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# **Country Partnership Strategy**

## **for Mongolia**

### **2012-2015**

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**Republic of Korea**

November 2012

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## **Executive Summary**

Mongolia is the 10th largest supplier of natural resources, which has abundant mineral resources such as copper, gold, and coal. Inflows of Foreign Direct Investment (FDI) for mining development, as well as the increased prices of raw materials and the neighboring markets of Russia and China, are positive factors that support Mongolia's growth prospect.

However, 60% of the country's total population lives in urban areas, especially in the city of Ulaanbaatar. Mongolia faces severe problems such as urban poverty, pollution, traffic jams, social problems, and unbalanced development. Moreover, Mongolia's economic growth is highly dependent on the mining sector; and thus is sensitive to global economic changes and other external factors.

This Country Partnership Strategy (CPS) intends to explain how the Republic of Korea (henceforth referred to as "Korea") assists Mongolia in its effort to achieve its development challenges. The volume of Korea's Official Development Assistance (ODA) has been increasing and projects have been expanded. The strategy is in line with the priorities of the Government of Mongolia and has been coordinated with other donors. Moreover, it is guided by aid effectiveness principles and will respect international norms. To ensure this, the strategy has a strong accountability dimension, with actions monitored and outcomes evaluated.

Mongolia is one of Korea's priority partner countries in development cooperation. Korea's development partnership strategy will strengthen the development foothold of Mongolia to help the country achieve sustainable growth and successfully become a middle income country. On this basis, the strategy will evolve over the period of its implementation (2012-2015) to take into account new priorities and lessons of evaluation findings. In short, the strategy provides a concise account of Korea's overall policy direction for its development cooperation with Mongolia.

## **I. Introduction**

1. The Country Partnership Strategy for Mongolia aims to provide Korea's overall policy direction for its development cooperation with Mongolia. It outlines Korea's proposed partnership programs for its development cooperation during the period 2012-2015. This paper specifies cooperation strategies between Korea and Mongolia, which aim to contribute to achieving the Millennium Development Goals (MDGs), as well as Mongolia's development goals and the nation's vision to become a middle income country by 2021.

2. This partnership strategy aims to make a meaningful contribution to the poverty reduction and sustainable development of Mongolia in line with the MDGs-Based Comprehensive National Development Strategy of Mongolia. It also describes a framework to expand the bilateral relationship through further reinforcement of Korea-Mongolia partnership and cooperation.

3. This strategy is prepared on the basis of mutual understanding and respect, and aims to enhance development effectiveness by linking Korea's development experience, relevant to Mongolia's needs, with Korea's comparative strengths for Mongolia's development.

4. Korea, as a member country of the Organization for Economic Co-operation and Development's Development Assistance Committee (OECD DAC), strives to comply with international norms in shaping its development partnership. To that end, Korea will strengthen development cooperation not only among its relevant Korean agencies, but also with international partners, to overcome ODA fragmentation and enhance development effectiveness.

5. The CPS clearly outlines the role of Korea's ODA to Mongolia and how it should contribute to systematic and consistent delivery of aid. For the timely incorporation of internal and external changes of Mongolia, the CPS will be continuously revised and updated through discussion and mutual agreement between the governments of Korea and Mongolia.

## **II. Mongolia's Development Status and Challenges**

6. The Mongolian Government underwent a transition process from socialism to democracy and the free market in the early 1990s. The country was affected by economic crisis, but managed to recover successfully within a short period of time. Mongolia has achieved steady economic growth since 2000. According to the World Bank, the GDP growth rate of Mongolia increased noticeably from 6% in 2010 to 17.3% in 2011. Economic growth has resulted from the increase of FDI for mining development, as well as through an expansion of trade volume and increase in agricultural productivity and people's expenditure.

