

# **Mongolia - European Community**

## **Strategy Paper 2007-2013**

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## SUMMARY

This Strategy Paper provides the strategic orientations for EC cooperation with Mongolia for the period from 2007 to 2013. The Strategy underpins a Multiannual Indicative Programme 2007-2010. Both documents were adopted together in 2007. They are based on the new Regulation of the European Parliament and of the Council establishing the Development Cooperation Instrument (DCI). The indicative budget allocation for cooperation with Mongolia is EUR 3-5 million per year. This amount may be adapted, in particular in the light of the mid-term evaluation planned for 2010. The EC intends, in fact, to increase the allocation to EUR 5 million per year for the period 2011-2013.

Mongolia remains an essentially rural society and suffers high rates of deprivation in the countryside. EC cooperation with Mongolia will thus continue to focus on poverty alleviation through sustainable rural development. The Strategy hence responds to the need to improve living conditions and sustainable employment in the Mongolian countryside and to slow down the rural exodus. Continued work in rural development builds on the satisfactory results of the preceding Country Strategy 2002-2006<sup>1</sup> that also focused on this sector.

It is envisaged to concentrate the limited financial and administrative resources on one major action that aims at rural development in a broad sense, including environmental, social and trade aspects, due respect for gender issues and human rights. This concentration of resources is necessary to ensure impact and manageability. The EC intends to co-finance a suitable action of an experienced multilateral donor, such as the World Bank. A stand-alone project managed by Commission services or the participation in a future sector-wide approach cannot be excluded as circumstances might evolve over the coming years.

Around 20% of the overall indicative budget for Mongolia is reserved for other complementary actions, notably in the fields of education and vocational training and/or trade and economic cooperation. These will be identified at a later stage, subject to new developments as well as available human and financial resources. In addition, EC assistance will be complemented by a limited range of actions and support which can be received through thematic and regional programmes. Activities carried out in the field of higher education will preferably be financed within the context of the regional programming for Asia.

Mongolia has repeatedly expressed interest in upgrading its relations with the EU and in going beyond the current focus on traditional development cooperation. The EU is open to these suggestions. Regular dialogue, notably within the framework of the EC-Mongolia Joint Committee and a stronger involvement of civil society are expected to contribute to the creation of good framework conditions for development and an intensification of the relations between Mongolia and Europe.

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<sup>1</sup> Cf. [http://ec.europa.eu/comm/external\\_relations/mongolia/intro/index.htm](http://ec.europa.eu/comm/external_relations/mongolia/intro/index.htm). The new DCI Regulation refers to 'Strategy Papers' and 'Multiannual Indicative Programmes' instead of the previous 'Country Strategy Papers' and 'National Indicative Programmes' (terminology used by the repealed TACIS and ALA Regulations).

## 1. EU/EC COOPERATION OBJECTIVES AND LEGAL FRAMEWORK

In accordance with Article 177 of the Treaty Establishing the European Community (EC),<sup>2</sup> the Community's development cooperation policy shall foster:

- Sustainable economic and social development of developing countries;
- Smooth and gradual integration of these countries into the global economy;
- The fight against poverty in developing countries.

The Community's policy in this area shall contribute to the general objectives of developing and consolidating democracy, the rule of law, respect for human rights and fundamental freedoms. The joint Declaration of the Commission, EU Member States, the Council and the Parliament on the Development Policy of the European Union ("European Consensus on Development", December 2005<sup>3</sup>) defines the political framework, common objectives and principles of cooperation for Member States and the Commission. In its second part the Declaration provides orientation on the implementation of Development Policy at Community level. The Regulation of the European Parliament and the Council establishing the Development Cooperation Instrument<sup>4</sup> is applicable to Mongolia and further defines objectives, principles and implementation modalities of EC cooperation. Finally, the 1993 Trade and Cooperation Agreement<sup>5</sup> continues to provide a basis for regular exchanges and deepening relations between the EC and Mongolia. The EC endeavours to ensure a coherent policy mix in all aspects of its relations with Mongolia and other third countries.<sup>6</sup>

## 2. ANALYSIS OF THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION AND POLICY AGENDA

### 2.1. Political Situation

Since the breaking up of the Soviet bloc in 1991, Mongolia achieved remarkable success in the transition towards democracy and market economy. The 1992 Constitution is firmly based on democratic values which enjoy broad popular support. During the last 15 years Mongolia held a series of free and overall fair elections. The country scores relatively well in international surveys of governance issues (see figure 1+2) and was selected for the US Millennium Challenge Account. However, restrictive state secrecy and libel laws as well as economic and political pressures still limit the freedom of the press despite recent positive developments. Information about public finances and the state budget is still difficult to obtain and has placed Mongolia at the bottom of an international survey on this issue.<sup>7</sup> Human rights generally do not give reason for serious concern<sup>8</sup>, but some worrying individual cases have occurred. The judicial system is not always strong enough

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<sup>2</sup> <http://europa.eu.int/abc/obj/treaties/en/entoc05.htm>

<sup>3</sup> [http://europa.eu.int/comm/development/body/development\\_policy\\_statement/index\\_en.htm](http://europa.eu.int/comm/development/body/development_policy_statement/index_en.htm)

<sup>4</sup> Regulation (EC) No 1905/2006. See EU Official Journal L378/41, 27/12/2006.

