were curtailed at 17% in 2019. The authorities enacted some measures which reduced costs such as increasing the vesting period, while others increased costs such as reducing the retirement age for herders. (see Box 7 on pension reform program)

Box 7: Pension reform program

Pensions have become highly politicized in Mongolia, particularly since 2012. Coverage and benefits were increased dramatically through a deeply discounted buyback arrangement in 2012, effectively making the retiree coverage universal. The minimum benefit was also increased substantially in real terms to the extent that as much as half of retirees get the minimum. An increase of the retirement age before the EMSO1 and IMF program was soon reverted due to public pressure. A phased increase in the contribution rate was curtailed in 2019. Moreover, the authorities enacted several insufficiently considered benefit liberalizations in 2017-2018 (including a reduction in the retirement age for herders and service buyback, service year supplements for mothers and herders, etc.). Informed by the Bank's actuarial analysis and policy dialogue, the government postponed the implementation of some of these amendments and revised some others. A comprehensive reform package to the Pension Insurance Scheme (initially envisioned as part of the EMSO 2 package) has been proposed to achieve financial sustainability for the pension system over the long-term. The authorities have also drafted legislation for supplemental private pensions.

16. **Objective 3.2: Supporting better delivery of basic services (education, health, justice, infrastructure).** The WBG support under this objective is rated as moderately satisfactory, as only two (out of four) results indicators were achieved, with indicators around energy interruption not achieved and access to justice services partially achieved. Several projects in education and e-government faced challenges in implementation. However, after the Bank teams' portfolio review and restructurings efforts in 2019, these projects have started to perform. Notably, the SMART Government project has helped the government using ICT to improve accessibility, transparency, and efficiency of public services in Mongolia. It delivered core digital government foundations and public services, including a public open data portal, national enterprise architecture, national disaster recovery center, e-Property registration system, and over 30 public services for citizens and businesses. In supporting the justice sector, the ICT application in the justice system, including supporting the installation of a national fiber optic network, and new archival management standards and practices enhanced access to justice information and allowed to eliminate many procedural errors, cutting down the percentage of cases overturned on appeal from 20% to 12% in just two years after implementation in 2012. In education, the Education Quality Reform project supported improving the quality of education for primary school children with particular emphasis on improving native language and mathematical skills in the early grades while strengthening school-level planning. The Bank also supported the government's development of its Education Sector Mid-Term Development Plan for 2021-2030 in collaboration with development partners. In health sector, while the E-Health project continues to face implementation challenges, the Bank has mobilized quickly through an emergency operation to support Mongolia's public health response to the COVID-19 pandemic in 2020.

17. **While the World Bank concluded its engagement in the justice sector before the 2016 PLR, it has significantly expanded its footprint in the energy sector after.** In 2017, the Second Energy Project was approved. It was the largest ever IPF in Mongolia at the time, with US\$ 42 million IDA financing and an additional US\$12.4 million contributed by Strategic Climate Fund

grants. The project financed investments in improved energy access and efficiency as well as a new solar power plant. Nonetheless, the results indicator associated with the project was not achieved due to delays in installation and construction in 2020. The current progression rate of distribution rehabilitation is about 35%, with smart meters being procured but yet to be installed through the second batch of sub-projects to start construction in 2021. In addition, a new district heating project to enable better access to and improve efficiency of Ulaanbaatar's district heating network was approved in FY20. These investments respond to Mongolia's challenges in providing reliable and sustainable energy (electricity and heat)⁶⁴ and have been underpinned by analytical work on district heating and an energy masterplan for Mongolia. IFC has also been working with government counterparts to assist with the development of green buildings and standards and explore opportunities in renewable energy.

18. **Objective 3.3: Reducing the vulnerability of households exposed to natural hazards.** The WBG interventions under this objective were assessed as Satisfactory, as both indicators were achieved. The clean stove program, supported by the World Bank's Ulaanbaatar Clean Air Project (UBCAP), achieved considerable scale and visible impact on air quality. However, Ulaanbaatar's air pollution level in winter remains high. The city's air quality challenges require multiple abatement measures to be pursued simultaneously in the short-to-medium term and a concerted effort by various donors is therefore key. To expand and scale-up the impacts of UBCAP, additional financing of UBCAP was approved in 2019 to finance selected abatement measures, including housing insulation and electric heating system pilots in *ger* areas. UBCAP also maintained a coordination platform for various government agencies and donors to discuss air pollution issues and identify priority actions. With regards to disaster risk management, the World Bank has built on previous analytical work in Ulaanbaatar (e.g. flood risk management study, seismic vulnerability assessment) for a broader national level engagement in supporting the government to implement its Nationally Determined Contributions (NDCs), which were agreed at the 2015 Paris Climate Change conference. Earthquake vulnerable school infrastructure was identified through Visual Rapid Assessment and the most vulnerable buildings were prioritized for seismic retrofitting with cost estimates for an investment developed. The Flood Risk Management Strategy and Investment Plan was prepared in order to provide integrated, structural and non-structural interventions to address these factors. Within Mongolia's NDC framework, the World Bank has led to supporting the implementation of two NDC priorities: (i) low carbon growth and resilient cities; (ii) hydromet modernization and climate services. This work has been financed through Global Facility for Disaster Reduction and Recovery (GFDRR) Trust Funds and the NDC Support Facility. Finally, the Bank contributed to reducing Mongolia's vulnerability to natural disasters and helped put in place a highly innovative livestock insurance scheme. The Bank helped design and implement an index-based livestock insurance program—one of the first in the world—that enabled herders to purchase insurance against loss of livestock due to extreme weather events, including *dzud*. The project closed during the CPS period after almost 10 years of implementation and managed to build a crucial market for livestock insurance, attracting the interest of herders and private insurers. Perhaps the biggest success was that the government agreed to institutionalize the program by establishing its own reinsurance agency.

III. WORLD BANK GROUP PERFORMANCE

⁶⁴ The lack of access to electricity has also been a serious impediment for the private sector. Mongolia is ranked 152 in the Getting Electricity indicator of the 2020 Doing Business Report.

19. **Overall WBG performance is rated as good, in designing and implementing the CPS.** As the CPS acknowledged, its timing required the Bank to maintain flexibility to adjust to changes in government priorities as well as to changes in the economy. In Management’s opinion, the design and implementation of the program have successfully contributed to the pursuit of the CPS Objectives. Adjustments to the program were made in a timely and appropriate manner in order to respond to the significant changes in the economic circumstances and political priorities. Substantial adjustments to the CPS results framework through the 2016 and 2019 PLRs reflected adaptations in the WBG program and made the results framework more realistic.

Design and relevance

20. **The overall design of the CPS was fundamentally sound in aligning with Mongolia’s own development path.** The three pillars in the CPS around managing the mining economy, building a diversified economic basis and improving service delivery were closely linked to the country’s key development challenges. As a result, the CPS remained aligned with different iterations of the government’s development strategy during the 8-year span of the CPS period—initially Mongolia’s 2-phase Comprehensive National Development Strategy (2007-2020), then the Sustainable Development Vision 2030 prepared in 2016. The 2016 and 2019 PLRs confirmed the CPS pillars and made only minor adjustments to the overall engagement areas. Nonetheless, multiple government changes and respective policy shifts, as well as the emergence of the fiscal crisis in 2014 and later the COVID-19 crisis did lead to adjustments to the Bank’s program and more immediate priorities of the CPS.

21. **The design of WBG interventions reflected an evolving approach of the WBG’s engagement in Mongolia, taking into account of the lessons learned from previous country strategy.** WBG interventions over the CPS period covered a wide range of sectors. A total of 16 projects were approved covering 9 sectors with average project size of US\$32 million. But excluding the two sizable DPOs, the average size of the 14 IPF projects comes down to US\$24.9 million. The relatively small size of these projects covering many areas made the portfolio somewhat fragmented, making results aggregation challenging. During the CPS period, the Bank also used a mix of financial and analytical tools, including IPFs (among which several were TA projects), DPOs and a variety of analytical products ranging from detailed economic and sector reports to just-in-time policy notes. The TA approach was used in several areas such as supporting mining sector development, fiscal policy and financial sector management. Other IPFs were focused on investment operations in various sectors and constitute the majority of the Bank program. Later, DPOs were used to advance the policy reform agenda and respond to crisis situations. The Program for Results instrument has not been used in Mongolia, although discussions have been ongoing to explore appropriate candidates.⁶⁵ IFC has also actively provided both investment and advisory services. IFC’s focus during the CPS framework was primarily on loan products (both long-term and short-term/trade finance), with only small equity investments because of lacking exit opportunities and shallow capital market. A MIGA guarantee was used for the first time in Mongolia during the CPS.

⁶⁵ A relevant experience was carried out in the Education project: an IPF operation was designed with disbursement linked indicators (DLIs). Because the counterparts were not familiar with such approach, the use of DLIs was not successful and project was restructured including dropping the DLIs approach. Nonetheless, it was a useful experience for the counterparts to learn about the results-based approach and prepare for future application when there is an appropriate opportunity.

22. The results framework required substantial adjustments during CPS implementation.

The design of the results framework was somewhat weak in linking the WBG's program, indicators and milestones, despite the intent to build a clear results framework with a focus on fewer outcomes. Indicators and milestones overall did not fully represent the entirety of the WBG program. There were also gaps between outcomes and indicators—as some objective-level indicators were considering only project-level indicators. The results framework also contained several indicators from projects that never materialized. In response to these shortcomings and slippages, the two PLRs made significant adjustments to the results framework. Out of 19 original outcome indicators, 6 were dropped and 7 revised in the 2016 PLR and about a quarter of the milestones were dropped because no direct contribution of the Bank's engagement to milestones could be established. In the 2019 PLR, additional changes to the indicators were proposed to further align the results framework with the changing circumstances and priorities of work program implementation, adding seven new indicators, dropping two, and revising targets for two indicators, together with eight milestones added and one milestone dropped. Even after the adjustments, some indicators remain fragmented and some gaps remain between objectives and indicators. Several added indicators were related to one intervention, e.g. the EMSO DPF. When EMSO-3 did not materialize, several results indicators were not achieved, e.g. under Objective 2.1.

23. The CPS was clear in its identification of risks including political risks associated with the upcoming elections at the time, yet the scale at which the risks had manifested challenged the flexibility built into the program.