7. Although Mongolia has become a democratic country after implementing reform measures and an open market policy, it has made slow progress in terms of good governance and poverty reduction. According to the Worldwide Governance Indicators issued by the World Bank, government effectiveness and control of corruption has been regressing constantly. Mongolia's poverty headcount ratio dropped only slightly from 36.3% in 1990 to 35.2% in 2008. Furthermore, Mongolia faces various challenges, including economic inequality, urbanization, slow population growth, low population intensity, limited labor force, extreme climate conditions, and the lack of infrastructure and energy supply.

8. Accordingly, this CPS aims to assist Mongolia in its effort to overcome the barriers to development. The core principles of this CPS are in line with the mid-term national development plan of Mongolia and, as such, are based on Korea's comparative advantage. Korea would like to suggest the following three primary partnership areas: promoting government and public service through digitalization, solving urbanization problems, and development of the agriculture industry.

9. Korea will focus its efforts on rapid and balanced growth, ensuring that the efforts are in line with the national development plan of Mongolia, while placing emphasis on these priorities. In delivering the partnership program, Korea will work closely with experienced development partners and like-minded donors to increase collaboration and development effectiveness.

### III. Korea's ODA to Mongolia

#### A. Overview 2007-2011

10. From 2007 to 2011, Korea allocated a total of USD 132.18 million (USD 100.95 million for grants and USD 31.23 million for concessional loans) for assistance to Mongolia. Korea's ODA to Mongolia gradually increased over two times from USD 13 million in 2007 to USD 30.94 million in 2011. Development cooperation between the two countries has been enhanced through bilateral grants (Table 1).

11. The industry and energy sector, which is related to transport and energy infrastructure, accounts for 36% of the total ODA<sup>1</sup> (2007-2011), and the ICT-based governance sector accounts for 35% of the total ODA (2007-2011); these sectors account for the largest amount of Korea's aid to Mongolia (71% of total ODA). These sectors are followed by the agriculture (8.9%) and environment (8.5%) sectors (Table 2). By type, the ODA is implemented in the form of about 27 projects, development studies, volunteer programs, etc. Korea has conducted projects across the country with a particular focus on the Ulaanbaatar city and the eastern area, the Dornord region.

**Table 1. Korea's ODA to Mongolia 2007-2011**

(Unit: USD millions)

Year (disbursements)	2007	2008	2009	2010	2011	Total
<b>Total</b>	13.0	16.70	32.26	39.28	30.94	132.18

Source: EDCF and KOICA statistics.

**Table 2. Korea's ODA to Mongolia by Sector 2007-2011**

(Unit: USD millions, %)

Sectors	Industry Energy	Governance (ICT)	Agriculture	Others (Environment)	Education	Health	Disaster Relief	Total
Amount	39.36	38.22	9.67	9.24	9.09	1.41	1.40	108.38
Share (%)	36.3	35.26	8.92	8.52	8.38	1.30	1.29	100

\*Source: KOICA statistics (grants only include contribution from KOICA)

12. Korea's partnership strategy aims to build on these existing efforts and contribute to the implementation of Mongolia's development plan. The priority areas in the CPS were established through close collaboration between the governments of Korea and Mongolia with regular consultations and policy dialogue. Based on the development priorities and the needs of Mongolia, Korea's existing projects in Mongolia and comparative advantage were reflected in the process of establishing the CPS.

<sup>1</sup> Total disbursed amount to Mongolia by Korea International Cooperation Agency (KOICA) and Korea Eximbank (EDCF) for the period of 2007 to 2011

13. Korea will focus 70% of its budget for development cooperation with Mongolia on the three priority programs below, as agreed for the years 2012-2015.