<sup>5</sup> [http://europa.eu.int/comm/external\\_relations/mongolia/intro/trade-eco-coop.pdf](http://europa.eu.int/comm/external_relations/mongolia/intro/trade-eco-coop.pdf)

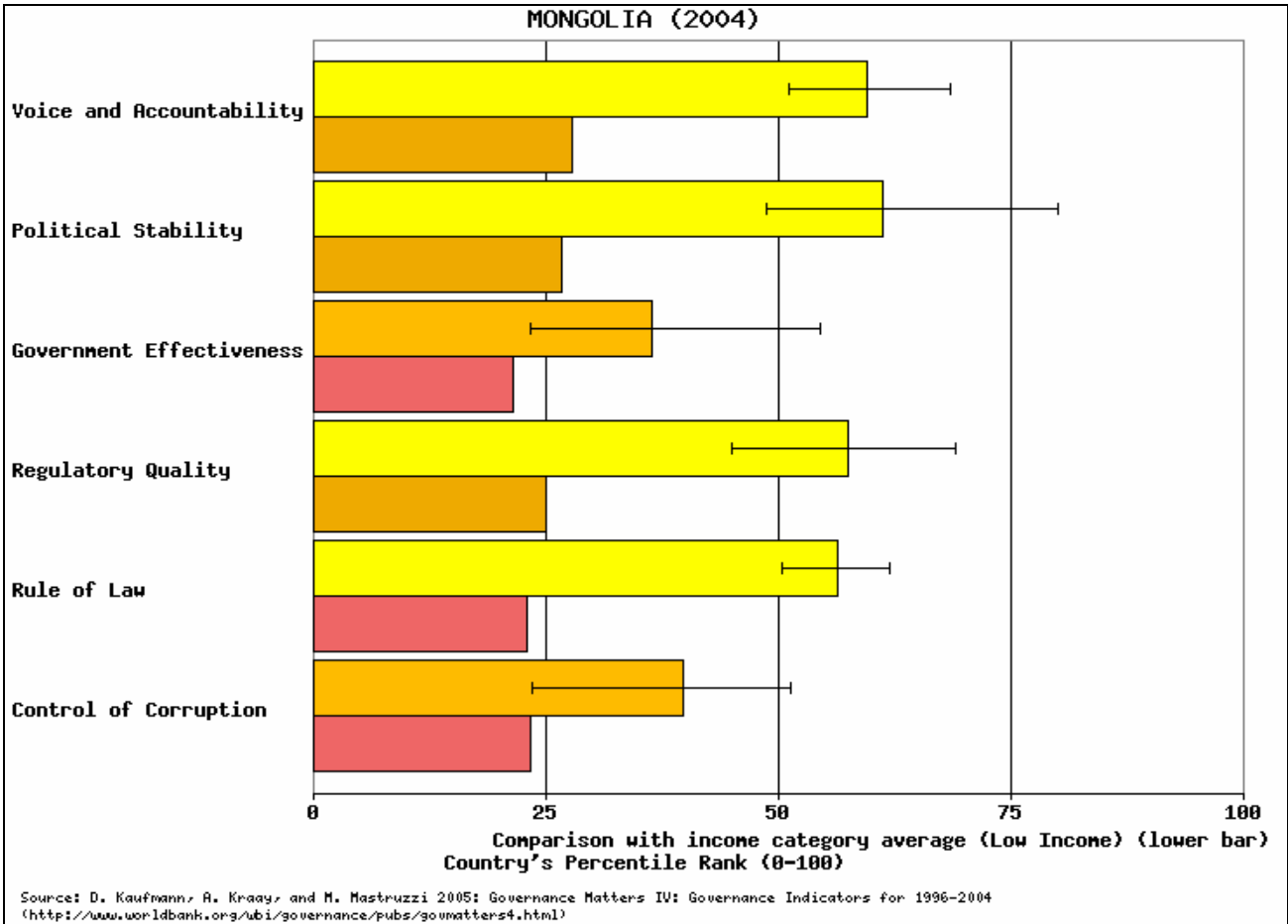
<sup>6</sup> Cf. COM(2005)134 final: "Policy Coherence for Development"

<sup>7</sup> Cf. 'Opening Budgets to Public Understanding and Debate – Results from 36 Countries', The International Budget Project, Washington DC, [www.internationalbudget.org](http://www.internationalbudget.org)

<sup>8</sup> Mongolia has ratified the following Human Rights instruments: Convention on the Prevention and Punishment of the Crime of Genocide (Mongolia became a party in 1967); International Convention on the Elimination of All Forms of Racial Discrimination (1969); Convention on the Non-Applicability of Statutory Limitations to War Crimes and Crimes against Humanity (1969); International Covenant on Civil and Political Rights (1974); International Covenant on Economic, Social and Cultural Rights (1974); International Convention on the Suppression and Punishment of the Crime of Apartheid (1975); Convention on the Elimination of All Forms of Discrimination against Women (1981); International Convention against Apartheid in Sport (1987); Convention on the Rights of the Child (1990). Forced Labour Convention (1930) and Abolition of Forced Labour Convention (1957).

to enforce the legitimate interests of citizens. Corruption continues to be a serious problem<sup>9</sup> and is reported to be on the rise.<sup>10</sup> Parliament therefore passed a much debated anti-corruption law in July 2006 and its implementation is under public scrutiny.

Figure 1: Compared to other low-income countries Mongolia scores relatively well on governance indicators (percentile indicates % of countries that rank worse, thin line = standard error)



The following table presents a different data set concerning Mongolia’s score on criteria of good governance (“ruling justly”), investing in people and economic freedom, as collected from the website of the Millennium Challenge Account. Scores presented are again relative (percentiles), with 0% meaning worst of all countries, and 100% meaning best of all “candidate countries” considered. For 2006/2007 the sample of “candidate countries” consists of 99 low and middle income countries.