Building in flexibility was a lesson learned from the previous country strategy. Quickly after the CPS was prepared, risks associated with frequent government changes and policy uncertainties, a slowing economy, and implementation challenges all started to materialize. Unforeseen changes in the structure of the capital budget, which affected selection and execution of public investment projects, including Bank-financed ones, posed significant challenges to the Bank's portfolio. The 2016 PLR introduced the SORT risk framework and rated the overall program risk as substantial. Further, economic risks, institutional capacity for implementation risks materialized and hampered implementation. While some mitigation measures were instrumental, risk identification and mitigation remain a critical challenge for the WBG engagement in Mongolia, and will continue to require careful assessment and management.

Program Implementation

24. The CPS has been quick to adjust to the changing environment in Mongolia. The CPS was designed with flexibility to adjust to economic slowdown, political transitions and client's changing priorities and demands. When circumstances materialized, the WBG interventions were indeed adjusted quite extensively, both in terms of program delivery and portfolio management. Accordingly, the results framework was also adjusted at two PLRs quite substantially to re-align strategic focus of WBG engagements.

25. The political cycles in Mongolia impacted CPS implementation significantly in terms of project delivery and portfolio management. As mentioned above, the CPS was initially finalized only two months before a change in government following the June 2012 elections. A new Ministry of Economic Development (MED), with limited initial capacity, was created to manage new sovereign borrowings, project management and planning, and concessional financing, including from the World Bank. New project preparation and approval processes was installed as part of this change in the organizational re-arrangement. But soon as part of another government re-organization in October 2014, the MED was eliminated. Some of its functions shifting to the

Ministry of Foreign Affairs and others returned to the MOF. Repeated government re-organizations and changes in cabinet ministers' appointments continued to impact the efficiency of the WBG's dialogue and portfolio management in Mongolia. Over time, the Bank had learned to navigate the process and to adapt the CPS framework and the scope of the work program to the changing circumstances.

26. **Program delivery.** During the CPS period, extensive adjustments took place to the originally planned program for the Bank. Out of 12 planned IDA/IBRD projects in the original CPS, only 5 were delivered. (Refer to Annex II for details). With the changing government and organizations, it took longer to negotiate and agree on new projects. During the past several IDA cycles, the majority of the Bank's projects were approved in the last three months of the three-year IDA cycles. This may be an indication that final decision-making processes was driven by the timing of the IDA cycle. This calls for better planning and a more established engagement process as Mongolia graduates from IDA. As a blend country, Mongolia was able to access both IDA and IBRD financing during the CPS period. However, Mongolia did not start borrowing from IBRD until 2019. This partly reflected Mongolia authorities' sensitivity to pricing, and partly reflected the IDA-focused program delivery.

27. **IFC and MIGA both had large exposures in Mongolia during the CPS period, dominated by the mining sector.** IFC's investment commitments during the CPS period totaled \$2.6 billion across 15 long-term finance projects, of which \$785 million was for IFC's own account. Of the total commitment amount, 72 percent was in the mining sector for the OT project. MIGA also provided a large guarantee to the OT project, with current exposure at \$835 million, one of the largest in MIGA's portfolio. The rest of the IFC portfolio focused on the financial sector supporting IFC's banking clients in their MSME lending, and in tourism, retail and property (TRP) sectors. In addition, IFC supported client banks through its global trade finance platform (GTFP), with total short-term commitments exceeding \$200 million over the period. IFC's Advisory Services program spend over the CPS period totaled nearly \$14 million. Nearly 30 percent of this amount was under the Equitable Growth, Finance and Institutions business line (focused on business inspection reform, food safety, trade facilitation, secured transactions and credit bureau), followed by Regional Advisory business line (21 percent; focused on insolvency reform, investment policy, export diversification and agribusiness competitiveness), and Water advisory business line (20 percent; 2030 Water Resources Group East Asia project).

28. **Portfolio performance of the Bank improved over the CPS period, but project implementation requires continued attention.** The implementation challenges in Mongolia were not unknown, and there was no easy solution for a quick fix. Annex III shows the portfolio performance trend over the CPS period. Throughout the CPS period, the highest number of problem projects was during FY19, with 4 out of 10 projects performing unsatisfactorily. In 2019, the Bank team undertook an extensive Country Program Portfolio Review (CPPR) with counterparts focusing on tackling implementation challenges. As of January 2021, the portfolio had one problem project. Key performance challenges include effectiveness delays, slow implementation startup and low disbursements. In the Mongolia portfolio, effectiveness took a relatively long time due to a requirement for parliamentary review and approval of foreign loans. In the early years of the CPS, it took on average 13-14 months for Bank projects to become effective after Board approval. This was a challenge faced by all development partners. Some projects encountered further delays in setting up project implementation units to start project activities. Some projects experienced high turnover and delays in hiring key project staff following

government changes, while others faced high turnover in counterpart ministries thus the need to repeatedly rebuild ownership. As a result, disbursements were relatively low. While the average disbursement ratio over the first half of the CPS period (FY12-15) was 25 percent, the FY15 disbursement ratio dropped to 9 percent because of the slow pace of four large projects that constituted 60 percent of total commitments. Disbursement increased to around 15.5 percent during FY17-20. Some efforts were effective in improving portfolio quality. For example, the use of “Framework Financing Arrangement” helped streamline the internal approval processes, and reduced the time from Board approval to effectiveness from 14 months for IDA16 projects (FY12-14) to four to six months in the case of IDA17 projects (FY15-17). The Portfolio review effort in 2019 was also effective in improving problem projects. Nonetheless, portfolio management will require persistent efforts, especially with some new counterparts in place in the new government.

29. **IFC’s portfolio expanded significantly during the CPS period.** It grew from \$171 million at end-FY12 to \$650 million at end-2020 (IFC’s own account), representing 280% growth. During the extended CPS period, IFC’s committed exposure in Mongolia became one of IFC’s largest exposures globally. As of end-CY2020, IFC’s committed portfolio stands at \$1.4 billion, comprising \$557 million exposure for IFC’s own account and \$845 million in syndications. IFC’s exposure is dominated by the mining sector, followed by banking and TRP sectors. IFC’s investment portfolio in Mongolia remains healthy, with a low level of non-performing loans (one project), below IFC’s average. IEG evaluated three investment projects committed over the CPS period, of which two had Development Outcome Rating as ‘Successful’ and one “Mostly Unsuccessful”.⁶⁶ IFC’s Advisory Services portfolio at end-CY2020 comprised five projects worth \$5.1 million in funds managed by IFC. They support trade and export facilitation, value chain finance development, investment policy and investment promotion in agribusiness sector, insolvency reform and green buildings. IEG evaluated three advisory projects implemented during the extended CPS timeframe: (i) Corporate Governance Project (570828) rated ‘Highly Successful’; (ii) 2030 Water Resources Group East Asia (601179), rated ‘Successful’; and (iii) Business Inspection Reform (565508) rated ‘Unsuccessful’⁶⁷. (see Annexes IV and V for details of IFC’s investment and advisory portfolio).

30. **No severe safeguard and fiduciary issues emerged during the CPS implementation period.** However, complaints were issued from affected communities for the Inspection Panel’s consideration in the context of the MINIS project. The Panel ultimately declined the complaints, but they have led to much more intensified and comprehensive consultations on individual project components and preparation of additional studies. This experience translated into an increased awareness of the entire country team of how to engage local communities early on in preparing for complex infrastructure projects. In terms of fiduciary issues, several high-level corruption cases in Mongolia during the CPS implementation period, even though not connected

⁶⁶ The unsuccessful project is IFC’s investment in the construction of a new hotel in Ulaanbaatar, which achieved satisfactory ratings across most evaluation dimensions (IFC’s additionality, investment outcome and work quality), except for project’s business performance and economic sustainability due to construction delays, project cost overruns and lower than expected occupancy rates.

⁶⁷ IFC’s own PCR Development Effectiveness (DE) rating for this project is ‘Mostly Successful’; whereas the IEG’s assessment of the project and the rating was ‘Unsuccessful’. IEG assessment was based on draft Permit and Supervision laws that was not approved by the parliament by the end of the project. However, at present, the client, General Agency for Specialized Inspections, continues using risk-based approach reform implemented by the project, and enhances it by utilizing modern technologies. Reform agenda proposed by the draft Supervision law was imbedded in IT tools, Risk based inspections strategy, and medium-term plans of GASI, the core client has not only continued reforms but also deepened it. The current parliament formed a working group to proceed with the discussion and possible adoption of draft Permit law.

to World Bank projects, have emphasized the continued need to ensure sound fiduciary oversight, especially in projects applying sub-funds and for matching funds.

31. The WBG over the CPS period continued to carry out well received knowledge work. As pointed out in a Mongolia Country Program Evaluation for FY05-13 of the Independent Evaluation Group (IEG), WBG's analytical work in Mongolia in that period was relevant, high quality, and widely disseminated. It has been well publicized in the Mongolian press, and the views of staff are frequently sought and quoted in the media. IEG highlighted the good engagement with parliament, which is a crucial decision-making body in Mongolia to influence public policy. For example, the Bank's economic reports are a key communication tool to engage not just with government but also with parliament and civil society. They provide updates on economic trends, but also discuss openly needed improvements in economic policy, including the need to refrain from pro-cyclical policies. In 2016 and 2020, the Bank also presented the new governments with a set of well-received policy notes on key topics ranging from macroeconomic and fiscal management to the business environment, and key sectors such as agriculture, education, and health. Another important knowledge product during the CPS period was the 2015 Public Financial Management (PFM) Performance Report, the first assessment of Mongolia's PFM system using the Public Expenditure and Financial Accountability (PEFA) framework. Other more recent prominent knowledge works include the Country Economic Memorandum, InfraSAP, Energy Master Plan, and Civil Service Reform Assessment, several of which helped inform the design and implementation of follow-on lending operations. Others also facilitated policy discussions and reforms envisioned under the development policy operations e.g. in the financial sector, social protection and PFM.

32. The WBG program made good use of synergies between the World Bank, IFC, and MIGA, especially in the mining sector. During the CPS period, IFC made large investments and MIGA provided its largest ever guarantee in the OT project. The World Bank supported the regulatory environment and infrastructure for mining projects as well as measures to improve the transparency and quality of public financial management. The World Bank and IFC also cooperated closely in areas to improve the investment climate and strengthen financial intermediation. IFC built a strong portfolio of investments in systemic banks and advisory services to build capacity in these banks and improve corporate governance. The World Bank and IFC offices in UB are co-located and staff engaged in regular exchanges.