- Enhancing the productivity and transparency of the public sector through the development of an e-Government master plan, widely adopting e-Government and capacity building for IT development and management (Sector: **Governance**).
- Promoting balanced and sustainable economic development through urban development; in particular, supporting Ulaanbaatar city development for the reduction of urbanization problems, and supporting comprehensive urban development in accordance with the regional development plan (Sector: **Urban Development**)
- Strengthening food security and increasing income of farmers through improved agricultural value chain and enhanced agricultural productivity, and supporting livestock development programs (Sector: **Agriculture**)

14. Korea will pursue five values – ownership, efficiency, sustainability, alignment, and harmonization – in implementing the strategy to enhance aid effectiveness. This CPS also reflects international standards such as the MDGs, DAC Recommendations, Busan Global Partnership, and other international norms for engagement of fragile states for effective development cooperation.

#### ***B. Priority Areas for 2012-2015***

15. We have considered three cooperation areas in light of aid coordination with other development partners, Mongolia's development needs, and Korea's strengths. Through consultations with the Mongolian Government, Mongolia's development challenges and Korea's relative advantages in three priority areas have been identified. Approximately 70% of our budget will be allocated to three priority areas during 2012-2015. These three priority areas are governance, urban development, and agriculture. Simultaneously, capacity building and human resource development in various fields will also be included.

16. The main objectives to be achieved and programs to be implemented are as follows:

- Enhancing the productivity and transparency of the public sector by:
  - ✓ enhancing the government's system: institutional reform and developing an e-Government development master plan;
  - ✓ adopting an e-Government system and providing service in key public sectors; and
  - ✓ providing capacity building programs for management and IT development.
- Promoting balanced and sustainable economic development by:
  - ✓ solving the problems of urbanization and building socio-economic infrastructure in major cities including Ulaanbaatar; and
  - ✓ building a comprehensive development plan for the new city in accordance with the regional development plan.

- Strengthening national food security and increasing the income of farmers through:
  - ✓ agricultural development in suburban areas through improved value chain, productivity and market system; and
  - ✓ capacity building in livestock development.

### ***B.1 Good Governance***

**Enhancing the productivity and transparency of the public sector through an integrated system and e-Government**

17. According to the UN E-Government Survey, Mongolia has achieved substantial progress in the area of e-Government, especially in terms of IT infrastructure. However, the remaining task is to integrate government entities and stabilize IT-related regulations and systems, while endeavoring to enhance government effectiveness and control of corruption.

18. This program aims to enhance the productivity and transparency of the public sector through improved e-Government, institutional reform, and capacity building in the field of management. This will support the effectiveness of the administration system and enhance transparency in the public sector. The details are as follows:

- Establishing an integrated system for the central government: In line with Mongolia's ICT development strategy and road map, Korea will support building a network system among government entities for a central foundation for e-government. Above all, Korea will support improving institutional foundation and enhancing regulations on information standardization and security. Korea will also support upgrading a national data center for better information exchange and increased compatibility among government entities. Policy consulting services and training for program managers will be provided.
- Providing an e-Government system in the public sector: Korea will support ICT system and technical support for enhancing sectoral architectures (G2G, G2B, G2C and G2E) and government entities. Related ICT infrastructure will be provided in consideration of the urgent needs of the Mongolian Government and expected demands by industry.
- Capacity building for management and IT development: Korea will provide capacity building programs to enhance productivity in the fields of administration reform, government innovation, application of e-Government, and system management and operation, as well as training programs for ICT experts.

### ***B.2 Urban Development***

**Promoting balanced and sustainable economic growth through urban development**



19. In Mongolia, 60% of the country's population lives in the urban area, and urbanization, along with such problems as urban poverty, pollution, and lack of social and economic infrastructure, poses a threat to balanced and sustainable development of the country. In particular, densely populated areas tend to have worse living conditions and an unhygienic environment. In the city, socio-economic infrastructure is generally poor and fails to meet the demands of the urban population.

20. This program aims to support the development of a stronger foundation for the sustainable development of Ulaanbaatar city, as well as new city development programs for balanced national growth. It will help to reduce the urbanization problems in Ulaanbaatar city such as pollution, unemployment, lack of socio-economic infrastructure, etc. Korea will contribute to conducting development studies for the new city, and to building a development master plan.

