

# Asian Development Bank & Mongolia

## FACT SHEET

**Table 1. Mongolia: 2014 Approved Loans, Grants, and Technical Assistance (\$ million)**

Loans		Technical Assistance	Grants	Total
Sovereign	Nonsovereign			
168.50	40.00	10.31	–	218.81

– = nil.

Note: Grants and technical assistance include cofinancing.

**Table 2. Mongolia: Cumulative Lending, Grant, and Technical Assistance Approvals<sup>a, b</sup>**

Sector	No.	Total Amount (\$ million) <sup>c</sup>	% <sup>c</sup>
Agriculture, Natural Resources, and Rural Development	29	99.07	6.11
Education	24	125.91	7.76
Energy	27	127.85	7.88
Finance	46	223.38	13.77
Health	34	219.79	13.55
Industry and Trade	10	67.73	4.17
Multisector	6	21.20	1.31
Public Sector Management	40	60.29	3.72
Transport	45	567.15	34.96
Water and Other Urban Infrastructure and Services	20	109.99	6.78
<b>Total</b>	<b>281</b>	<b>1,622.35</b>	<b>100.00</b>

<sup>a</sup> Grants and technical assistance include cofinancing.

<sup>b</sup> Includes sovereign and nonsovereign loans and technical assistance.

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

**Table 3. Mongolia: Cumulative Nonsovereign Financing by Product**

Number of Projects	Amount (\$ million)
Loans	94.50
Equity Investments	1.60
Guarantees	–
B Loans	–
<b>Total</b>	<b>96.10</b>

– = nil.

The Asian Development Bank (ADB) has been Mongolia's largest multilateral development partner since 1991, playing a central role in the country's transformation to a middle-income, market-based economy.

Since 1991, Mongolia has received \$1.6 billion in total resources, consisting of 56 Asian Development Fund (ADF) and ordinary capital resources (OCR) sovereign loans totaling \$1.2 billion, 4 nonsovereign loans for \$94.5 million, 12 ADF and 24 grants from the Japan Fund for Poverty Reduction and other sources for \$218.4 million, and 184 technical assistance projects for \$110.9 million. The current portfolio, as of 31 December 2014, consists of 18 loans (\$544 million), 9 ADF grants (\$129 million), and 30 technical assistance projects (\$25 million).

In more recent times, Mongolia's economic growth has eased from historic highs, driven largely by mining, to more sustainable levels. The economy requires diversification, with corresponding broadening of job opportunities and social protection, to generate inclusive growth. Protection of the environment—including grasslands, forests, rivers, and lakes—is also essential to ensure healthy and productive livelihoods.

Cumulative disbursements to Mongolia for lending and grants financed by OCR, the ADF, and other special funds amounted to \$965.7 million.

## ADB-Supported Projects and Programs

ADB assistance in Mongolia works to raise the country's standard of living by combining effective financing models with best practice knowledge products and services.

Addressing inadequate access to clean water and sanitation, ADB has supported modern water and sewerage systems across Mongolia. In Ulaanbaatar, ADB is assisting the modernization of the informal *ger* (traditional tented dwelling) areas with a facility of \$160 million. In Darkhan, Mongolia's third-largest city, a project loan of \$18.50 million will finance a modern wastewater treatment plant, benefiting more than 80,000 people.

While Mongolia has a strong foundation in herding and agriculture, potential export markets remain untapped. Efforts to establish Mongolian brands and implement quality control procedures will help Mongolian companies penetrate overseas markets. ADB, in response, has supported agroprocessing companies, including MonFresh Foods, Erdenet Carpets, and Darkhan Sheepskin. Nonsovereign financing of \$40 million was approved in 2014 for Khan Bank to develop micro, small, and medium-sized enterprises. ADB is also supporting business development through XacBank and XacLeasing, with a loan of \$40 million approved in 2013. With a debilitating skills shortage hampering the competitiveness of Mongolian firms, ADB provided \$25 million to develop technical and vocational education in agriculture, construction, and transportation.

