

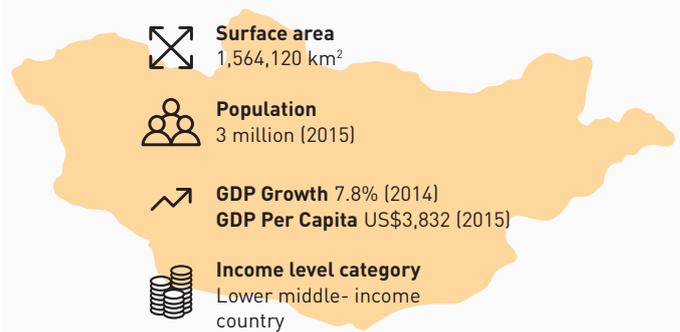
1. Country Context

As the most sparsely populated country of the world, land-locked Mongolia is a lower middle-income economy with a population of 3 million and a GNI per capita of US\$3,832 in 2015. The country's mining sector is a critical asset, which also entails risks as a declining international demand has slowed Mongolia's growth from 11.6% in 2013 and 7.9% in 2014 to an estimated 2.3% in 2015 and 0.8% in 2016.

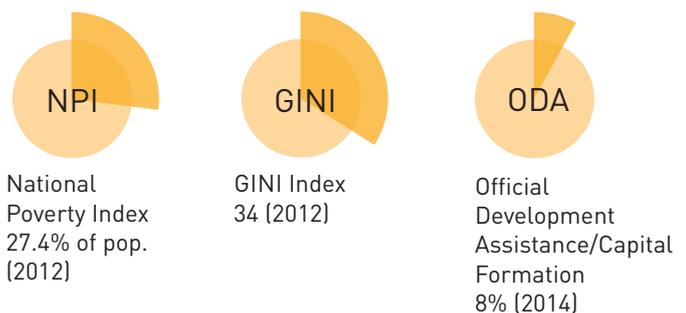
Benefiting from outstanding economic development in previous years, Mongolia has been able to cut its poverty almost in half, from 38.8% in 2010 to 21.6% in 2014. The country enjoys high human development with an HDI value of 0.727 and ranked 90th out of 188 countries in 2015. After some years as upper middle-income country, Mongolia has been re-designated in July 2016 by the World Bank as a lower middle-income economy, mainly due to the depreciation of the Tugrog, the national currency.

Eight-four percent of development co-operation reported in 2015 came from the Asian Development Bank (44%) and Japan (40%). The remaining 16% is distributed among a diverse group of 17 multilateral and bilateral development partners, including a number of South-South co-operation providers.

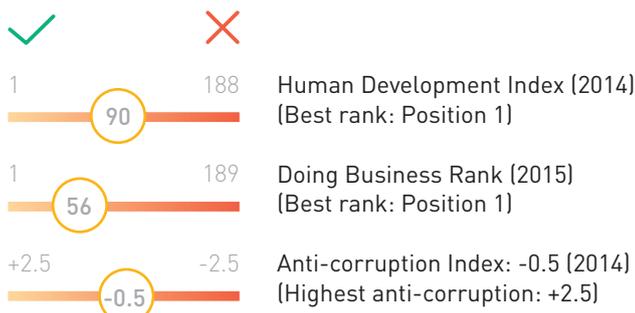
Quick Facts



Key Development Indices:

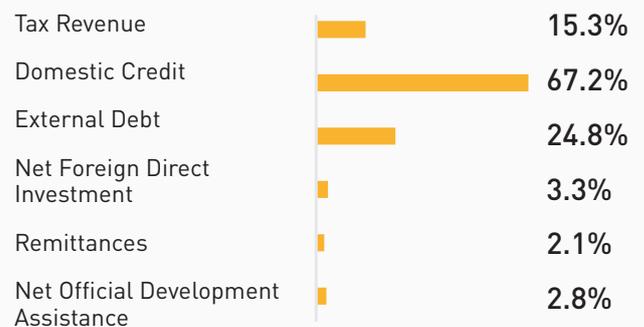


ODA per Capita US\$108 (2014)



Inflows (% Gross Domestic Product)

LATEST YEAR AVAILABLE



Key Development Challenges

Having celebrated 25 years since its first democratic elections, Mongolia is currently updating its legal and administrative frameworks for development policies, including anti-corruption. The country has made essential progress in most MDGs and is now planning public policies to address the SDGs. In order to achieve sustainable development, Mongolia needs to carefully manage its mining-based economy, address environmental stress and invest in climate resilience while also softening regional and local imbalances of social and economic progress.