33. The WBG worked closely with stakeholders and development partners in implementing the CPS. Development partners were part of a regular consultation mechanism, together with the UN. Partners were regularly consulted on major development in the country, each institutions' strategies, as well as project level collaboration and coordination. Following the 2014-2016 economic downturn, joint efforts with partners such as IMF, ADB, Japan, Korea and China were essential in supporting the government's economic recovery plan. Trust fund resources from partners such as the EU, Switzerland, Korea, Japan, Australia are instrumental to push for actions in important areas of work such PFM, social accountability, financial sector and groundwater management. The WBG also maintains an active engagement with the vibrant civil society and private sector in Mongolia. CSOs were often beneficiaries and counterparts of the WBG program, but some also took a critical position on some of the WBG engagement e.g. in the mining sector. Their activities and interactions with the WBG have made the WBG more responsive to stakeholder concerns.

IV. ALIGNMENT WITH CORPORATE GOALS

34. The program was well aligned with the corporate goals and the broader WBG strategy.

Although the twin goals of eradicating poverty and promoting shared prosperity had not yet been adopted at the beginning of the CPS Period, the CPS focused on areas critical to achieving these high-level development objectives. The CPS pillars on economic diversification in rural and urban areas supported increasing household incomes. The CPS interventions in reducing vulnerabilities through better service delivery improved social protection benefits, particularly for the poor population. Pillar three also included actions to promote environmental sustainability and enhance resilience to natural disasters, which are particularly important to herders.

35. The CPS has supported the climate change agenda in Mongolia.

The WBG efforts to address climate change during the CPS period cut across multiple sectors including energy, heating, urban, agriculture and livestock. These contributed both to mitigation and adaptation aspects of Mongolia's climate agenda. IBRD/IDA total climate co-benefits over the last three fiscal years (FY17-20) were at 19.9%. This is below the World Bank's previous target of 28% climate co-benefits for FY20. The World Bank plans to significantly strengthen its climate actions in Mongolia to contribute to the new corporate target of 35% climate co-benefits for FY21-25. IFC has been implementing the Mongolia Green Building Project, which provides a simple Energy Label for the buildings that provides an asset rating of the building along with improvement opportunities. The project provides a quantitative and objective basis to generate bankable energy efficiency projects from buildings that would mobilize public and private financing. The World Bank also directly supported the implementation of two NDC priorities: (i) low carbon growth and resilient cities; (ii) hydromet modernization and climate services, financed by two trust funds, the NDC Support Facility and the Global Facility for Disaster Reduction and Recovery (GFDRR), respectively.

36. The CPS also put a strong focus on gender.

Gender was mainstreamed across select Bank operations with an emphasis on operations that can yield a direct gender impact, such as the sustainable livelihoods program and the livestock and agriculture marketing project. Between FY17 and FY20, 36 percent of projects approved (4 of 11) met the Bank's corporate gender tag. With support from the Women Entrepreneurs Opportunity Facility (WEOF), IFC set up a syndicated loan facility with a local commercial bank to target a large share of financing towards women-owned or operated SMEs.⁶⁸ As a result, over 36,000 women-owned business received microfinance loans. In addition, ASAs with a strong focus on gender included the 2016 poverty assessment as well as studies on gender disparities in the labor market, social impacts of mining in alignment with the priorities of the Mongolia Country Gender Action Plan (2013-2019). In addition, short life expectancy for men poses a serious risk to population well-being in Mongolia. A study conducted in 2020 to understand the determinants of the gender gap in life expectancy revealed a significant positive correlation between men's adherence to stereotypical masculine gender norms and their engagement in risky health behaviors (e.g. smoking, alcohol consumption, poor diet, lack of exercise, and not seeking medical care). The National Committee for Gender Equality is drawing on the results of this study to inform an update to the National Action Plan on Gender Equality and the implementation of its 2020-2022 work plan. The study is also informing the preparation of the next phase of the Third Sustainable Livelihoods Project (SLP3).

⁶⁸ Women Entrepreneurs Opportunity Facility is a facility created by IFC, through its Banking on Women program, and the Goldman Sachs Foundation, and targets the dual goals of expanding access to finance for women entrepreneurs in developing economies and demonstrating the commercial viability of investing in women.

V. KEY LESSONS LEARNED

37. **Alignment with domestic political cycle and maintaining a high degree of flexibility.** A misalignment with domestic political cycle complicated the WBG's dialogue with the new government in 2012 and caused significant slippages in the financing program. Therefore, the CPS was extended until after the 2020 elections so that timing of the new CPF could be aligned with the new government's priorities. It is likely that volatility will continue in Mongolia in the years ahead. Even with a better alignment with the election cycle in the future, flexibility is still needed given Mongolia's highly volatile economic and political environment. The WBG will continue to constantly adjust the scope of its work program to ensure responsiveness to the country's evolving demands and the changing economic context. This includes an openness to stand by and quick mobilize once new openings to address development challenges occur.

38. **Be more realistic regarding the medium-term development prospects.** The last CPS was written at a time when Mongolia was the fastest growing economy in the world and with a very positive medium-term outlook. These forecasts had to be revised significantly, even in the initial CPS years, but especially once the economic crisis hit the country in 2014. Circumstances change quickly in Mongolia, and any planning based on medium- and long-term forecasts need to be reviewed on a regular basis, including most recently in light of the ongoing COVID-19 crisis. This calls for realistic ambitions and project designs that are robust and flexible to changing economic and political circumstances. Another implication of this context is that the outcomes of WBG interventions may take some time to materialize. Building on success, once demonstrated, is likely to be more effective than opening too many new fronts at the same time.

39. **Proactive navigation of the political economy in supporting policy reforms.** Mongolia offers important lessons on the political economy of reforms. During the CPS period, there were several instances of setbacks in the reforms supported by the Bank. For example, several "reversals" on social protection policies took place. These changes had been concretely reflected in the ruling party's 2016 election campaigns, then were included in the government action plan (2016-2020), and subsequently became part of legislation. More sensitivity to the limited political ownership of reforms supported by the Bank would have been warranted to mitigate against the risk of reversals. A similar situation was observed in progressive income tax reforms and its later reversal. While it is not clear that more proactive engagement would have avoided reform reversals, the political economy of Mongolia calls for wide-spread consultations beyond the core government counterparts. Reforms that do not benefit from wider social consensus have a significantly higher risk of being reversed in Mongolia's rapidly changing political context. It calls for a better understanding of when underlying support for reform is fragile and set expectations accordingly.

40. **Selectivity is important in multiple aspects for all WBG institutions.** For IFC, as Mongolian economy has experienced significant volatility over the CPS period, the quality of partners has proven to be particularly important. This is particularly true in equity investment in small markets like Mongolia where long holding time may be necessary before exit opportunities are identified. Projects with strong and experienced sponsors have managed to successfully weather through difficult times. Others have experienced more difficulties. For the Bank, given the relatively limited IDA and IBRD resources available, the Bank program will have to become more focused. A greater concentration of resources to fewer sectors may increase the WBG's

impact on the ground and also help improve portfolio quality. Because counterpart capacity is limited and it takes a significant time to get projects off the ground, the Bank could build on past successes to design future interventions. Balancing continuity with the need for flexibility is a key operational challenge in this context. In addition, the WBG could explore options to work closer with other development partners and the private sector to leverage additional resources. This may include cooperation through co-financing, the use of guarantees as well as the provision of ASA to support the Mongolian authorities to seek or maximize financing from others, even if the WBG does not provide financing.

41. Governance and capacity challenges as part of project planning and implementation. Challenges in the institutional environment—including high attrition and rotation in the civil service—continue to impact the Bank’s dialogue and project implementation. Thus, it will be important to factor governance risks into the project design and to consider adequate remedies. This also includes the work towards project implementation unit design that minimizes opportunities for political favoritism and rent-seeking (e.g., by making sure that implementation units are staffed independently from political decision-making) and to increase efforts to strengthen the capacity of project implementation units.

42. Simplify project design and ensure strong ownership. The design of some projects under the CPS was complex, especially given the relatively small size of these operations. Multiple components and grant facilities put a high burden on project management and slowed down implementation. Some projects were not fully owned by the government, causing further delays in implementation. Similarly, some ASAs also took too long to finalize and disseminate. They should also be rigorously assessed to what extent they support the overall program and country strategy, including early buy-in from Mongolian partners and a clear dissemination strategy.

Box 8: Lessons from IEG Evaluations

The 2015 IEG Country Program Evaluation (CPE) for FY05-13 commended the Mongolia country program for its comprehensive support to Mongolia’s mining economy. The CPE was prepared as part of a clustered country program evaluation of the WBG’s engagement in resource rich developing countries. The evaluation highlighted the fact that the WBG recognized the centrality of mining to Mongolia’s economy and was flexible enough to re-focus its strategy on addressing mining-related challenges. In addition, it commended the WBG’s application of a political economy analysis along the extractive industry value chain to identify key entry points where the WBG could make a difference. It also emphasized the Bank’s efforts to inform public debates on the risks and opportunities facing Mongolia, which also helped to strengthen the oversight of civil society organizations (CSOs). It further highlighted the Bank’s efforts to foster knowledge exchange between Mongolia and other resource rich countries.

The CPE also made various recommendations going forward. One general recommendation was that in order to secure a political commitment to reform, the Bank may need to adopt a more progressive approach, opting in some cases for the second-best option that will fit the concerns of policymakers. It also pointed out that flexibility is especially important in resource-rich countries given the potential for price shocks, which can result in quickly shifting government priorities. Other specific recommendations included the continuation of efforts to build the demand and capacity for good governance and social accountability and to pursue efforts to improve public investments. In addition, it is recommended to be more selective in supporting private sector development (e.g., focus more on activities with a direct impact on poverty and rural livelihoods, such as strengthening supply chains for livestock based activities). Furthermore, the CPE proposed to scale back the support in the urban sector in Ulaanbaatar in the interest of selectivity, since various other donors such as ADB, USAID and JICA are already active in this area.