**Table 4. Mongolia: Project Success Rates**

Year	Success Rate (%)	No. of Independently Evaluated Projects and Programs
2005	100.00	1
2007	100.00	1
2008	–	1
2009	50.00	4
2010	33.33	3
2012	–	2
2013	100.00	1
2014	100.00	1
<b>Total</b>	<b>50.00</b>	<b>14</b>

– = nil.

Note: “Year” refers to the circulation year of the project completion report (PCR). Compared with the numbers in previous years’ fact sheets, the success rates reported here are based on the ratings from validated PCRs and independently evaluated performance evaluation reports only and do not include self-evaluations. With small sample size, the success rate does not necessarily represent country operations performance.

Source: PCR validation reports and project/program performance evaluation reports ratings database as of 31 December 2014.

**Table 5. Mongolia: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2013–2014**

Number of Ongoing Loans (as of 31 Dec 2014)	18	
	2013 (\$ million)	2014 (\$ million)
Contract Awards/Commitments <sup>a,b</sup>	4.7	12.2
Disbursements <sup>a</sup>	20.3	38.6
Number of Ongoing Grants (as of 31 Dec 2014) <sup>c</sup>	9	
	2013 (\$ million)	2014 (\$ million)
Contract Awards/Commitments <sup>a,b</sup>	12.9	9.5
Disbursements <sup>a</sup>	36.3	22.2
Actual Problem Projects (%)	14	

Note: Totals may not add up because of rounding.

<sup>a</sup> Includes closed loans/grants that had contract awards or disbursements during the year.

<sup>b</sup> Excludes policy-based lending/grants.

<sup>c</sup> Includes only Asian Development Fund and other ADB special funds.

Under the Central Asia Regional Economic Cooperation (CAREC) Program, ADB supports Mongolia’s engagement with its neighbors, to stimulate trade, investment, and jobs growth. This includes a new road linking Ulaanbaatar to the border with the People’s Republic of China (PRC) at Zamy-Uud, which has reduced travel time from 20 to 8 hours. Meanwhile, a \$170 million transport project, of which \$125 million was approved in 2014, is constructing 293 kilometers of roads to establish an international corridor in the isolated western region, adjoining the PRC and the Russian Federation.

Technical assistance packages, totaling \$9.95 million, will support the conclusion of a major public–private partnership in the energy sector; improve tax collection through e-systems; tackle money-laundering schemes; combat climate change; and prepare new projects in the energy, transport, and finance sectors.

## Nonsovereign Operations

As a catalyst for private investments, ADB provides direct financial assistance to nonsovereign public sector and private sector projects in the form of direct loans, equity investments, guarantees, B loans, and trade finance. Since its inception, ADB has approved \$96.1 million for four private sector projects in Mongolia’s finance sector.

Total outstanding balances and commitments of ADB’s nonsovereign transactions in the country as of 31 December 2014 was \$88.77 million, representing 1.12% of ADB’s total nonsovereign portfolio.

ADB’s Trade Finance Program (TFP) fills market gaps by providing guarantees and loans through partner banks in support of trade. The TFP has done over 10,300 transactions supporting over \$20.5 billion in trade and over 6,000 small and medium-sized enterprises since 2004. In 2014, the TFP supported \$3.8 billion in trade through over 1,900 transactions. In Mongolia, the TFP works with three banks and has supported \$105.86 million in trade for 130 transactions. In addition to filling market gaps, the TFP’s objective is to mobilize private sector capital/involvement in developing Asia. In Mongolia, 36.66% of the \$105.86 million in trade supported through the TFP was cofinanced by the private sector.

## Cofinancing

Cofinancing operations enable ADB’s financing partners, governments or their agencies, multilateral financing institutions, and commercial organizations, to participate in financing ADB projects. The additional funds are provided in the form of official loans and grants, other concessional financing, and commercial financing such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB’s TFP.

By the end of 2014, cumulative direct value-added (DVA) official cofinancing for Mongolia amounted to \$102.7 million for 25 projects, and \$25.6 million for 31 technical assistance projects. Cumulative DVA commercial cofinancing for Mongolia amounted to \$57.85 million for three investment projects.