2. Efforts to Implement the Effectiveness Principles

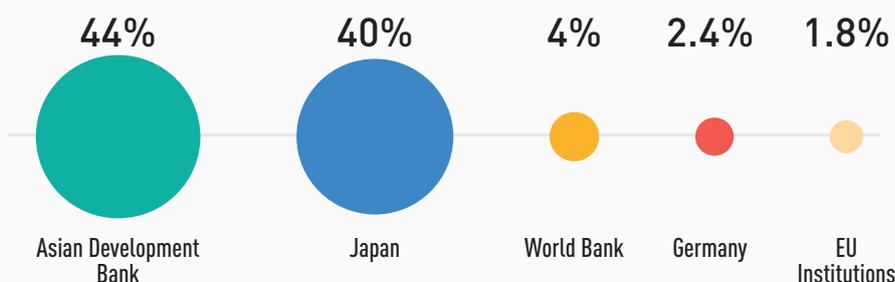
A. Policies and Tools for Partners' Alignment

In late 2015, the parliament launched the Development Policy and Planning Law, which is expected to generate a stable framework for medium- and long-term development efforts. Previously, national priorities were based on the Millennium

Development Goals and subsequently translated into sector strategies, for example in transport, health and education. Per law, national and sector-level priorities and results are reflected in the national budget allocations. The

government is preparing a National Action Plan to implement the Sustainable Development Goals that might be further operationalized in future development planning.

Major Development Partners of this Round (by Reported Disbursements)



Participation in 2014 Monitoring



Existence of a National Co-operation Policy

B. Governance and Management of Development Finance and Co-operation

The Government of Mongolia is currently focusing on building clear frameworks for each of the multilateral and bilateral development co-operation providers, but has yet to establish an overall co-operation and aid management policy, planned for 2016 with support from the Asian Development Bank. Operational coordination at the sector level has, however, triggered alignment and might generate lessons learned for a broader domestic mechanism, such as development partner round tables or others. This is the first time Mongolia is participating in Global Partnership monitoring, which might become a first step to create a proper strategic framework for development cooperation

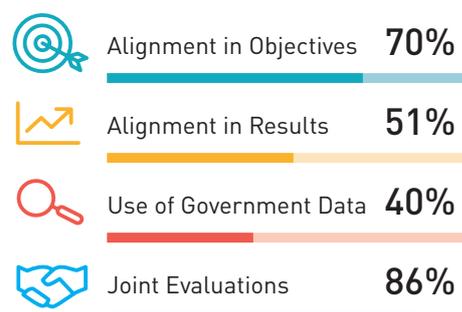
to become effective in supporting national priorities. At this stage, Mongolia has not yet set up institutional arrangements to track and manage development efforts. There are early attempts at an ODA Management Information System (ODAMIS), and a Debt Management and Financial Analysis System (DMFAS), both hosted at the Ministry of Finance. As development priorities are to be reflected in the national budget, there might be ample opportunities to create similar mechanisms for all development-related financial flows, potentially based on development finance assistance or similar efforts under the support provided by the Asian Development Bank.

3. Country Ownership

Indicator 1: Partners' Alignment and Use of Country-Led Results Frameworks

In this monitoring round, 70% of development co-operation is aligned to country-led priorities and objectives, primarily reflected in sector plans or joint government-donor strategies. The alignment to Mongolia's results frameworks stands at 51% and only 40% uses

country-sourced monitoring systems. Joint evaluations are the norm in 86% of projects, although with varying degree of government ownership (in some cases providing financial resources, in others only determining the scope).

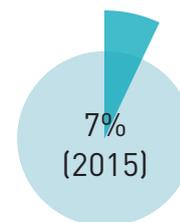


Indicator 6. Development Co-operation is on Budget (Subject to Parliamentary Scrutiny)

In the absence of a strong coordination mechanism, only 7% of reported development co-operation is currently on budget. Only the Czech Republic, IFC, the United States, Turkey and the World Bank achieve 100% in this indicator and aid from 11 out of 19 development partners is not reflected

at all. This disappointing result seems to showcase the downsides of a case-by-case approach to joint planning as well as a relatively weak role of parliament in the process. The government aims to increase the use of budget support modalities to improve this indicator in the future.

Percentage on Budget



Indicators 9 and 10. Use of Country Systems

The use of country systems is still incipient in Mongolia, with only 10% of reported development co-operation using the budget, 38% and 37% financial reporting and auditing, respectively, and 12% procurement. Especially bilateral development partners (with the exception of Turkey) either do not use national public financial management systems at all or do so in a residual manner. Untying

of development co-operation has also slightly decreased in the past years, down from 70% in 2014 to 66% in 2015. With Mongolia's macroeconomic performance deteriorating, its national systems have taken a toll under the growing pressure on public expenditures. In particular, the Country Policy and Institutional Assessment (CPIA) rating has dropped substantially, from 4.0 in 2010 to 3.0 in

2014. Dialogue between government and development partners might be needed to identify priorities for joint action to cover these widening capacity gaps, which tend to compromise the effectiveness of co-operation in a country with growing demand for high-quality development assistance.

	Budget (ideal: 100%)	Financial Reporting (ideal: 100%)	Auditing (ideal: 100%)	Procurement (ideal: 100%)	CPIA* (maximum: 6)	Untying (ideal: 100%)
INDICATOR 9B.	10%	38%	37%	12%		
INDICATORS 9A & 10.					3.0 ▼	66% ▼

* Country Policy and Institutional Assessment

4. Inclusive Partnerships for Development

Indicators 2 and 3. Fostering Inclusive Partnerships for Development

While civil society organizations (CSOs) and private sector companies are consulted at the national and sector levels, the government has not yet created a proper coordination mechanism. Particularly, CSOs face challenges in view of a missing regulatory framework for their role and participation in development policy design and implementation, including the access to funding. Capacity constraints limit the potential of multi-stakeholder processes and financial resources are limited for all players to engage meaningfully.