CLR Annex I: Mongolia CPS (FY12-20) Results Framework – self evaluation

Pillar 1: Enhance Mongolia’s Capacity to Manage the Mining Economy Sustainably and Transparently			
1.1 Supporting development of a regulatory environment, institutional capacity, and infrastructure for world-class mining			
CPS Outcomes	Status at CLR	Milestones	Status at CLR
<p><i>Indicator 1:</i> Number of public/PPP mining-related infrastructure assets ready for tender. Baseline: 0 (FY12) Target: At least 2 (end 2020) <i>Source: MINIS (P118109) & MSTA (P119825)</i></p> <p><i>Indicator 2:</i> Aimag-wide management and monitoring plans for groundwater use prepared and in use (cumulative). Baseline: 0 (2012) Target: 3 aimags (end-2017) <i>Source: MINIS (P118109)</i></p>	<p>Achieved: Feasibility studies and safeguard assessments have been completed for four projects: Baganuur mine expansion, Steel Complex, Synthetic Natural Gas (SNG) and Tavan Tolgoi (TT), helping to facilitate investment in these projects. <i>Source: MINIS ICR December 2019</i></p>	Completed development of a model of community development agreement for responsible mining.	Achieved. Model Community Development Agreement completed in early 2016.
		Completed consultative process to develop new mineral law.	Achieved. Companies and Civil society participate in consultation, including proven involvement in consultation on the Mining Law revisions, in 2013.
		Completed development of a model mineral investment agreement appropriate for responsible mining development.	Achieved. Model Mining Agreement and Community Development Agreement completed in early 2016.
		Supported enhanced corporate governance of state-owned mining interests.	Achieved. Developed the first Corporate Governance (CG) Scorecard for Mongolia which was extensively developed to help raise market awareness of the business case for CG.
	<p>Achieved. Groundwater management and monitoring plans are under implementation in 3 aimags. <i>Source: 2016 PLR</i></p>	Supported enhanced government capacity to assess and prepare investments in infrastructure.	Achieved: Trainings on preparation of feasibility studies and financial and economic evaluation delivered to government.
		Completed a Strategic Environmental and Social Assessment (SESA) focusing on the mining sector including gender dimensions.	Achieved. SESA with gender dimension completed in 2014; clarifies environmental and social roles.
		Pilot institutional structure for groundwater management established and functioning with appropriate staffing.	Achieved. Three river-based administrations established and functioning with appropriate staff.
		Improved water management practices of mining companies.	Achieved. Several mining companies participating in the Mongolia Multistakeholder Water Management in Mining project reported implementing water management practices that improve their business performance because of their

			commitment to the IFC-brokered voluntary code of practice (VCP).
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1.2 Supporting a more robust, equitable, and transparent management of public revenues and expenditures

CPS Outcomes	Status at CLR	Milestones	Status at CLR
<p><i>Indicator 1:</i> Percentage of citizens satisfied with the mechanisms and outcomes of Community Initiative Fund investment. Baseline: (FY12) Outcomes: 85% Mechanism: 86% Target: (2013 end of SLP2) Outcomes: Remains above 80% Mechanism: Remains above 80% Source: SLP2 (P125232)</p> <p><i>Indicator 2:</i> Net financing from the BoM to the Housing Mortgage Program terminated. (Funding of new mortgages in excess of principal repayment inflows is defined as “net financing” which has been provided by the GoM and recorded as expenditure starting from the 2017 supplementary budget.)</p>	<p>Achieved. 87% of beneficiaries (i.e. citizens) were satisfied with the mechanisms and outcomes of CIF sub-projects. Source: 2016 PLR</p> <p>Achieved. Net financing to the program equals zero as of 2019. Since 2017, net financing to the program has been provided by the government and recorded as budget expenditure. The size of the net financing is determined within the affordable budget envelope to contain the budget deficit within the fiscal adjustment path.</p>	<p>Implemented Fiscal Stability Law: (i) structural deficit of less than 2% of GDP by 2013; (ii) government expenditure growth limited to non-mineral GDP growth by 2013; and (iii) Net Present Value of debt to GDP ratio of 40% by 2014.</p>	<p>Revised. To reflect amended Fiscal Stability Law (see below update on status at CLR for the following milestone).</p>

<p>Baseline: MNT 404 billion (2016) Target: MNT 0 billion (2019-2020) Source: EMSO (P162402)</p> <p><i>Indicator 3: Capital expenditure for the clearance of promissory notes is removed.</i></p> <p>Baseline: MNT 672 billion (2016) Target: MNT 0 billion (2020) Source: EMSO (P162402)</p>	<p>Source: EMSO task team and EMSO 2 project document</p> <p>Achieved. The promissory notes were fully paid by 2017. Source: EMSO task team and EMSO 2 project document</p>	<p>Fiscal Stability Law implemented: (1) The structural balance of consolidated budget shall either be not more than the deficit of 10.4%, 9.5%, 6.9%, 5.1% of GDP in 2017, 2018, 2019, 2020 respectively; (2) Total budget expenditure growth of the particular year shall be not more than the greatest of the non-mineral GDP growth rate of the particular year and the average of non-mineral GDP for 12 consecutive years preceding the particular year; (3) net present value of government debt shall not exceed 85%, 80%, 75%, 70% of GDP in 2017, 2018, 2019, 2020 respectively.</p>	<p>Mostly Achieved (except 2020 because of COVID): Parliament amended Fiscal Stability Law in 2017 and updated requirements. Achieved results: (1) General budget execution: Structural balance in 2017 was in deficit of 6.4 percent of GDP, in 2018 surplus of 0.1% of GDP, and deficits of 2 percent and 12.2 percent of GDP in 2019 and 2020, respectively; (2) Actuals: The average of non-mineral GDP for 12 consecutive years preceding the particular year were about 20 percent on average during 2019-2020FY. Total budget expenditure declined by 5% in 2017, and grew by 3.3 percent in 2018, 25.2 percent in 2019 and 19.7 percent in 2020; (3) Actuals of Debt to GDP ratio (NPV) were 72.5 percent in 2017, 58.9 percent in 2018, 55.6 percent in 2019 and 62.2 percent in 2020, respectively.</p>
		<p>Improved EITI Mongolia's scope and the quality of revenue data..</p>	<p>Achieved. Mongolia was judged EITI compliant in the 2018 validation exercise. Next validation expected to be completed later in 2021.</p>
		<p>Expanded EITI's outreach to civil society and parliamentarians</p>	<p>Achieved. EITI grant supported capacity-building support through training and awareness raising workshops for civil society members, community leaders and parliamentarians.</p>

		Municipality of Ulaanbaatar adopts an improved budgeting system.	Achieved. World Bank support included the UB finance report (2013); UB land report (2014); UB creditworthiness self-assessment (2014) and Debt management (2014). UB city established a unit to manage debt and has taken measures to improve its investment planning.
		Approval and implementation of PFM action plan with a clear identification of key short-and medium-term priorities and activities.	Achieved. An action plan at the activity level was prepared in 2019 with support from the World Bank to implement the 3-year PFM strategy approved in 2018. The World Bank team is also supporting the ongoing implementation.
		Resolution approved on public investment appraisal, selection and rationalization, which sets forth general principles to assess the entire Public Investment Management (PIM) portfolio for both new and ongoing projects.	Achieved. The resolution outlining the principles and main process for the appraisal, selection and rationalization of the public investment portfolio was approved in December 2018. This has been a prior action for EMSO1 & 2 and its development and roll out have been supported by SFFS and EU TF.

Pillar 2: Build a Sustained and Diversified Basis for Economic Growth and Employment in Urban and Rural Areas

2.1 Enhancing the investment climate and financial intermediation

CPS Outcomes	Status at CLR	Milestones	Status at CLR
<i>Indicator 1:</i> Number of business activities subject to permitting and licensing Baseline: 890 (2013) Target: The number of business activities subject to	Partially achieved. A draft Law envisages the reduction in the number of business activities subject to permitting and licensing by 44%, but the law still	Established movable collateral registry.	Achieved. A new law on Secured Transactions was adopted; an online pledge notice registry is now operational. Mongolia's DB score on the Strength of Legal Rights Index increased from 5 to 9. An early stage market for movables finance is now in place; with a large

<p>permitting and licensing to be reduced by more than 10 percent from the baseline (2020). Source: EMSO (P162402)</p>	<p>needs to be approved and implemented. Source: EMSO task team and EMSO 2 project document</p>		<p>increase in the share of the business lending involving movables.</p>
<p><i>Indicator 2:</i> The recapitalization of banks is advanced to meet prudential norm. Baseline: The banks are undercapitalized based on the AQR results. (2017) Target: The operating banks are recapitalized to meet the Capital Adequacy Ratio (CAR) (2020) Source: EMSO (P162402)</p>	<p>Not achieved. Initial recapitalization actions have taken place and a forensic audit has started, but full banking recapitalization is necessary to meet the target. Source: EMSO task team and EMSO 2 project document</p>	<p>Adopted action plan for consumer protection in the financial sector National Financial Education Strategy (NFES) adopted and in implementation.</p>	<p>Achieved. Financial Consumer Protection and Financial Literacy Report (2013) formed basis for the development and adoption of the NFES (2015).</p>
		<p>Improved corporate governance of IFC bank investments.</p>	<p>Achieved. IFC invested banks significantly improved their CG practices as recognized by local and international bodies. The improved CG also resulted in improved ability to attract external investment.</p>
		<p>Implemented International Financial Reporting Standards in some of the public-interest entities supported by IFC.</p>	<p>Achieved. IFRS-complied accounting guidelines for all entities along with a revised chart of accounts approved by MoF in 2014.</p>

2.2 Creating more opportunities in the rural and urban economy for enhanced livelihoods.

CPS Outcomes	Status at CLR	Milestones	Status at CLR
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<p><i>Indicator 1:</i> Number of loan beneficiaries from the Microfinance Development Fund at <i>soum</i> level and below. Baseline: 29,133 (2008) Target: 39,330 (2013) Source: SLP2 (P125232)</p> <p><i>Indicator 2:</i> Increase in household income in project areas from livestock and in selected cases horticultural products. Baseline: 0 (2013) Target: 20% (end-2017) Source: LAMP (P125964)</p> <p><i>Indicator 3:</i> Prevalence or incidence of PPR in the western region – as measured by a randomized cross-sectional survey for disease antibodies (active surveillance) or by positive confirmation of a PPR outbreak by laboratory diagnosis of the presence of</p>	<p>Mostly achieved: 38,241 loan recipients as of February 2016. The follow-on SLP-3 project did not have a microfinance component.</p>	<p>Reviewed agricultural price support and subsidy policies.</p>	<p>Achieved. Four studies were carried-out. Some of their recommendations were reflected in the new Agriculture State Policy.</p>
	<p>Achieved: By the end of 2017, the household income within the beneficiary pool increased by 73.9% on average with a maximum of 8 fold increase in households engaged in horticulture production. <i>Source: LAMP ICR and MoF</i></p>	<p>Supported new financial products including loan guarantee funds to address collateral shortfalls.</p>	<p>Partially Achieved. SLP2 supported the establishment of a grant initiative that provided credit guarantee funds to beneficiaries with problems of obtaining collateral. This was piloted over two years and deemed successful with a 100 percent repayment rate, but it did not continue after the project because of high administrative and monitoring costs.</p>
	<p>Achieved. No PPR cases were detected <i>in the western region (aimags of Khovd, Bayanulgii, Gob-Altai, Uvs, Khuvsgul and Zavkhan) in 2020.</i> <i>Source: EMSO project team</i></p>	<p>Drafted Food Security Law.</p>	<p>Achieved. Food Law passed in December 2012.</p>
		<p>New: An evidence-based framework for developing Mongolia’s economic corridors and domestic infrastructure required to diversify the economy has been prepared and disseminated to policy makers.</p>	<p>Achieved. InfraSAP study is finalized and disseminated in November 2020.</p>