- Providing support to solve urbanization problems and contributing to the construction of socio-economic infrastructure in Ulaanbaatar: Korea aims to support sustainable development for the city of Ulaanbaatar by using comprehensive methods and providing policy consultation, necessary infrastructure, and training programs. The master plans and development studies will be related to transportation, energy, geographical information, etc. Infrastructure building will be prioritized for the improvement of residential area's living environment including water, sanitation, heating systems, healthcare facilities, and enhancing the early warning system for emergencies in the city.
- Supporting a comprehensive development plan of the new city for balanced growth: Korea will support the development of urban spaces where it is possible to create jobs and promote regionally specialized industry in accordance with the Mongolian Government's regional development strategy. Korea will also support the establishment of a master plan and related development baseline surveys for comprehensive urban development. Furthermore, Korea will support the construction of basic infrastructure if it is deemed necessary.
- Capacity building: Korea will assist capacity building programs in the areas of transportation, residential environment, basic social services, protection of environment, and other areas relevant to urban development. Korea will dispatch experts on city planning and management to provide advisory services for operation and management. Korea will also support efforts to conduct socio-environmental impact assessments to prevent a new poverty group emerging from aid projects.

### ***B.3 Agricultural Development***

<p><b>Strengthening national food security and increasing the income of farmers through improved agricultural productivity and better market system</b></p>
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21. In 2009 agriculture accounted for 23% of the country's total GDP and contributed to 34% of

the country's total employment. However, Mongolia continues to face challenges stemming from low productivity and low competitiveness in the agricultural sector. Especially, due to the increase of population in the Ulaanbaatar city, demand for food is high and efficient food supply and safety systems have become a necessity. Those development barriers result from various factors, including extreme climate conditions, shortage of farming skills and technology, and a small area of land available for farming.

22. This program aims to facilitate food supply in the city and to increase farmers' incomes through improved agricultural productivity and better market system. The assistance includes building a system and establishing regulations for food safety and distribution, transferring technology, conducting joint studies, etc. The details are as follows:

- Agricultural development in the suburban area: Korea will provide policy consultation services for establishing regulations on safe agri-food management, including food inspection services and a distribution system. To facilitate domestic agri-food supply for the Ulaanbaatar city, a pilot plantation project will be conducted near the city and an effective distribution network and modernization of production line will be provided. To increase agricultural productivity, Korea will conduct joint studies with universities and research centers and exchange knowledge and technology on agricultural development.
- Capacity building for livestock development: Korea will support efforts to increase the farmers' income level in line with Mongolia's national livestock programs and the Mongolian Government's action plan. In particular, Korea will assist Mongolia in its effort to improve the conditions of the production process of livestock products in accordance with international sanitary standards. By dispatching experts and conducting joint studies with an aim to transfer knowledge on inspection methods of livestock microbe and residue, Korea will contribute to the modernization of the stockbreeding sector and the development of high quality breeding programs.

### ***C. Other Areas***

23. Rough cooperation guidelines will be suggested for other areas including human resource development. To provide a strong foundation for the achievement of Mongolia's national development goals in this field, other areas for cooperation will be selectively identified through ODA policy dialogue and other channels.

### ***Human Resource Development***

24. In the field of human resource development, it is necessary to help meet the high demand for skilled labor in various fields. In particular, the mining industry, engineering and infrastructure sectors highly require skilled labor. Korea will support Mongolia's efforts to build a national system and training program to train skilled laborers in the country. Korea will also cooperate with international development partners and participate in the working group.

## **D. Other Modalities**

### *D.1 Training programs*

25. Various types of training programs will be included in program implementation modalities for capacity building in the priority areas. In order to improve the quality of training programs, multi-year programs will be supported instead of short-term training programs.

26. In line with the development needs of Mongolia, a comprehensive and long-term training strategy will be designed to build the capacity of each target at individual, organizational and institutional levels. In addition, issues of sustainable environment and gender equity will be integrated in certain training courses.