Figure 2: Mongolia’s scores in the Millennium Challenge Account

Ruling justly		Investing in people		Economic freedom	
Political rights	96%	Immunization rate	96%	Regulatory quality	83%
Civil liberties	99%	Health expenditure	92%	Cost of starting a business	100%
Control of corruption	79%	Primary education expenditure	32%	Days to start a business	92%
Government effectiveness	85%	Girl's primary education completion	87%	Trade policy	85%
Rule of law	86%			Inflation	20%
Voice and accountability	92%			Fiscal policy	74%

Source: <http://www.mca.gov/countries/mongolia/index.php> (Mongolia FY07)

<sup>9</sup> Transparency International ranked Mongolia 99<sup>th</sup> of 163 countries in their Corruption Perception Index in 2006. See <http://www.transparency.org/>

<sup>10</sup> See for example USAID Report: Assessment of Corruption in Mongolia, 31 August 2005.

The parliamentary elections in June 2004 resulted in an unexpected defeat for the hitherto ruling MPRP (Mongolian People's Revolutionary Party), but failed to produce a clear majority in parliament. MDC (Motherland Democratic Coalition – a coalition of previous opposition parties) and MPRP finally formed a 50/50 grand coalition government in September 2004. However, at the end of December 2004 the MDC parliamentary group broke up and some of its members joined the MPRP parliamentary group. Yet, divisions also appeared within the MPRP. In the May 2005 presidential elections Mr Enkhbayar (MPRP – previous Speaker of the Parliament and Prime Minister from 2000 to 2004) was elected with a comfortable majority. The Government of Prime Minister Elbegdorj (Democratic Party) carried on until the MPRP ministers left the cabinet in January 2006. This move led to an agitated response from civil society and a series of demonstrations in Ulaanbaatar. End of January Mr Enkhbold (MPRP – previous mayor of Ulaanbaatar and head of the MPRP) was appointed as new Prime Minister heading a government of 'national unity' with a majority of MPRP ministers, but also high-level cabinet members from other parties. Tensions within the new Government as well as public criticism of mining policies and social inequality have maintained a volatile political situation for the time being.

## **2.2. Foreign Policy**

Since 1990 Mongolia has striven to develop an independent foreign policy. Given its geographical situation one constant challenge is to keep a good balance between Russia and China. Under its so-called 'Third Neighbour Policy' Mongolia is also actively developing and deepening relations with other partners such as the EU, the US and Japan. The 2004-2008 Government Action Plan aims inter alia at upgrading the relationship and cooperation between Mongolia and the European Union. The country has friendly relations with both Koreas, and is generally keen to develop its 'Asian' profile. In 2003 Mongolia hosted the 5th Conference of New or Restored Democracies which was attended by delegations from 118 countries (and the EC which also co-sponsored the event).

Mongolia is an observer in the Shanghai Cooperation Organisation (SCO). At the 2004 ministerial meeting of the Organisation for Security and Cooperation in Europe (OSCE) Mongolia was admitted as an OSCE 'Partner for Cooperation'. Furthermore, Mongolia hosted the ARF (ASEAN Regional Forum) meeting "Changes in security perceptions of ARF countries" in 2005 where it expressed its wish to become more closely involved in North East Asian regional coordination. The July 2005 ARF Conference welcomed Mongolia's accession to the Treaty of Amity and Cooperation (TAC). However, Mongolia did not participate in the East Asia Summit in December 2005. The 2006 ASEM Summit<sup>11</sup> invited Mongolia to become a member and the country will officially join ASEM at the next 2008 ASEM Summit.

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<sup>11</sup> [http://ec.europa.eu/comm/external\\_relations/asem/intro/index.htm](http://ec.europa.eu/comm/external_relations/asem/intro/index.htm) - ASEM (the Asia-Europe Meeting) is an informal dialogue process initiated in 1996. All EU Member States, the European Commission and 13 Asian countries (Brunei, Burma/Myanmar, China, Cambodia, Indonesia, Japan, South Korea, Malaysia, Laos, the Philippines, Singapore, Thailand, and Vietnam) participate in the process. The ASEM 6 Summit held in September 2006 decided to admit Bulgaria and Romania on the European side, and India, Mongolia, Pakistan and the ASEAN Secretariat on the Asian side to the ASEM process, upon their completion of the necessary procedures. The ASEM process aims to strengthen the relationship and increase mutual understanding between the two regions, in a spirit of mutual respect and equal partnership.

### 2.3. Economy and Trade

Mongolia's GDP rose by 7% in 2005 and 2006 – this very good performance was mainly driven by higher commodity prices and good weather that boosted agricultural output. Livestock herds increased from 25 to 35 million head from 2004 to 2006 (contributing approx. 20% to GDP – 13 animals per head of population), and there was a large increase in revenues from the mining sector. Inflation has eased to about 7% in 2006, after a temporary double-digit peak during 2005. The private sector now accounts for more than 90% of loans outstanding in the Mongolian banking system and some 80% of GDP. Supervision of the financial sector is improving, but the sector remains vulnerable.<sup>12</sup>

Mongolia is trying to diversify its exports in order to be less dependent on fluctuating prices for the main export commodities (copper concentrate, raw cashmere, gold, fluorspar, coal). In 2006 the value of Mongolia's external trade soared by 34% to over US\$ 3bn, with exports rising by 43% to US\$ 1529m and imports up by 26% to US\$ 1489m. After the SARS crisis in 2003 the tourism sector came back strongly with over 300,000 visitors per year and substantial earnings.

Growth in the manufacturing sector appears to have peaked, not least owing to the end of the global quota system for textiles on 1 January 2005. Mongolia did little to prepare for this, and the likelihood is that the domestic industry, which relies on imported cotton rather than on domestically produced fibres, and which exports mainly to the US, will not prove sustainable. As a result about half of the over 20,000 workers in the garment industry have already lost their jobs.