<p>the virus (passive surveillance), respectively. Baseline: 126 outbreaks of PPR were reported in western region (Khovd aimag) (2016) Target: No detection of active PPR in the western region (aimags of Khovd, Bayanulgi, Gob-Altai, Uvs, Khuvsgul and Zavkhan) by end of 2020. Source: EMSO (P162402)</p>	<p>New: Enhanced capacity of export-oriented SMEs.</p>	<p>Achieved. 379 employees from 51 enterprises received customized trainings to improve export capabilities.</p>
	<p>New: Establishment of a Labor Market Information System (LMIS).</p>	<p>Partially achieved: The tender for the firm to develop the LMIS was announced in early 2020. The selection process is still ongoing and is expected to be completed by the end of March 2021.</p>

Pillar 3: Address Vulnerabilities through improved Access to Services and Better Service Delivery

3.1 Improve the management, targeting and coverage of social welfare benefits

CPS Outcomes	Status at CLR	Milestones	Status at CLR
<p><i>Indicator 1:</i> Development and introduction of an online integrated information system for social welfare benefits. Baseline: none (2012) Target: a new MIS is fully tested and introduced (end-2017) Source: MSTA (P119825)</p>	<p>Achieved. Integrated Welfare Administration Management Information System (WAIS) for social welfare benefits (and beneficiaries) has been established with support from MSTA project. Source: 2016 PLR and task team</p>	Analyzed and disseminated poverty data.	Achieved. Policy paper on reducing poverty and increasing share prosperity issued in 2016. Poverty data for 2014, 2016 and 2018 was analyzed and widely disseminated in Mongolia.
		Disseminated policy notes on women and labor markets, and women and mining.	Achieved. Both reports were finalized, printed and shared with the public as well as the National Committee on Gender Equality.
		Completed Gender Action Plan.	Achieved. CGAP completed and approved in 2013; new CGAP prepared in FY19.
		Assessed gender dimensions of poverty and inequality.	Achieved. Poverty analyses and policy paper assess gender dimension of poverty and inequality.
<p><i>Indicator 2:</i> The coverage and benefit size of the Food Stamp Program and other poverty-targeted programs increased. Baseline: MNT 18.1 billion allocated for the Food</p>	<p>Achieved. As of December 2018, the MoF budget expenditure schedule for 2019 commitment to poverty targeted benefits (including the Food Stamp Program - FSP) tripled its size comparing to 2016. The 2019</p>	Supported the government in developing policy options for pension reform.	Achieved. WB supported development of <i>White Paper</i> (Policy Framework) on Pension Reform (2015-2030), endorsed by the Parliament.

<p>Stamp Program; no budget allocated for other poverty-targeted programs. (2016)</p> <p>Target: The total budget for the Food Stamp Program and other poverty-targeted programs is tripled in relation to the 2016 level. (2020)</p> <p>Source: EMSO (P162402)</p>	<p>budget also includes MNT 31.2 bln for the poverty targeted cash benefit program.</p> <p>Source: EMSO task team and EMSO 2 project document</p>		
3.2 Supporting better delivery of basic services (education, health, justice, and infrastructure)			
CPS Outcomes	Status at CLR	Milestones	Status at CLR
<p><i>Indicator 1:</i> Number of fixed ECE facilities/ kindergartens built under Bank-supported projects.</p> <p>Baseline: 0 (2012) Target: 25 (2014)</p> <p>Source: GPE Early Childhood Education Project / ICR (P1254445)</p> <p><i>Indicator 2:</i> Number of children attending new mobile ger kindergartens.</p> <p>Baseline: 0 (2012) Target: 1,500 (end-2017)</p>	<p>Achieved: 25 kindergartens were constructed and equipped with furniture, kitchen equipment, electric appliances, carpet, bedding, toys and teaching materials, achieving an increase of 3.5% in the number of state-owned kindergarten facilities.</p> <p>Source: GPE ECE ICR</p> <p>Achieved: 3,753 as of May 2015</p> <p>Source: 2016 PLR</p>	<p>Completed study on accountability of service delivery in a decentralizing government focusing on health and education.</p> <p>Identified key challenges for efficient functioning of Municipality of Ulaanbaatar’s budgeting system.</p>	<p>Achieved. The study was completed and Report on “Understanding and monitoring service delivery in a decentralizing environment in Mongolia (the case of Education and Health)” was published and disseminated in 2015.</p> <p>Achieved. UB city finance report was prepared and disseminated.</p>

<p><i>Source: GPE Early Childhood Education Project (P1254445)</i></p> <p><i>Indicator 3: Access to legal information and advice across all Ulaanbaatar districts and aimags.</i> Baseline: No value related information available; no paralegals available; no information in minority languages available (2012) Target: 60% of Ulaanbaatar districts and aimag centers distribute legal information in central community locations; paralegals providing advice in 60% of aimag centers, soums, and horoos; 10 laws available in minority languages (end-2017) <i>Source: Enhanced Justice Sector Services Project ICR and IEG (project completed)</i></p> <p><i>Indicator 4: Average interruption duration per year in the selected area (Minutes) – BSEDN / EBEDN.</i> Baseline: 809 / 1200 (2016) Target: 710 / 1060 (2020) <i>Source: Second Energy Project (P152343)</i></p>	<p>Partially Achieved: 60% of UB districts and Aimag centers distribute legal information with legal advice available in 21 legal aid centers. But no information on whether paralegals were providing this legal advice, nor if 10 laws are available in minority languages. <i>Source: 2016 PLR and MoF</i></p> <p>Not achieved: The current progression rate of distribution rehabilitation is about 35%. Smart meters have been procured but have not yet been installed and a second bath of sub-projects will start construction in 2021.</p>	<p>Utilized justice sector data as part of a framework for court administration, budgeting, and planning.</p> <p>Applied IT solutions to enhance access to justice information.</p>	<p>Partially Achieved. Bank supported ICT application in the justice system, adjustments to civil case management software and adoption of a case management program. Administrative court software eliminated many procedural errors, cut down the percentage of cases overturned on appeal from 20% in 2012 to 17% in 2013 and 12% in 2014.</p> <p>Partially Achieved. Supported installation of a national fiber optic network and new archival management standards and practices.</p>
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	Source: SEP ISR and information provided by the task team		
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3.3 Reducing the vulnerability of households exposed to natural hazards and pollution

CPS Outcomes	Status at CLR	Milestones	Status at CLR
<p><i>Indicator 1: Percentage of herders in the selected area aware of the Livestock Risk Insurance products.</i> Baseline: 80% (2010) Target: 85% (end-2017) <i>Source: MN Indexed Livestock Insurance Project (P125964)</i></p>	<p>Achieved 85.3% as of March 2016. <i>Source: MN Indexed Livestock Insurance Project ICR</i></p>	<p>Agreed on roadmap for transitioning index-based livestock insurance institutional structure PLR status: achieved (Law to establish the Agricultural Re-insurance Company of Mongolia (ARCM) promulgated and company established in 2015).</p>	<p>Achieved. IBLI program is now managed by the Agricultural Reinsurance Company established under the IBLI law. The project supported the 2015 sales season by transferring its insurance and IT staff bringing in tenured aimag staff as trainers during the season, building capacity of the Company with international consultants for capital assessment and operational manual.</p>
<p><i>Indicator 2: Coverage of targeted households with eligible stoves in Ulaanbaatar.</i> Baseline: 0 (2012) Target: 80% of targeted households (or 45,000 stoves) (end-2017) <i>Source: UBCAP (P122320)</i></p>	<p>Achieved - distribution of eligible stoves completed in December 2015 with 90% coverage. <i>Source: 2016 PLR and UBCAP task team</i></p>	<p>Explored ways to provide universal coverage for uninsurable catastrophic losses to those herders not already holding insurance policies.</p>	<p>Mostly achieved. A commercial product supported by the Government is available. Universal social protection and its potential impact on the commercial product still needs to be researched.</p>
		<p>Extended Livestock Early Warning System (LEWS) and linked to disaster management agencies.</p>	<p>Achieved. Upon completion of the Indexed Livestock Insurance project, the LEWS and related database were handed over to the Ministry of Food, Agriculture and Light Industry of Mongolia.</p>

		Principal recommendations and action plan developed by the Ulaanbaatar Clean Air Project for selected medium-term abatement measures approved by relevant counterparts.	Achieved. A total of four action plans were approved by the relevant counterparts.
		Developed disaster risk management plan for Ulaanbaatar (earthquakes and floods).	Achieved. Earthquake vulnerable school infrastructure was identified through Visual Rapid Assessment. The most vulnerable public school buildings were prioritized for seismic retrofitting and cost estimates for such an investment have been developed. The Flood Risk Management Strategy and Investment Plan was prepared in order to provide integrated, structural and non-structural interventions to address these factors.
		Developed hazard and vulnerability database for Ulaanbaatar.	Achieved. A flood risk map and database were created and placed in the General Planning Department and the Emergency Management Department of UB city. Seismic hazard and vulnerability database on facilities of schools and kindergartens of UB city were created.
		Roadmap for modernizing hydromet and climate services prepared.	Mostly achieved. Draft Report is finished, but additional fieldwork and consultation could not be carried out due to COVID-19 pandemic.
		Identified policy options and actions for low carbon growth and resilient urbanization in three cities (UB, Erdenet and Darkhan).	Achieved. Study has been finalized and shared with partners.