27. In order to assure the quality of training programs, monitoring and evaluation system will be enhanced, with full utilization of the data base system of the training institutions and professionals in each sector. Linkages and coherence between training programs provided by each relevant authority in Korea will be also strengthened to maximize the effectiveness and impact of each program.

### *D.2 Dispatch of experts & volunteers*

28. Sector experts will be dispatched to provide technical assistance in the priority areas, as well as to strengthen technical dialogue with the Government of Mongolia and other relevant stakeholders. The number of experts to be dispatched will be decided through discussions and mutual agreement between the two governments. The period of dispatch will be extended to over six months in order to provide technical assistance in a more systematic and sustainable manner.

29. Through the World Friends Korea program, volunteers will be mobilized to support program implementation in each priority area of cooperation and to ensure the sustainability of completed projects.

### *D.3 Development of research and policy advisory services*

30. Technical cooperation in the form of consultancy services, such as development research and policy advisory services, will be gradually extended by 2016. To ensure that development research outcomes are put into practical use and that the research projects do not overlap, information provided by Korea's ODA agencies will be shared with relevant authorities and other development partners in Mongolia.

31. Based on the need analysis, experts will be dispatched to explore potential development projects in the priority areas and to draft a development research plan that could have a practical impact in Mongolia. Institutions in Mongolia will jointly take part in these research activities for capacity building and knowledge sharing purposes.

## **E. Cross-Cutting Issues**

32. Korea will make concerted efforts to integrate cross-cutting issues, such as gender equality and environmental sustainability, into the policy development process at the project initiation, formation and evaluation stages. This includes strengthening the strategic connection of cross-cutting issues in each project to comprehensively improve related MDGs 3 and 7, which are promoting gender equality and empowering women, and ensuring environmental sustainability, while focusing on building the basis for sustainable development in consideration of possible environmental effects that could be caused by rapid development, climate change and desertification due to grazing in Mongolia, as well as providing invitational training programs related to cross-cutting issues.

33. When designing programs for each priority area, ways to guarantee women's participation, statistical gender analysis, and women's organizations will be included to ensure gender equality. Gender mainstreaming in priority areas such as human resources development, health and medical services, as well as building basic socio-economy infrastructure will be enforced.

## **IV. Program Implementation**

### **A. Budget Plan**

34. At least 70% of Korea's ODA will be allocated to priority areas of bilateral cooperation, while some flexibility will be allowed to respond to urgent humanitarian demands and socio-economic changes in Mongolia. Through dialogue between the two countries and a mid-term review in 2014 (tentative), budget allocation for priority areas may be discussed and adapted as needed.

35. A synergy effect can be created when project linkages between concessional loans and grants, and linkages between feasibility studies, projects, and technical assistance are strengthened. Starting from the initial stage of policy dialogue and program planning, possibilities will be explored for such linkages with the Mongolian Government.

36. To strengthen post-project monitoring and evaluation, the outcome will be jointly reviewed by Korea and Mongolia. This will result in effective and comprehensive follow-up measures which will enable Mongolia to fully utilize the assistance provided under the development program.

### **B. Coordination among Development Partners**

37. The main areas of cooperation with development partners in Mongolia will be in line with the national development plan of Mongolia and the priority areas of the CPS. Korea will follow the recommendations and take the work of development partners into consideration.

38. For better aid coordination, Korea will consider participating in the thematic Working Group particularly in priority areas of the CPS, i.e., governance, urban development, and agriculture. Korea also intends to increase the number of local staff numbers in field offices to enhance aid harmonization with other donors and the Government of Mongolia. If necessary, sector experts for

CPS priority areas will be dispatched to assist field offices in their effort to improve project management and enhance dialogue with other donors.