Some of the Mongolian export items enjoy preferential tariffs under the General System of Preferences (GSP) schemes of the USA, the EU, Canada and Japan. Mongolia does not receive 'Everything but arms' (EBA) treatment (since it is not recognised as a least-developed country); nor is it included in any regional trade agreements. In December 2005 Mongolia was granted special preferences under the new EU GSP+ scheme. These preferences had already been provisionally applied on a provisional basis since July 2005 and grant duty-free access to the European market for 7200 products covering over 90% of the country's exports. Stressing the vital importance of enjoying the preferential conditions of the scheme for the country's economic development, Mongolia has expressed its interest in continuing to be included in the GSP+ scheme up to 2015.<sup>13</sup> So far Mongolia's exports to the EU have been stagnating at relatively low levels, but 2004 and 2005 saw a promising increase, which is set to continue with the new GSP+ preferential access. Of the EU countries, the United Kingdom and Italy are the principal EU importers, mainly of raw cashmere and gold. China is the biggest importer of Mongolian products, mainly raw materials.

Mongolia applies a 5% flat rate import duty to which there are few exceptions. This relatively liberal trade regime was commended in the WTO Trade Policy Review in March 2005.<sup>14</sup> EU exports to Mongolia (machinery, chemicals, food) originate mainly from Germany – Mongolia consistently maintains a trade deficit with the EU. Russia is still the main exporter to Mongolia, supplying energy, cars and spare parts.

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<sup>12</sup> Source: IMF Art. IV consultations 2006 which provide a comprehensive diagnostic of Mongolia's current macroeconomic situation. Cf. <http://www.imf.org/external/country/MNG/index.htm>.

<sup>13</sup> This would, of course, imply that Mongolia ratifies and effectively applies also in the future all international conventions as laid out by the GSP+ rules (see COM (2004)461 final and Council Regulation (EC) No 980/2005 of 27 June 2005).

<sup>14</sup> See [http://www.wto.int/english/tratop\\_e/tpr\\_e/tp245\\_e.htm](http://www.wto.int/english/tratop_e/tpr_e/tp245_e.htm). Mongolia is a WTO member since 1997.

Figure 3: Development of bilateral EU-Mongolia trade (in million EUR/ECU for EU25)

	1999	2000	2001	2002	2003	2004	2005
EU imports from Mongolia	40	53	40	32	23	43	50
EU exports to Mongolia	60	78	88	78	96	105	99
Balance	20	25	48	46	73	62	49

Source: European Commission / Eurostat.

European direct investment in Mongolia has so far remained very limited, one reason being the lack of information about local business opportunities. The Mongolian Government wants to promote information on the business environment and has applied to the EC for market economy status. The Government is also interested in carrying out joint projects to develop small and medium-sized enterprises, as well as a commodity exchange for raw materials in rural areas. Mongolia is eligible for loans from the European Investment Bank (EIB) and, since 2006, also from the European Bank for Reconstruction and Development (EBRD).

The country continues to receive high per-capita development assistance from multilateral institutions and other donors – on average some 70 to 100 million EUR per year (30-40 EUR per capita). Total public debt fell to 50% of GDP in 2006. Since most of this debt is on concessional terms, debt service remains comparatively low (currently 2% of exports), but still needs to be watched in view of Mongolia's dependence on raw material prices. The revised 2006 budget has increased expenditure to Tg1229bn (EUR 819 million), which amounts to approx. 39% of GDP and generates a budget surplus of 3.9% of GDP. Social expenditure was substantially increased, raising questions about fiscal sustainability in the event of an economic downturn.

In May 2006, a windfall profits tax on gold and copper was introduced and mining royalties were increased from 2.5% to 5%. The new tax is set to collect 68% of all revenue in excess of USD 2600 per tonne of copper and USD 500 per ounce of gold – 2006 market prices were substantially higher. This unexpected move dealt a serious blow to the investment environment in Mongolia, but was finally alleviated by tax reductions and more moderate mining legislation in summer 2006.

#### **2.4. Social Developments / Poverty Alleviation**

Mongolia continues to be a very poor country with approx. EUR 600 per capita income (Human Development Index: 116 out of 177 countries). Roughly a third of the population live on less than 1 USD per day (poverty line = Tg 24743/month – 30000 Tg in Ulaanbaatar<sup>15</sup>) – a figure that has not improved since the 1990s. Population growth has slowed down (from 2.1 to 1.4%), but Mongolia is still a young country (33% of the population are aged under 15, 59% are under 25) that cannot always provide adequate education and job opportunities for its young people. The transition towards a market economy has led to increasing social inequality (Gini index = 44%) and substantial unemployment.

<sup>15</sup> 1 USD = approx. 1200 Tg – Tg = Mongolian Togrok.



Figure 4: Indicators related to Millennium Development Goals (cf. also annex 5.1)

Indicators (%)	1999	2000	2001	2002	2003	2004
Proportion of population below \$1 per day	27	27	NA	NA	NA	NA
Prevalence of underweight children (under-five years of age)	13	13	13	13	13	NA
Net enrolment ratio in primary education	90	91	90	84	NA	84
Primary completion rate	87	87	91	NA	NA	96
Ratio girls to boys in primary, secondary and tertiary education	113	112	112	NA	NA	108
Under 5 mortality rate	NA	6.5	6.5	NA	NA	5.2
Proportion of 1 year old children immunised against measles	NA	94	95	98	98	96
Proportion of births attended by skilled health personnel	94	97	97	94	99	99
HIV prevalence among 15-24 year old pregnant women	NA	0	0	0.01	0.01	0.01
Proportion of population with sustainable access to an improved water source	60	60	60	62	62	62

Source: World Bank, EC Country Fact File 2004. NA = not available.