CLR Annex II: Planned Lending and Actual Deliveries

Indicative Financing Program under previous CPS	FY	US\$ M	Approved Projects	FY	US\$M
Ulaanbaatar Clean Air Project	FY12	15.0	Ulaanbaatar Clean Air Project	FY12	15.0
			Additional Financing to Ulaanbaatar Clean Air Project	FY20	12.0
E-Government Project	FY13	15.0	SMART Government	FY14	19.4
Sustainable Livelihoods 3 Project	FY13	>30.0	Third Sustainable Livelihoods Project	FY14	24.8
			Third Sustainable Livelihoods Project Additional Financing	FY20	12.0
E-Health project	FY14	15.0	E-Health Project	FY14	19.5
District Heating Project (IBRD)	FY15	50.0	Heating Sector Improvement Project	FY20	41.0
SME Access to Finance Project (IDA-IBRD)	FY14	15.0	Export Development Project	FY17	20.0
<i>Third Ulaanbaatar Services Improvement Project</i>	<i>FY13</i>	<i>20.0</i>	<i>Education Quality Reform Project</i>	<i>FY14</i>	<i>30.0</i>
<i>AF – Mining Sector Institutional Strengthening</i>	<i>FY15</i>	<i>IDA</i>	<i>Second Energy Sector Project</i>	<i>FY17</i>	<i>42.0</i>
<i>AF – MONSTAT</i>	<i>FY15</i>	<i>IDA</i>	<i>Employment Support Project</i>	<i>FY17</i>	<i>25.0</i>
<i>Transmission Line Project (IBRD)</i>	<i>FY15</i>	<i>50.0</i>	<i>Strengthening Fiscal and Financial Stability Project</i>	<i>FY17</i>	<i>12.0</i>
<i>Social Protection Administration Project</i>	<i>FY16</i>	<i>IDA</i>	<i>Economic Management Support Operation</i>	<i>FY18</i>	<i>120.0</i>
<i>Index-Based Livestock 2 Project</i>	<i>FY16</i>	<i>IDA</i>	<i>Livestock Commercialization Project</i>	<i>FY20</i>	<i>30.0</i>
			<i>Economic Management Support Operation 2</i>	<i>FY20</i>	<i>100.0</i>
			<i>MONGOLIA EMERGENCY COVID-19 RESPONSE</i>	<i>FY20</i>	<i>26.9</i>
			<i>Emergency Relief and Employment Support Project</i>	<i>FY20</i>	<i>20.0</i>
Total					569.6

CLR Annex III: Portfolio indicators over the CPS Period
Portfolio Trends

Country: Mongolia

Data as of	FY14	FY15	FY16	FY17	FY18	FY19	FY20	@ Jan 31
PORTFOLIO AND DISBURSEMENTS								
Active Projects #	13	10	8	11	10	10	14	13
Net Commitments Amt \$m	209.75	183.75	156.70	243.70	337.70	232.70	449.51	349.51
Total Disbursements \$m	56.31	48.91	45.18	54.45	172.67	76.15	196.22	147.51
Total Undisbursed Balance \$m	154.16	123.07	99.65	176.66	162.14	145.69	243.15	201.29
Disbursements in FY \$m	16.85	12.23	15.33	20.64	139.48	13.29	137.82	51.55
Disbursement Ratio for IPF only %	21.8	9.0	13.3	21.1	9.4	8.4	26.7	21.2
IBRD/IDA Disb Ratio	23.2	9.1	10.9	17.4	9.4	8.4	26.7	21.2
Slow Disbursements %	7.7	0.0	0.0	0.0	10.0	10.0	0.0	0.0
PORTFOLIO RISKINESS								
Actual Problem Project #	1	1	1	3	3	4	1	2
Problem Project %	7.7	10.0	12.5	27.3	30.0	40.0	7.1	15.4
Potential Problem Project #	0	0	0	0	0	0	0	0
Projects At Risk #	1	1	1	3	3	4	1	2
Projects At Risk %	7.7	10.0	12.5	27.3	30.0	40.0	7.1	15.4
Commitments At Risk \$m	10.00	11.00	24.80	63.70	63.90	88.90	19.50	49.50
Commitments at Risk %	4.8	6.0	15.8	26.1	18.9	38.2	4.3	14.2
Proactivity %	100	100.0	100.0	0.0	33.3	66.7	75.0	66.67
IEG RATINGS (FY11 - FY20)								
# of Exits	1	3	2	1	1		1	
No. of Projects Evaluated by IEG	1	3	2	1	1		1	
IEG MS+ Outcome Sat %	100.0	100.0	50.0	100.0	100.0		100.0	
ICR Quality Sat %	100.0	100.0	100.0	100.0	100.0		100.0	
Net Disconnect %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bank Perf. MS+ @ Entry (%)	0.0	100.0	100.0	100.0	100.0		0.0	
Bank Perf. MS+ @ SPN (%)	100.0	100.0	100.0	100.0	100.0		100.0	
M&E Quality %	0.0	66.7	50.0	0.0	100.0		0.0	
Borrower Overall Performance % Sat	100.0	100.0	50.0	0.0	0.0		0.0	

**CLR Annex IV: Statement of IFC's Investment Program FY13 through December 31, 2020,
Long-Term Financing
US\$ million**

Commitment FY	ID	Project Name	Industry Group	Sector	Project Count	Own Account	B-Loans	Other Core Mob'n	Total
2013	29310	Khan Bank Debt	FM	Comm. Banking - General	1	20.0	-	-	20.0
	31669	MCS Property	MAS	Comm. Property - Diversified	1	60.0	-	-	60.0
	32850	Mongolia Opp I	CDF	Growth Equity Fund	0	1.3	-	-	1.3
	33008	Suu in-rate swap	MAS	Other Animal Production	1	0.1	-	-	0.1
	33492	TFG Equity 2013	FM	Comm. Banking - Microfinance	1	7.3	-	-	7.3
2014	33008	Khan Bank Debt	FM	Comm. Banking - General	0	10.0	-	20.0	30.0
	33515	Khan Bank AMC Cap Fund	FM	Comm. Banking - General	0	-	-	34.8	34.8
	34256	Khan Bank Synd	FM	Comm. Banking - General	1	-	31.0	10.0	41.0
	34311	Xac Currency Swap	FM	Comm. Banking - SME Finance	1	2.5	-	-	2.5
2015	33808	Intermed	MAS	Hospitals and Clinics	1	10.0	-	-	10.0
2016	29007	Ibis Mongolia	MAS	City and Business Hotel	1	6.5	-	-	6.5
	37451	Oyu Tolgoi	Infra	Copper	1	400.0	820.6	633.3	1,853.9
	37610	Xac Syndication	FM	Comm. Banking - SME Finance	1	15.0	30.5	90.0	135.5
2017	37610	Khan Bank Syndication	FM	Comm. Banking - General	1	40.0	-	-	40.0
	37908	Shangri-La UB 2	MAS	City and Business Hotel	1	75.0	-	-	75.0
	38121	Xac Syndication	FM	Comm. Banking - SME Finance	0	-	5.0	56.0	61.0
2018	41369	XacBank IR Swap	FM	Comm. Banking - Risk Mgmt Facility	1	2.5	-	-	2.5
2019	41748	Xac Syndication	FM	Comm. Banking - SME Finance	1	5.0	10.0	35.0	50.0
2020	41748	Xac Syndication	FM	Comm. Banking - SME Finance	0	-	-	15.0	15.0
2021*	44118	MCS Covid	MAS/Infra	Construction Services	1	130.0	-	-	130.0
Total					15	785.2	897.1	894.1	2,576.4

* Through December 31, 2020

CLR Annex V: IFC's Advisory Program July 1, 2012-December 31,2020

ID	Project Name	Primary Business Line Name	Status as of 12/31/2020	Start Date	End Date
570828	Corporate Governance Project	Environment, Social and Governance	Completed	16-Sep-09	30-Jun-14
599478	Sustainable Energy Finance Program	Financial Institutions Group	Completed	1-Jul-13	28-Feb-15
565508	Business Inspection Reform	Equitable Growth, Finance and Institutions	Completed	16-Apr-09	30-Jun-16
602888	Mining VC Analysis	Infrastructure	Completed	31-Oct-17	1-Nov-17
601880	PPP MOU	Transaction Advisory	Completed	1-Jan-19	31-Jan-19
601179	2030 Water Resources Group East Asia	Water	Completed	1-Jul-15	30-Jun-18
598067	Multistakeholder Water Management in Mining	Infrastructure	Completed	20-May-13	31-Dec-18
599274	Secured Transactions Reform	Equitable Growth, Finance and Institutions	Completed	20-Sep-13	30-Sep-18
604122	Green Building	Economics & Private Sector Development	Portfolio	1-Apr-19	30-Jun-21
600098	Investment Policy and Agri Inv. Promotion	Regional Advisory	Portfolio	1-Dec-16	30-Jun-21
601976	Trade Facilitation and Agri Sector Export Competitiveness	Regional Advisory	Portfolio	16-Mar-18	30-Jun-21
603169	Value Chain Finance Market Development	Financial Institutions Group	Portfolio	1-Oct-19	31-Dec-24
601526	Insolvency Reform Project	Regional Advisory	Portfolio	15-May-19	31-Dec-23

CLR Annex VI: MIGA's Guarantee Portfolio

OUTSTANDING PORTFOLIO in MONGOLIA (USD millions as of November 30, 2020)

Project name	Effective date	Expiration date	Investor	Sector	Gross Exposure
Oyu Tolgoi Project	12/16/2015	12/15/2027	Standard Chartered Bank, London	Mining	US\$ 857.8
Total					US\$ 857.8

ANNEX 3: SELECTED INDICATORS OF BANK PORTFOLIO PERFORMANCE AND MANAGEMENT

Data as of	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21@ Mar 31
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PORTFOLIO AND DISBURSEMENTS

Active Projects #	13	10	8	11	10	10	14	13
Net Commitments Amt \$m	209.75	183.75	156.70	243.70	337.70	232.70	449.51	400.21
Total Disbursements \$m	56.31	48.91	45.18	54.45	172.67	76.15	196.22	161.28
Total Undisbursed Balance \$m	154.16	123.07	99.65	176.66	162.14	145.69	243.15	238.50
Disbursements in FY \$m	16.85	12.23	15.33	20.64	139.48	13.29	137.82	65.31
Disbursement Ratio for IPF only %	21.8	9.0	13.3	21.1	9.4	8.4	26.7	26.9
IBRD/IDA Disb Ratio	23.2	9.1	10.9	17.4	9.4	8.4	26.7	26.9
Slow Disbursements %	7.7	0.0	0.0	0.0	10.0	10.0	0.0	0.0