**Table 6. Mongolia: Projects Cofinanced, 1 January 2010–31 December 2014**

Cofinancing	No. of Projects	Amount (\$ million)
Projects <sup>a</sup>	8	97.11
Grants	5	10.87
Official loans	1	28.38
Commercial cofinancing	3	57.86
Technical Assistance Grants	22	21.36

<sup>a</sup> A project with more than one source of cofinancing is counted once.

A summary of projects with cofinancing from 1 January 2010 to 31 December 2014 is available at [www.adb.org/countries/mongolia/cofinancing](http://www.adb.org/countries/mongolia/cofinancing)

## Partnerships

ADB and the Government of Mongolia are involved in joint projects across different sectors, with the World Health Organization, the European Investment Bank, and the Japan International Cooperation Agency. ADB is also working with local nongovernment organizations to bring financial services to Mongolia’s poor, as well as to improve child nutrition and health services.

ADB is partnering with banks—including XacBank, the Trade and Development Bank, and Khan Bank—to help

small and medium-sized enterprises access effective and competitive finance, while partnerships with the Capital Bank and the State Bank help provide financing for low-income households to connect to the main water supply. Underprivileged people can also access discounted or free medications through the Monos pharmacy chain, thanks to a grant supported by ADB.

Developing public-private partnerships has become a central part of ADB operations in Mongolia. ADB is supporting the construction of the \$1.3 billion Combined Heat and Power Plant #5, for which a consortium of top-tier investors has already been engaged.

## Procurement

### Share of ADB's Procurement Contracts

Each year, ADB provides loans, grants, and technical assistance to fund projects and activities in its developing member countries, and several billion dollars in contracts to procure goods, works, and consulting services. Most contracts were awarded on the basis of international competition, which is open to firms and individuals from any ADB member, regional or nonregional.

Procurement contracts for goods, works, and related services under loan and grant operations totaled \$6.59 billion in 2013 and \$8.58 billion in 2014. Cumulative procurement, as of 31 December 2014, was \$135.21 billion.

Procurement contracts for consulting services under loan, grant, and technical assistance operations totaled \$511.13 million in 2013 and \$555.30 million in 2014. Cumulative procurement, as of 31 December 2014, was \$9.98 billion.

**Table 7. Mongolia's Share of Procurement Contracts for Loan, Grant, and Technical Assistance Projects**

Item	2013		2014		Cumulative (as of 31 Dec 2014)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods, Works, and Related Services	18.69	0.28	19.39	0.23	323.65	0.24
Consulting Services	1.99	0.39	3.29	0.59	20.06	0.20
<b>Total Procurement</b>	<b>20.68</b>	<b>0.29</b>	<b>22.68</b>	<b>0.25</b>	<b>343.71</b>	<b>0.24</b>

### Goods, Works, and Related Services

From 1 January 1966 to 31 December 2014, contractors and suppliers were involved in 194,667 contracts for goods, works, and related services under ADB loan and grant projects worth \$135.21 billion. During the same period, 1,884 contracts were awarded to contractors and suppliers from Mongolia worth \$323.65 million.

**Table 8. Top 5 Contractors/Suppliers from Mongolia Involved in Goods, Works, and Related Services Contracts under ADB Loan and Grant Projects, 1 January 2010–31 December 2014**

Contractor/Supplier	Sector	Contract Amount (\$ million)
Odcon Holding Co., Ltd.	TRA	7.91
Hurdnii Zam Co., Ltd.	TRA	4.49
CHMM LLC	TRA	3.26
S and A Trade LLC	ENE	2.85
Khurd Company	TRA	2.36
Others		110.71
<b>Total</b>		<b>131.58</b>

ENE = Energy, TRA = Transport.

### Consulting Services

From 1 January 1966 to 31 December 2014, consultants were involved in 45,584 contracts for consulting services under ADB loan, grant, and technical assistance projects worth \$9.98 billion. During the same period, 711 contracts were awarded to consultants from Mongolia worth \$20.06 million.

**Table 9. Top 5 Consultants from Mongolia Involved in Consulting Services Contracts under ADB Loan, Grant, and Technical Assistance Projects, 1 January 2010–31 December 2014**

Consultant	Sector	Contract Amount (\$ million)
Hankuk Engineering Consultants	ENE	0.55
Monconsult LLC Mongolia	TRA	0.43
Mongolian Construction Project Consultants	TRA	0.40
New Public Health Association	HLT	0.32
KPMG Audit LLC	PSM	0.27
Individual consultant/s		6.45
Others		3.38
<b>Total</b>		<b>11.80</b>

ENE = Energy, HLT = Health, PSM = Public Sector Management, TRA = Transport.