High unemployment (3.3 % of the workforce in 2005 according to official figures – in reality it is considerably higher) and underemployment are the underlying reasons for the level of poverty. Mongolia is also facing the continuous challenge of restructuring its economy. While the services sector is the main source of employment in Mongolia, followed by agriculture and industry, only 5% of the rural workforce is employed in services, compared with 75% in urban areas.<sup>16</sup>

Adult literacy rates remain high (98%). However, there is evidence of declining quality of the state education and vocational training system, as well as problems with other social services which used to work relatively well under the former socialist system (albeit at a high cost). After 1990, a lot of experienced teachers left the poorly paid public sector. Buildings and infrastructure were badly maintained and in some cases fell into disrepair. Although education still consumes a relatively high proportion of public expenditure (approx. 16%), outcomes are not always satisfactory. School enrolment rates have recovered after the initial slump during the transition period. The number of universities, many of them now private, has increased substantially and with it the number of graduates. However, their quality varies considerably and often does not reach international standards. Well-off Mongolians try to send their children to prestigious universities abroad – an option which is hardly available for students from poor and rural backgrounds.

The vocational training system also experienced a rude shock and lost more than half of its teachers and students during the transition process. As a result, Mongolia today has a shortage of qualified workers and technicians and often needs to call on foreign labour.

Access to services is becoming difficult for the poor and for rural areas that suffer from continued migration to the few bigger cities. Cost-effective provision of services to remote, sparsely populated areas is a huge challenge and a controversial debate on regional reform has taken place. Land privatisation is essentially limited to urban areas and the process has been slow in practice, as many Mongolians feel attached to the traditional nomadic way of life which is alien to the concept of private land ownership. Regularly, people would simply pitch their *ger* (traditional Mongolian tent) in a suitable place, unaware that they might be infringing existing property rights. Therefore, urban land use planning and land tenure issues are challenging and highly controversial. Land tenure and access issues are central to the management of rural poverty and natural resources. The poor need access to land as well as secure, well-defined and enforceable land rights, in order to manage natural resources in a sustainable way and to invest in land improvements.

Mongolia's transition process has made access to health services more difficult and expensive, particularly in rural areas. Existing services are often of poor quality. Nevertheless, Mongolia still

<sup>16</sup> Cf. Asian Development Outlook 2005

scores relatively well in international comparisons and continues to spend substantial resources on health. In fact, health indicators such as infant mortality, immunization rates and life expectancies have been improving since the late 1990s. Only 25 HIV cases have been officially reported so far (09/2006), but other sexually-transmitted diseases are on the rise. The Ministry of Health and international donors, including the EC<sup>17</sup>, are taking measures particularly to prevent the possible spread of HIV.

Social policy and related governance issues played an important role in the 2004 parliamentary elections and again in the January 2006 government crisis. A widespread feeling that the poor had so far lost out in the economic transition contributed to victory for the opposition in 2004. However, subsequent increases in social spending were kept relatively moderate in order not to endanger macroeconomic conditions. Recent research indicates that social benefits often do not reach the poorest people. Better targeting of assistance is needed in order to ensure efficiency and social cohesion. International donors and NGOs are currently trying to alleviate the most pressing cases of poverty, such as street children or harsh living conditions in the *ger* areas of Ulaanbaatar where the poorest live without piped water, sanitation or sufficient resources for heating. The harsh climate and recurrent extreme winters (*dzuds*) are a permanent menace to the livelihoods of nomadic herders, who still represent around a third of the Mongolian population.

Also as a result of the socialist past, women play an active role in Mongolian society and generally have the same rights as men. Many mid-level positions in administration and business are held by women, whereas top-level jobs continue to be a male domain. Rates of educational enrolment and achievement are higher for women than for men; one explanation for this is that boys run a higher risk of dropping out of secondary education, since they are often asked to help with herding or informal mining. On the other hand, young women are reported to be lured into prostitution by vague promises of a well-paid job in other Asian countries or at home. Gender issues thus need to be taken into consideration in the design and implementation of cooperation projects.

Alcohol abuse remains a serious problem which often exacerbates the vicious circle of unemployment, poverty and domestic violence.

## **2.5. Environmental Situation**

Desertification, widespread poverty, lack of environmental awareness and weak institutions put a considerable strain on Mongolia's fragile ecosystems (see Country Environmental Profile - summary in annex<sup>18</sup>). Environmental protection tends to receive less political attention from the Mongolian authorities than other issues that are considered to be more urgent, such as poverty alleviation and economic growth.

Huge distances, accentuated by weak infrastructure and compounded by poorly resourced and trained staff in local administrations, make it very difficult to enforce legislation on the ground. Appropriate fees for mining, commercial forestry and hunting are often not collected. Environmental legislation is frequently ambiguous. Mining causes pollution and health problems, particularly where chemicals, such as mercury, are improperly used. Opencast mining inflicts permanent damage on topsoil and requires adequate land management/rehabilitation. Deforestation continues due to poor management and over-exploitation of forests dating back to Soviet times. Mongolia still has a rich biodiversity, but rare species are endangered through hunting and illegal

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<sup>17</sup> The EC has supported the National Aids Foundation and the HIV/AIDS Alliance (UK) in the project "Expanding and Strengthening the Civil Society Response to the Sexual Health Needs of Vulnerable Communities" – cf. Multiannual Indicative Programme 2007-2010 / Annex.