PORTFOLIO RISKINESS

Actual Problem Project #	1	1	1	3	3	4	1	2
Problem Project %	7.7	10.0	12.5	27.3	30.0	40.0	7.1	15.4
Potential Problem Project #	0	0	0	0	0	0	0	0
Projects At Risk #	1	1	1	3	3	4	1	2
Projects At Risk %	7.7	10.0	12.5	27.3	30.0	40.0	7.1	15.4
Commitments At Risk \$m	10.00	11.00	24.80	63.70	63.90	88.90	19.50	49.50
Commitments at Risk %	4.8	6.0	15.8	26.1	18.9	38.2	4.3	12.4
Proactivity %	100	100.0	100.0	0.0	33.3	66.7	75.0	66.67

IEG RATINGS (FY11 - FY20)

# of Exits	1	3	2	1	1		1		
No. of Projects Evaluated by IEG	1	3	2	1	1		1		
IEG MS+ Outcome Sat %	100.0	100.0	50.0	100.0	100.0		100.0		
ICR Quality Sat %	100.0	100.0	100.0	100.0	100.0		100.0		
Net Disconnect %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Bank Perf. MS+ @ Entry (%)	0.0	100.0	100.0	100.0	100.0		0.0		
Bank Perf. MS+ @ SPN (%)	100.0	100.0	100.0	100.0	100.0		100.0		
M&E Quality %	0.0	66.7	50.0	0.0	100.0		0.0		
Borrower Overall Performance % Sat	100.0	100.0	50.0	0.0	0.0		0.0		

ANNEX 4: OPERATIONS PORTFOLIO (IBRD/IDA AND GRANTS)

Active Portfolio

Project Name	Approval FY	Closing Date	Net Comm. Amt. - Total (\$M)
Ulaanbaatar Clean Air Project	2012	31-Dec-2021	26.91
Third Sustainable Livelihoods Project	2014	31-Oct-2022	36.80
SMART Government	2014	31-Oct-2021	19.40
E-Health Project	2014	30-Sep-2022	19.50
Export Development Project	2017	31-Dec-2023	20.00
Education Quality Reform Project	2014	31-Dec-2022	30.00
Second Energy Sector Project	2017	30-Sep-2022	42.00
Employment Support Project	2017	30-Sep-2021	25.00
Strengthening Fiscal and Financial Stability Project	2017	31-Jan-2022	12.00
Livestock Commercialization Project	2020	30-Jun-2025	30.00
Ulaanbaatar Heating Sector Improvement Project	2020	31-Dec-2025	41.00
COVID-19 Emergency Response and Health System Preparedness Project + Additional Financing	2020 2021 (AF)	31-Mar-2023	77.60
Emergency Relief and Employment Support Project	2020	31-Dec-2023	20.00
Total			400.21

Lending Pipeline

Project Name	FY	Commitments (\$M) - Total
Ulaanbaatar Sustainable Urban Transport Project (IPF)	2021	100.00
Digital Transformation project (IPF)	2022	40.00
COVID-19 Economic Recovery Support Operation (DPO)	2022	100.00
Mongolia Transport Connectivity and Logistics improvement project (IPF)	2022	100.00
Urban Competitiveness and Regeneration Project (IPF)	2023	100.00
Total		440.00

TF Portfolio

Grant Name	Approval FY	Grant Closing	Grant Approval Amt (\$M)
Third Sustainable Livelihoods Project	2014	30-Jun-2021	5.67
Second Energy Sector Project Solar PV - SREP Grant	2017	30-Sep-2022	12.40
Strengthening Governance in Mongolia	2019	31-Dec-2021	0.80
Entrepreneurship-focused socioemotional skills for the most vulnerable youth in rural Mongolia	2020	31-Dec-2023	2.75
Mongolia PEF Support for COVID-19 (P174571)	2021	31-Mar-2021	0.94
Total			22.56

ASA Portfolio

Task Name	Lead GP/ Global Themes	Start FY	ACS - FY
Strengthening Governance in Mongolia	GOV	2018	2022
Mongolia Climate and City Resilience	URL	2018	2021
Narrowing the Gender Gap in Life Expectancy in Mongolia	SSI	2019	2021
Mongolia Financial Sector Support TA	FCI	2020	2022
Strategy for more Sustainable and Inclusive Development of Mineral Resources	EEX	2020	2021
Mainstreaming Social Accountability for Improved Transparency and Participation in Mongolia - MASAM Second Phase	GOV	2020	2024
Transforming Mongolian Agrifood Systems	AGF	2020	2022
Mongolia Poverty and Equity	POV	2020	2022
Mongolia COVID, Social Protection and Jobs Diagnostics	SPJ	2020	2023
Mongolia Inclusive Tourism Development	FCI	2020	2021
Worker, Workplace and Community Health and Safety in Mongolia: A Review of the Enabling Environment.	SSI	2020	2021

ANNEX 5: STATEMENT OF IFC'S COMMITTED AND OUTSTANDING PORTFOLIO, INVESTMENT OPERATIONS

(US\$m; as of March 31, 2021)

Commitment FY	Institution	Committed							Outstanding						
		Loan	Equity	Quasi-Loan/Equity	Guaran-tee	Risk Mgmt	Total Own Account	Partici pants	Loan	Equity	Quasi-Loan/Equity	Guaran-tee	Risk Mgmt	Total Own Account	Partici pants
2008, 2021	MCS Group	130.0	0.0	0.0	0.0	0.0	130.0	0.0	80.0	0.0	0.0	0.0	0.0	80.0	0.0
2011, 2013	Mongolia Opp I	0.0	6.9	0.0	0.0	0.0	6.9	0.0	0.0	5.5	0.0	0.0	0.0	5.5	0.0
2007 – 2021	SEF XACBank	5.0	0.0	0.0	0.6	1.4	6.9	10.0	5.0	0.0	0.0	0.6	0.0	5.6	10.0
2011, 2017	Shangri-La UB	61.0	0.0	0.0	0.0	0.0	61.0	0.0	61.0	0.0	0.0	0.0	0.0	61.0	0.0
2014	Tenger FG LLC	0.0	15.5	0.0	0.0	0.0	15.5	0.0	0.0	15.5	0.0	0.0	0.0	15.5	0.0
2004 – 2021	KhanBank	6.7	0.0	0.0	5.8	0.0	12.5	0.0	6.7	0.0	0.0	5.8	0.0	12.5	0.0
2016	OT LLC	398.0	0.0	0.0	0.0	0.0	398.0	816.5	398.0	0.0	0.0	0.0	0.0	398.0	816.5
2021	Transcapital	11.8	0.0	0.0	0.0	1.5	13.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total		612.4	22.4	0.0	6.4	2.9	644.0	826.5	550.7	21.0	0.0	6.4	0.0	578.0	826.5

IFC'S ADVISORY SERVICES PORTFOLIO

(US\$; as of March 31, 2021)

Project Name	Business Line	AS Delivered by IFC Directly	IFC-WBG Collaboration	AS Concept Note Approval Date	Implem. Start Date	Implem. End Date	Total Funds Managed by IFC
Mongolia Green Building	Economics & Private Sector Development	Y	N	n/a	4/1/2019	6/30/2021	144,539
Mongolia Green Finance Market Development	Financial Institutions Group	Y	N	4/5/2020	2/1/2021	12/31/2023	581,674
Mongolia Insolvency Reform Project	Regional Advisory	Y	Y	4/25/2016	5/15/2019	12/31/2023	754,731
Mongolia Investment Policy and Agribusiness Investment Promotion Project	Regional Advisory	Y	N	2/6/2014	12/1/2016	6/30/2021	2,050,468
Mongolia Trade Facilitation and Agri Sector Export Competitiveness	Regional Advisory	Y	Y	4/3/2017	3/16/2018	6/30/2021	1,318,000
Mongolia Value Chain Finance Market Development	Financial Institutions Group	Y	Y	8/4/2018	10/1/2019	12/31/2024	854,580
Total							5,703,992

Note: does not include multi-country, regional and global projects where Mongolia is one of target countries

ANNEX 6: MIGA'S GUARANTEE PORTFOLIO

OUTSTANDING PORTFOLIO in MONGOLIA (as of April 1, 2021)

Project name	Effective date	Expiration date	Investor	Sector	Gross Exposure
Oyu Tolgoi Project	12/16/2015	12/15/2027	Standard Chartered Bank, London	Mining	US\$ 835,168,911
Total					US\$ 835,168,911

ANNEX 7: SUMMARY OF CONSULTATION

As an important step in preparing the CPF for Mongolia, several rounds of public engagements with diverse stakeholder groups were organized. The first round was organized from August 30 till October 6, 2017 in Ulaanbaatar city and 5 provinces. Twenty-five meetings were held in total with close to 400 participants from central government, Parliament, development partners, CSOs, academia, national and international private sector in Ulaanbaatar as well as stakeholders in four regions of Mongolia (Central, Gobi, Western, Eastern). This was followed by a second phase of consultations conducted from December 2018 to February 2019 and a final round from December 29, 2020 till March 8, 2021 which further informed the draft CPF. The engagement processes included both face-to-face and virtual meetings and an online platform to enable participation by a wide range of stakeholders.

Summary of main opinions expressed during consultations

Academic Institutions in Ulaanbaatar

Academic institutions provided suggestions for possible World Bank in the areas of civic education programs, strengthening civil society and media, promoting research and innovation, supporting competitiveness of human capital, and agribusinesses (focusing on introducing new technology and climate-change adaptation/risk mitigation). Some participants noted that World Bank's involvement in mining industry should be limited due to availability of funds from private investors, but some suggested the need for the World Bank to focus on governance issues of the mining sector. Another commonly expressed view was the need for a stronger World Bank cooperation with civil society organizations (CSO), media and other stakeholders.

The meeting participants also encouraged the World Bank to extend funding support to research initiatives or projects undertaken by research institutions in such areas of national significance as health impacts of air pollution, soil degradation and its impact on underground water reserves, development of new products, etc. Participants also expressed concern over the effects of climate change in Mongolia and appreciated the CPF focus on climate change mitigation and adaptation.

Central government

During the first round of consultations, government institutions provided suggestions for the WBG involvement to support Mongolia's economic diversification and inclusive growth agenda in view of the mining-dependent development in the past. They also stressed that governance and capacity building of civil servants, support for evidence-based policy making should continue to be key areas of involvement. Comprehensive rural development and human development strategies were also discussed as priority areas. Despite these various suggestions for possible WBG support, participants underlined the need to select few key areas and deliver more concrete, measurable results rather than supporting many projects in all sectors. WBG convening power, bringing together government, private sector and development partners was also suggested to be leveraged more.