Some bilateral providers such as Canada and Switzerland are implementing projects with CSOs especially at the local level, without necessarily following a nationwide approach to strengthen these development players. Private companies are often reluctant to engage in partnerships with the government due to its lack of internal organization (for instance in Chambers of Commerce), the perception of high rigidity in the public sector, and limited government capacity to engage in a strategic dialogue with national business. In sum, Mongolia's

development partnerships are still moving towards inclusiveness of diverse actors. The government makes incipient efforts to include particularly CSOs in a number of initiatives, and bilateral providers have engaged with CSOs as implementing partners. Significant challenges remain in the realm of a collaborative approach to multi-stakeholder processes, capacity gaps at all involved partners, and incentives to partners around sustainable development in Mongolia.

Indicator 8. Gender Empowerment

In a joint effort between the Ministry of Finance and the National Gender Committee, the government has endorsed a medium-term plan to prepare gender-

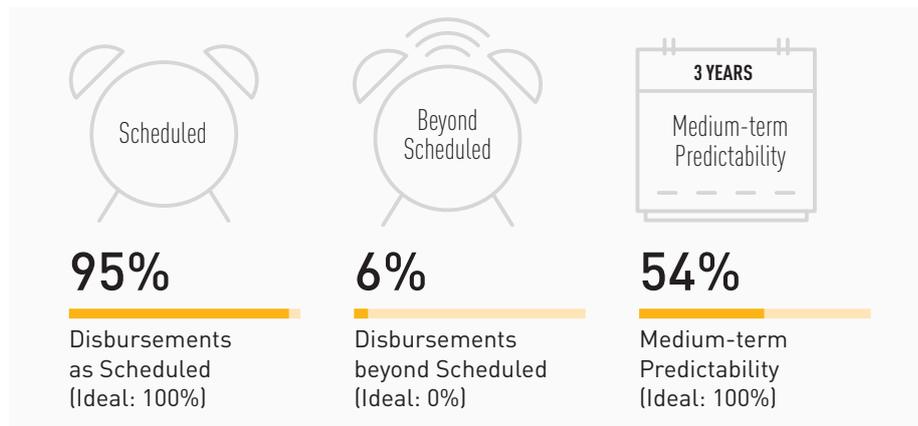
sensitive budgets by 2020. At this stage, gender-sensitive budget planning was already taken into account in financial sector as a pilot sector. This budget

process tracks allocations for gender equality and women's empowerment and contributes to greater transparency and accountability in this area.

5. Transparency and Accountability

Indicator 5. Development Co-operation is More Predictable

Mongolia enjoys a relatively high annual predictability of 95% and 13 out of 19 development partners provide resources that are predictable in 90% or more cases. Medium-term predictability stands at 54% of development cooperation captured in this year's exercise. The government uses a Medium-Term Expenditure Framework that is discussed by the parliament each year, and might further deepen and consolidate favourable predictability in the next years. In fact, the MTEF already includes the projection of projects to be implemented by international partners.



Indicator 7. Mutual Accountability

At this stage, the government has not yet set up a dedicated mechanism for mutual accountability and most of the arrangements to account for mutual efforts are case-specific, as with country partnership strategies or similar country programming by multilateral and bilateral partners. However, with technical support

from the Asian Development Bank, the government will start working on a co-operation and aid management policy that will take into account international best practices and pay particular attention to non-traditional development partners, for instance South-South co-operation development partners. Mongolia's partici-

pation in this year's monitoring of the Global Partnership indicators has also become a unique opportunity to look into the current state-of-play and to identify specific action items to collectively enhance the quality of development co-operation in the country.

National Priorities Going Forward

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Mongolia has signed a plan to become one of the world's earliest adopters of the Sustainability Development Goals (SDGs) to eliminate poverty and reduce inequality while mitigating environmental impacts such as climate change. Mongolia's 2030 sustainable development vision was approved by the Parliament of Mongolia according to the Law on Development Planning. In this regard, the Government of Mongolia is formulating a development assistance policy that incorporates long-term policy with medium- and short-term policies. Considering Mongolia's development strategy, the development assistance policy would support alignment of development assistance and medium-term public investment. The policy would include prioritizing sectors and themes for development co-operation, adequately distinguishing instruments in its strategy and facilitating subnational borrowing or lending, where appropriate. The Government of Mongolia is planning to renew its consultation mechanism with partners and to organize a partners' meeting as early as possible to introduce a new government action plan and identify development co-operation opportunities and priorities. The consultation meeting will support coordination, avoid duplication of projects, encourage partners to operate in Mongolia and accelerate partners' engagement; however, development areas are generally expressed in the development agreement between parties.

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Disclaimer This document was prepared based on data collected from voluntary reporting to the Second Monitoring Round of the Global Partnership for Effective Development Co-operation and, for Country Context, other open source information available online. The information provided does not necessarily represent the views of UNDP.

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