<sup>18</sup> Full Country Environmental Profile available at [http://europa.eu.int/comm/external\\_relations/mongolia/intro/index.htm](http://europa.eu.int/comm/external_relations/mongolia/intro/index.htm)).

trapping. The pastoral livelihood system requires animal populations to be in balance with grazing and water resources, but greater sedentarisation and inadequate provision of livestock support services has led to serious localised overgrazing around trading centres.

Coal is burned for energy and heating, leading to severe air pollution which is aggravated by vehicle pollution in Ulaanbaatar. Other problems of urbanisation are

- industrial effluents (local tanneries),
- untreated domestic wastewater and
- inadequately managed solid waste,
- water shortage (pricing does not reflect scarcity and availability).

Donors, including the EU, are pressing for integrated natural resource management and the systematic consideration of sustainability aspects in all policy decisions. The implementation of this Strategy will therefore recognise and put in place opportunities for improving environmental conditions wherever suitable and possible.

## **2.6. An Outline of Mongolia's Policy Agenda**

Since it took office in January 2006 the new Government has faced quite vocal opposition from both within and outside parliament. The popularity of the ruling MPRP seems to have slipped markedly. Recent anti-corruption legislation, higher social spending, mining regulation and taxation reform are probably, among other things, also efforts to regain lost ground. Statements by Prime Minister Enkhbold so far suggest a continuing focus on social justice, political and economic stability as well as continuity in foreign affairs and donor issues. The previous Government's Action Programme for 2004-08 was adopted in November 2004 and remains in force for the time being. President Enkhbayar also issued a Policy and Action Plan for 2005-2009, which is broadly complementary to the Government Action Programme, and commissioned a long-term National Development Strategy to provide overall guidance to the Government and Donors up to 2020. The new Strategy is set to accentuate the current focus on private sector-led growth and social development, but has not yet been finally approved.

For the time being the 2003 Economic Growth Support and Poverty Reduction Strategy (EGSPRS)<sup>19</sup> as well as the Millennium Development Goals (MDGs) continue to provide guidance. However, a high density of donors and the unstable political situation after the 2004 parliamentary elections have not facilitated any kind of coordinated and focused implementation. Alleviating poverty remains the overriding objective, but there are competing views about the importance of social and environmental issues, mining regulation, the best way towards balanced regional development, the provision of public services, etc. For example, the Government had pursued regional reform plans under which the current 21 *aimags* (provinces) would be replaced by much bigger administrative entities. However, the sustainability and costs of such a major reorganisation have remained unclear. The implementation and coordination capacities of the Mongolian administration are generally weak.

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<sup>19</sup> EGSPRS is the Mongolian Poverty Reduction Strategy Paper (PRSP). Its aim is to reduce poverty by ensuring sustainable economic growth and focusing on health, education and social welfare sectors. Better public services, civil sector reform, improvement of infrastructure and rural development, the consolidation of democracy, land reform and environmental protection are also important ingredients of the EGSPRS. Overall, the strategy could be more focused and, above all, better implemented.

### 3. AN OVERVIEW OF PAST AND ONGOING COOPERATION, COORDINATION AND COHERENCE

#### 3.1. EU-Cooperation with Mongolia

Relations between the EU and Mongolia have traditionally focused on development cooperation, but Mongolia has repeatedly expressed interest in broadening the relationship into new areas, such as trade and investment or education and culture. Mongolia is also keen to expand political dialogue. Within the limits of available resources, competences and strategic priorities on both sides the EC has been open to such suggestions. Several EU Member States have also undertaken initiatives in areas such as culture, education and archaeology.

EC-Mongolia cooperation essentially started with the entry into force of the Trade and Cooperation Agreement in 1993. Since then, Mongolia has received about EUR 70 million of EC development aid, mainly under the TACIS programme (Technical Assistance to the Commonwealth of Independent States) and, since 2004, under the ALA programme (for Asian and Latin American developing countries). Aid initially focused on the transition towards a market economy, including human resources, support to SMEs, institutional and infrastructural development and alleviating the social consequences of transition. Since 2000, EC cooperation has concentrated on rural development, which accounted for over 80% of financial assistance.

A number of complementary actions have been undertaken under regional programmes, such as TEMPUS for university cooperation or the co-financing of NGO activities.<sup>20</sup> In addition, the EC's Humanitarian Aid Office (ECHO) has repeatedly provided emergency aid to alleviate the consequences of harsh winters (*dzuds*) and drought. The latest aid from ECHO (a grant of EUR 1 million in 2004 and EUR 0.9 million in 2005) has focused on disaster preparedness by supporting small-scale projects, for example kitchen gardens, cash-for-work, water system restoration and haymaking. Current projects operate in remote Western provinces and in the *ger* areas (shanty towns) of Ulaanbaatar. ECHO programmes in Mongolia are implemented through agencies such as *Action Contre la Faim* or ADRA (Adventist Development and Relief Agency).

Since 2004 Mongolia has been eligible for calls for proposals under the Asia-wide programmes that have taken over from the respective regional programmes under TACIS. A major EC conference in Ulaanbaatar in 2004 introduced the interested organisations to the new possibilities available. A smaller follow-up seminar provided further technical information for potential bidders. Subsequently, several Mongolian project proposals succeeded in the competitive selection processes.<sup>20</sup>

EU-related institutions such as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) also intend to build new business links with Mongolia.