### ***C. Monitoring and Evaluation***

39. Korea will establish an integrated monitoring system for timely management of assistance provision and results, using a risk matrix for each main area to enable effective response should any domestic or foreign environmental change take place in the future. Strategies will be revised accordingly. A regular monitoring meeting between local offices and the Government of Mongolia will be held to facilitate information sharing. Risks will be identified through real-time monitoring activities by local offices, bilateral dialogue, and meetings between donors.

40. Performance assessments, post-project evaluations and program evaluations will be carried out periodically. To increase the participation of the Government of Mongolia, a pilot joint evaluation will be conducted in cooperation with Mongolia in 2014 with the aim of expanding it further in the future. Through a mid-term review of the CPS in 2014, Korea will revise its strategy if it is deemed necessary. In 2015, a final evaluation of the strategy will be carried out by a joint body of relevant authorities six months prior to the expiration of the CPS, and the results will be used for the next CPS building process.

### **V. Future Prospects and Vision for 2016-2020**

41. It is predicted that the average income per capita of Mongolia will reach over USD 5,000 by 2015. In consideration of the nation's economic growth and changes, development cooperation will take the form of policy consultation, technical cooperation, joint studies, and human resource training programs. Korea will also encourage the private sector to further contribute to the economic development of Mongolia.

42. For the second stage (2016-2021) of the MDGs-based Comprehensive National Development Strategy of Mongolia, making a transition to a knowledge-based economy is regarded as a priority. These policy changes and the development status of Mongolia will be reflected in the partnership strategy after a mid-term review in 2014 and policy dialogue. Given Mongolia's economic expansion and rising income level, future assistance will need to focus on inclusive growth, technical cooperation, and knowledge sharing. Various global issues, including sustainable development and climate change, will likely become even more important in the near future, and will influence the future course of development cooperation efforts.

43. Finally, in order to enhance development effectiveness that goes beyond aid effectiveness, efforts will be strengthened to observe international standards on development cooperation and to increase cooperation among development partners.

## APPENDIX 1. Summary of Korea's Partnership Strategy with Mongolia

MDGs-Based Comprehensive National Development Strategy of Mongolia for 2007-2021	
<b>Vision</b>	To protect and strengthen Mongolia's sovereignty, become a middle income country through achieving the MDGs, and become a knowledge-based economy by 2021



Korea's Country Partnership Strategy (CPS) for Mongolia for 2012-2015			
<b>Goal</b>	<b>To contribute to achieving Mongolia's development goals through balanced growth and sustainable development</b>		
<b>Objectives</b>	Enhance the productivity and transparency of the public sector	Promote balanced and sustainable economic growth through urban development	Strengthen food security and increase income of farmers
<b>Priority Areas</b>	<ul style="list-style-type: none"> <li>- Building an integrated government system</li> <li>- Adopting an e-Government system</li> <li>- Capacity building</li> </ul>	<ul style="list-style-type: none"> <li>- Sustainable development for Ulaanbaatar city</li> <li>- Supporting new city development</li> <li>- Capacity building</li> </ul>	<ul style="list-style-type: none"> <li>- Agricultural development in suburban areas</li> <li>- Capacity building in livestock development</li> </ul>



	<b>Efficiency</b>	<b>Sustainability</b>	<b>Alignment and Harmonization</b>
<b>Implementation plan to improve aid effectiveness</b>	<ul style="list-style-type: none"> <li>- Predictability</li> <li>- Selection and concentration</li> <li>- Alignment among projects</li> </ul>	<ul style="list-style-type: none"> <li>- Strengthen performance evaluation</li> <li>- Enhance management after completion</li> <li>- Ensure better monitoring activities</li> </ul>	<ul style="list-style-type: none"> <li>- Cooperation with development partners</li> <li>- Program-based approach</li> <li>- Utilization of Mongolia's system</li> </ul>



<b>Basic principles of CPS</b>	MDGs, Busan Global Partnership, DAC Recommendations, and measures to improve Korea's ODA
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