## Operational Challenges

Mongolia faces many challenges to achieve stable and inclusive growth. Despite rapid growth led by mining, around one quarter of the country's population remains in poverty. Lack of job opportunities in rural areas has resulted in a population influx to the capital of Ulaanbaatar, which is now home to half of Mongolia's population. Yet only a minority of the city's residents has access to running water and sanitation; traffic is gridlocked; schools are overcrowded; supply of heat and power—in the world's coldest capital—is, at best, frail; and the city's air pollution is one of the worst. Meanwhile, water scarcity and disasters linked to climate change are further endangering rural livelihoods.

Tackling poverty in Mongolia requires the development of commercial activity in labor-intensive sectors, especially in agribusiness. Accessing export markets is also vital

to inclusive growth. However, costly transport, complex logistics, and long transit times make trading across borders expensive, eroding the competitiveness of Mongolian exports.

## Future Directions

The interim country partnership strategy (ICPS), 2014–2016 for Mongolia was approved in August 2014, providing two strategic adjustments to the existing country partnership strategy, 2012–2016. These adjustments reflect changed government priorities for the inclusion of two additional sectors—agriculture, natural resources, and rural development; and finance—and the scaling up of available OCR lending to meet pressing development needs.

The ICPS focuses on employment creation and economic diversification. It addresses infrastructure gaps, regional economic integration, access to basic urban services, and the efficient delivery of health services. It also emphasizes the need for education and training to address skills deficits.

ADB assistance will support financial institutions and boost private sector development. Multilateral initiatives—particularly in power, heating, and other municipal infrastructure—will transform service delivery, and stimulate participation by the private sector. ADB will also intensify its cofinancing partnerships, providing additional resources and knowledge products to address Mongolia's most pressing development issues.

## About Mongolia and ADB

### ADB Membership

Joined 1991

### Shareholding and Voting Power

Number of shares held:	1,596 (0.015% of total shares)
Votes:	41,026 (0.311% of total membership, 0.477% of total regional membership)
Overall capital subscription:	\$23.12 million
Paid-in capital subscription:	\$1.16 million

**Muhammad Sami Saeed** is the Director and **Gaudencio Hernandez, Jr.** is the Alternate Director representing Mongolia on the ADB Board of Directors.

**Robert M. Schoellhammer** is the ADB Country Director for Mongolia. The Mongolia Resident Mission was opened in 2001, and provides the primary operational link for activities between ADB and the government, the private sector, civil society stakeholders, and development partners. The resident mission engages in policy dialogue, country partnership strategy development and programming, and portfolio management, while also acting as a knowledge base on development issues in Mongolia.

The Mongolia government agencies handling ADB affairs are the Ministry of Finance and the Bank of Mongolia (the Central Bank).

### About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2014, lending volume was \$12.92 billion (113 projects), with TA at \$158.88 million (256 projects) and grant-financed projects at \$405.34 million (17 projects). In addition, \$9.24 billion was generated in direct value-added cofinancing in the form of official loans and grants, other concessional financing, and commercial cofinancing such as B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB's Trade Finance Program. From 1 January 2010 to 31 December 2014, ADB's annual lending volume averaged \$12.10 billion. In addition, investment grants and TA funded by ADB and special funds resources averaged \$697.97 million and \$156.69 million in TA over the same period. As of 31 December 2014, the cumulative totals excluding cofinancing were \$216.21 billion in loans for 2,729 projects in 44 countries, \$6.87 billion in 256 grants, and \$3.75 billion in TA grants, including regional TA grants.

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### Useful ADB websites

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

Asian Development Outlook  
[www.adb.org/publications/series/asian-development-outlook](http://www.adb.org/publications/series/asian-development-outlook)

Annual Report  
[www.adb.org/documents/series/adb-annual-reports](http://www.adb.org/documents/series/adb-annual-reports)

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