Figure 5: EUR 70 million of EC grant aid to Mongolia since 1992

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	TOTAL
TACIS /ALA	8		8		9.5		11		6		6		1	0.5	10	60
ECHO		1.8	2						1.9	1		1	1	0.9		9.6

Note: Million ECU/EUR. Since 2004 committed expenditure under the new ALA programme. TACIS allocated funds in biennial Action Programmes, whereas ALA took specific financing decisions on each project. Figures do not include multi-country projects with Mongolian participation or projects financed from global budget lines such as NGO co-financing.<sup>20</sup>

<sup>20</sup> See detailed list of projects in Multiannual Indicative Programme 2007-2010 (annex). Cf. also [http://europa.eu.int/comm/europeaid/projects/index\\_en.htm](http://europa.eu.int/comm/europeaid/projects/index_en.htm)

By focussing on a single sector, i.e. rural development, the EC has improved the impact and visibility of its aid to Mongolia and has acquired, through the TACIS programme, a measure of recognition. One reason for this is that the 'TACIS Office' operated in Mongolia for almost 10 years before its closure in September 2004. It oversaw EC development cooperation which was formally managed from the Commission Headquarters in Brussels. However, EC support was more often viewed as aid from 'TACIS', rather than from the EU per se, and European visibility remains a problem.

In 2004 the implementation of cooperation projects was decentralised from Brussels to the EC Delegation in Beijing, which is also accredited for diplomatic relations with Mongolia. Since then the Delegation has been playing a very active role in the management of ongoing and upcoming cooperation projects. One lesson to be learned from this is how difficult it is to devise and monitor projects solely from Brussels or, to a lesser degree, from Beijing. Even frequent missions cannot replace the insights gained from a permanent local presence in Mongolia.

External evaluations of the Country Strategy 2002-2006 and individual TACIS projects came to similar conclusions and also produced the following key recommendations (cf. summary in annex):

- The EC is well placed to provide assistance in the field of rural development, also because of its past experience in this sector. However, rural development should be understood in a comprehensive way, going beyond agricultural projects.
- More attention needs to be given to sustainability and replication of results. Clear time-bound targets and corresponding indicators can help ensure this and also tackle frequent delays in the start-up of projects.
- Participation in sector-wide programmes should be considered. This would facilitate the coordination of relevant donor and government projects in a given sector, build management capacities in the Mongolian administration and encourage inter-ministerial coordination which is a challenge (also) in Mongolia.
- In addition to the satisfactory dialogue with the Mongolian Government, the EC should seek a more systematic dialogue with civil society.

Implementation of the National Indicative Programme 2004-2006 has started only recently and has therefore not yet been formally evaluated. However, it has already become clear that the planned budget support under the World Bank Poverty Reduction Support Credit (PRSC) will not be possible under this Programme. Doubts about public finance management and the solidity of the financial sector led in 2005 to the suspension of plans for budget support operations. Nevertheless, there is a general consensus that donors should try to move towards sector-wide approaches or programmes, wherever possible.

### **3.2. Donor Coordination**

The high density of donors and weak administrative capacities in Mongolia make donor coordination a challenge. Assistance is generally delivered through projects. Repeated attempts at more systematic coordination of these projects, including a comprehensive database of donor-financed projects, have so far not produced satisfactory results. On the other hand, resident donors tend to share information readily, which facilitates informal coordination and leads to shared basic knowledge of 'who does what'. The Commission had financed a project database under the TACIS programme which was gradually extended to include the grant projects of other donors. This database was handed over to the Ministry of Finance in 2004 and will be merged with another database on credit-financed activities. A consolidated and improved database is scheduled to become publicly accessible soon, which would be a major step towards improved donor coordination.

Japan used to be the biggest donor (> EUR 50 million/year) and focuses on loans for infrastructure and food aid. USAID concentrates on business sector reform, governance and policy advice (EUR 10 million/year). Mongolia submitted projects worth EUR 250 million to the Millennium Challenge Corporation, focusing on transportation and communication infrastructure, education, health and community development. Germany is the biggest EU donor (> EUR 10 million/year) and focuses on economic reforms and sustainable development. EC and German projects on agricultural services have been coordinated in order to achieve synergies and avoid overlaps. The Netherlands focus their cooperation on environmental and governance projects; they have announced a doubling of their aid to EUR 7.5 million per year from 2007. France, Sweden, the Czech Republic and the UK also finance some actions in various areas. Other Member States have relatively limited resources. Russia no longer figures as a donor - for a one-off payment of USD 250 million in 2003 (the exact terms of which have never been made public), the Russian Federation wrote off Mongolia's USD 11 billion debt which had accumulated during the Soviet era. During her visit to Mongolia in May 2005, the Chinese Vice-Premier, Wu Yi, signed 18 cooperation agreements covering various sectors. On the occasion of the new Mongolian President's visit to China at the end of 2005, both sides confirmed substantial Chinese soft loans (USD 300 million) for infrastructure projects.

The World Bank plays a leading role in the dialogue between the Government and the donor community. The previous Consultative Group Meetings have taken a new form and since 2006 'Technical Meetings' between the Government of Mongolia and external partners take place twice a year. A combination of investment projects, analytical work and technical assistance is designed to help vulnerable populations, to improve public services and to strengthen the institutional framework. Concessional (IDA) lending (approx. USD 15 million/year) and co-financing grants from other donors are the main financing instruments. The Asian Development Bank (ADB) is another major lender (up to EUR 25 million/year) and provider of technical assistance in a wide range of fields, including infrastructure. In 2006 the EBRD opened an office in Mongolia, adopted its country strategy and provided a first loan of EUR 4 million.<sup>21</sup>

EU Member States with resident embassies in Ulaanbaatar (CZ, DE, BG, FR, PL, UK) participate in the donor coordination efforts according to their resources and interests. The UN Resident Coordinator hosts regular donor meetings. Sectoral working groups have been established, for example one on private sector development which is chaired by the Ministry of Industry and Trade (deputy chair: Germany). The majority of Member States with small or non-resident embassies, and the European Commission too, find it difficult to get a comprehensive overview of the numerous development assistance actions in Mongolia.