During the latest consultation meeting held with government institutions in January 2021, line ministries and agencies provided specific suggestions for possible WBG support in their respective sectors with repeating themes of support for digital development, improving governance and economic management, human capital, and boosting economic competitiveness and diversification.

Civil Society Organizations in Ulaanbaatar

Possible areas for WBG operations suggested by the CSOs were in the areas of governance and strengthening social accountability, capacity building of CSOs, improving civic education, economic diversification, building human capital, energy, agribusinesses, support for micro- and SMEs in rural areas, and environmental protection. During the second and third rounds of consultations, a number of CSOs expressed concerns over the negative impact of mining on the environment as well as herders' livelihoods and the noted that the World Bank's involvement in mining sector should be limited due to availability of funds from private investors as well as the negative impact of the mining industry on environment.

In addition, CSOs provided several suggestions for the implementation approach of WBG projects, such as (i) ensuring best environmental standards in projects, (ii) having broad consultation and environment assessment before project implementation, (iii) ensuring sustainability of implemented projects and continuing good sectoral analytical work, and (iv) improving visibility of WBG projects in Mongolia. Going forward, they indicated that debt pressure, low capacity of civil servants, social and political instabilities, as well as generous social welfare programs continuing beyond the initial timeline due to political pressures and expectations of citizens as possible risks to successful implementation of the CPF activities.

Private Sector based in Ulaanbaatar

Private sector representatives suggested the WBG to leverage more the convening advantage of the WBG and well as share international best practice and knowledge with various stakeholders, including the private sector, to support financial sector, housing mortgage program, energy, mining, and water sector. Private sector representatives also requested the WBG and other IFIs to provide low cost on-lending through commercial banks to support the development of SMEs in the country and green financing. In terms of ongoing WBG programs, the participants suggested that the export insurance mechanism under the export development project is important and similar programs should be expanded and further developed to support more local export-oriented producers.

International private sector representatives underlined the importance of continued WBG technical assistance and policy advice to the government to support transparency and stability of the business environment, improve civic education and social accountability, regional connectivity, water management, and climate change issues.

Development Partners

Development partners suggested the WBG to focus on supporting economic diversification and strengthening governance in Mongolia. They also suggested to focus on civil society reform, mining sector governance, and public investment management. In health and education, development partners brought up the need to focus on larger sectoral issues. In addition, it was proposed that WBG could leverage more on its competitive advantage of facilitating reforms and play larger coordination role within IFIs. During the second round when the draft CPF was presented, several development partners noted similarities of the proposed draft partnership framework of the WBG with their own country partnership documents, noting a need for closer coordination between development partners.

Ulaanbaatar city officials

Ulaanbaatar city officials suggested the World Bank could act as a facilitator in obtaining green funding to help the city become more climate-resilient and provide technical assistance in urban planning, e.g. advising how to turn current city challenges into opportunities. A number of suggestions were also given for the Bank's potential collaboration on improving business and investment environment of the city given

its potential in reducing unemployment. Some officials also proposed to expand the ongoing UB Clean Air Project activities beyond air pollution, i.e. dealing with soil or water pollution.

Aimag representatives

Representatives from 21 aimags, including Aimag Governors and Chairpersons of the Citizens' Representative Assemblies, private sector, and local CSOs expressed interest in collaborating with the World Bank in improving health and education service; digital transformation; infrastructure and urban development (wastewater treatment plants, financial support for housing programs, energy supply and generation, renewable energy, road and railway connections, water supply,); supporting SMEs to create jobs (wool and cashmere processing, dairy products, SME loans, tourism projects); and addressing environmental issues, including climate change, desertification, water, protecting herders' livelihoods from natural disasters. Some aimag representatives also suggested that the Bank should broaden its support for CSOs and citizen engagement, which will increase accountability in the mining sector and make it more sustainable.

List of organizations that participated in stakeholder consultations

1	Bank of Mongolia	27	Embassy of the United States of America
2	Development Bank of Mongolia		
3	Ministry of Finance	28	European Bank for Reconstruction and Development
4	Ministry of Education, Culture, Science and Sports	29	International Monetary Fund
5	Ministry of Labor and Social Protection	30	JICA
6	Ministry of Foreign Affairs	31	United Nations Population Fund
7	Ministry of Agriculture and Light Industry	32	UNDP
8	Ministry of Environment and Tourism	33	UNICEF
9	Ministry of Justice	34	World Health Organization
10	Ministry of Construction and Urban Development	35	French Embassy
11	Ministry of Energy	36	ADRA
12	Ministry of Mining and Heavy Industry	37	Global Green Growth Institute
13	Ministry of Health	38	Transparency International
14	Civil Service Council	39	Save the Children
15	Independent Authority Against Corruption	40	World Vision
16	National Development Agency	41	Konrad Adenauer Foundation
17	National Emergency Management Agency	42	International Republican Institute
18	National Statistical Office	43	Red cross
20	Financial Regulatory Commission	44	Asia Foundation
21	Asian Development Bank	45	Mongolia Education Alliance
22	Embassy of Australia	46	All for Education
23	Embassy of Canada	47	Globe International
24	Embassy of the Republic of India	48	Zorig foundation
25	Embassy of the Russian Federation	49	Transparency fund
26	Embassy of the United Kingdom of Great Britain and Northern Ireland	50	Center for Citizenship Education
		51	Citizens Alliance NGO
		52	Environment movement alliance
		53	MONFEMNET
		54	Development Solutions
		55	Responsible Mining Initiative

56	Mongolian Economic Analysis and Research Center	62	De Facto Institute
57	National University of Mongolia, Business school	63	Independent Research Institute
58	Academy of Management	64	Corporate Governance Center
59	Open Society Institute	65	Ulaanbaatar city Mayor's office
60	University of Agriculture	66	National Audit Office
61	Road and transport development center	67	Cabinet Secretariat

ANNEX 8: DEVELOPMENT PARTNER MATRIX

Current and Planned priority sectors and contributions of selected donors (as of February 2021)

ADB (Indicative resource allocations of \$518 million for 2018-2021)	Air Pollution	\$160.0 million
	Environment	\$19.0 million
	Agriculture	\$0.75 million
	Water	\$19.0 million
	Urban Development	\$320.0 million
British (Indicative resource allocations of \$2.6 million for 2018-2021)	Environment	\$19.0 million
	Agriculture	\$0.75 million
	Education	\$19.0 million
Caritas Czech Republic (CCR) (2016-2020)	Environment	\$1.5 million
Global Affairs Canada (Indicative resource allocations of \$32.3 million for 2017-2021)	Governance	\$7.1 million
	Social Protection	\$2.4 million
	Economic Development	\$3.8 million
	Mining	\$19.0 million
EU (Indicative allocation of \$237.6 mln for the program period 2014-2021)	Air Pollution	\$2.29 million
	Governance	\$64.3 million
	Environment	\$25.1 million
	Agriculture	\$0.7 million
	Social Protection	\$3.3 million
	Health	\$1.6 million
	Education	\$10.2 million
	Water	\$55.7 million
	Energy	\$46.2 million
	Economic Development	\$28.1 million
French (French Embassy, CEA, DGAC) (Indicative resource allocations of \$13.4 million for 2017-2021)	Environment	\$10.7 million
	Agriculture	\$1.5 million
	Social Protection	\$11,200
	Health	\$7,100
	Education	\$1.1 million
Germany (German Embassy, KIW, UBA, GIZ) (\$182.8 million pledge for 2017-2021)	Air Pollution	\$105.9 million
	Governance	\$3.9 million
	Environment	\$35.1 million
	Agriculture	\$6.2 million
	Education	\$9.3 million
	Energy	\$4.9 million
	Economic Development	\$12.5 million
	Urban Development	\$4.9 million
JICA (Japan) (Rolling assistance until FY2020 - \$827.3mln)	Air Pollution	\$5.16 million
	Agriculture	\$11.75 million
	Health	\$73.0 million
	Education	\$95.9 million
	Energy	\$38.0 million
	Road and transport (airport)	\$60.3 million
Mercy Corps	Agriculture / Disaster Risk Reduction	\$4.9 million
MCC (U.S.) (Signed in 2018)	Water	\$350.0 million

SDC (Swiss) (Planned disbursement of \$110 million for the strategy period 2016-2021)	Governance	\$65.9 million
	Environment	\$2.6 million
	Agriculture	\$15.6 million
	Social Protection	\$5.0 million
	Health	\$4.7 million
	Education	\$2.8 million
	Economic Development	\$1.5 million
	Urban Development	\$5.6 million
	Gender	\$4.3 million
	Culture/ Digital / Disaster Risk Reduction	\$2.35 million
KOICA (South Korea) (Rolling assistance until FY2020 - \$28.6mln)	Governance	\$4.6 million
	Environment	\$5.8 million
	Health	\$4.5 million
	Education	\$10.5 million
	Urban Development	\$0.41 million
	Gender	\$2.7 million
UN (Indicative resources of \$88.8 million for the strategy period 2017-2021)	Air Pollution	UNDP: \$2 million; UNICEF: \$ 11 million; WHO: \$50.000
	Governance	UNDP: \$9.8 million
	Environment	UNDP: \$8.4 million; FAO: \$7.9 million
	Agriculture	UNDP: \$24 million; FAO: \$6.5 million
	Social Protection	UNICEF: \$ 0.15 million
	Health	UNICEF: \$ 1.2 million; WHO: 3 million
	Education	UNICEF: \$ 9.7 million
	Water	UNICEF: \$ 4.5 million

* Information is based on the strategy and pipeline documents of donor organizations.

Links to online sources:

<https://www.adb.org/sites/default/files/institutional-document/320271/cps-mon-2017-2020.pdf>

<https://www.adb.org/sites/default/files/institutional-document/509816/cobp-mon-2020-2021.pdf>

<http://www.mn.undp.org/content/mongolia/en/home/library/UNDAFMongolia2017-2021.html>

<https://www.mofa.go.jp/mofaj/gaiko/oda/files/000048304.pdf>

<http://www.odakorea.go.kr/eng.policy.CountryPartnershipStrategy.do>

https://eeas.europa.eu/sites/eeas/files/mip20142020-programming-mongolia-20140814_en_0.pdf

<https://www.eda.admin.ch/countries/mongolia/en/home/representations/cooperation-office.html>