## **4. THE EC RESPONSE STRATEGY**

### **4.1. Challenges and Constraints**

The coming years will be crucial for Mongolia. There are many encouraging developments: a dynamic mining sector, an increasingly active civil society, more pluralism in politics and administration, macroeconomic stability and a wider availability of products and services. However, a number of old and new problems need to be addressed without delay: corruption, the lack of a focused development strategy and its firm implementation (a promising new attempt is now made with the National Development Strategy), the emergence of extreme poverty which until now has been unknown in Mongolia, a fledgling, but still vulnerable financial sector that needs proper supervision (in 2006 a Financial Regulatory Commission was created to that effect), desertification and environmental degradation. In this critical period Mongolia needs the support of

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<sup>21</sup> Cf. <http://www.ebrd.com/country/country/mongolia/index.htm>

international donors, including the EU, working together in the spirit of the 2005 Paris Declaration on Aid Effectiveness.<sup>22</sup>

Support does not just mean financial support and new donor-financed projects. Arguably more important than funding is an honest and constructive dialogue with Mongolia's decision-makers about the way forward, for example on the right development strategy and practical steps to implement it. An open and efficient dialogue with all relevant partners, including civil society, increases the chances of the right measures being taken. From this perspective, Mongolia's blossoming democratic system as well as the efforts to play an active and responsible role in the international community also deserve further encouragement.

Mongolia has repeatedly expressed interest in strengthening its relations with the EU and in going beyond the current focus on traditional development cooperation. The EU is open to these suggestions and relations have indeed widened considerably over recent years, and, in the future could broaden their scope further, in particular on trade-related issues. However, any EC response strategy has to take into account the limited resources on both sides: Mongolian ministries are mostly understaffed, with some 130 officials or fewer. The EC now has a very small technical office in Mongolia, whereas diplomatic, political and economic relations are still driven by its Delegation in Beijing and the Brussels headquarters. This being said, Mongolia and the EC should try to work together more closely; joint efforts need to be very focused and adapted to the respective constraints. Of course, efforts should also be undertaken to lift some of the constraints that limit cooperation at present - the establishment of the technical office in Ulaanbaatar was certainly a step in the right direction.

#### **4.2. Continued Focus on Rural Development**

The Country Strategy 2002-2006 focused on poverty alleviation through sustainable rural development.<sup>23</sup> External evaluations concluded that the results so far were globally satisfactory and a continued engagement in this sector should be envisaged (see summary in annex). By working on rural development over many years the EC has acquired considerable experience, personal goodwill and contacts in the area.

This Strategy therefore continues to focus on rural development. It responds to the pressing need to improve living conditions and sustainable employment in the Mongolian countryside and to slow down the rural exodus to a few cities, in particular Ulaanbaatar, thus helping Mongolia to achieve the Millennium Development Goals (cf. figures 4+6). This broad orientation was given political endorsement by the March 2005 EC-Mongolia Joint Committee meeting. It was subsequently fleshed out during an EC programming mission in June 2005 and confirmed by the Joint Committee meeting of June 2006. Major donors and NGOs also support continued EC work on rural development. Future support for rural development would, where appropriate, also take into account possibilities for strengthening Mongolia's trade links in the region and beyond.

The Strategy underpins a Multiannual Indicative Programme that covers the period 2007-2010. The available budget is 3-5 million EUR per year. There is also provision for a mid-term review to take stock and adapt the Programme as necessary – this could also include adaptations to the budget. The EC intends, in fact, to increase the allocation to EUR 5 million per year for the period 2011-2013.

The aim is to concentrate the limited financial and administrative resources on one major action that targets rural development in a broad sense, including environmental, social and trade aspects, due

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<sup>22</sup> Cf. <http://www.oecd.org>

<sup>23</sup> Since 2000 well over 80% of EC funds have been engaged in this field (see annex of Multiannual Indicative Programme 2007-2010).

respect for gender issues and human rights. This concentration of resources is necessary in order to ensure impact and manageability. The EC intends to co-finance a suitable action by an experienced donor, such as the World Bank. The possibility of a stand-alone project managed by Commission services cannot be ruled out, as circumstances might evolve over the coming years. A possible follow-up to the current Animal Health and Livestock Marketing Programme (cf. National Indicative Programme 2004-2006) might also become necessary later on. Lastly, participation in a sector-wide approach could also be an option in the medium term. However, at this stage co-financing offers the best response to the requirements of the Paris Declaration on Aid Effectiveness and current resource constraints on the EC and the Mongolian side: the EC has experienced difficulties in managing cooperation projects without a resident Delegation in Mongolia - the Mongolian authorities are overwhelmed by a multitude of donor projects which are difficult to oversee and to coordinate.

Within the broad field of rural development a number of issues could and should be addressed, for example, natural resources management (including land tenure and participatory actions), local employment creation initiatives or measures that would lead to a strengthening of international trade and economic cooperation as well as improved education and vocational training. It is also important to take into account the likely effects of climate change on the availability and quality of vital resources such as water and pastures.

### **4.3. Other Actions**

Around 20% of the overall indicative budget for Mongolia is reserved for other complementary actions.

Education and vocational training deserve particular attention in this context. Mongolia has a young population who, especially in the countryside, need to be offered prospects that go beyond a life in traditional herding which will not be able to offer employment to everybody. Education and vocational training are of course crucial for the much-needed structural changes. Unfortunately, in many cases their quality and availability has decreased with the transition to market economy. Joint efforts by the Government and major donors (Asian Development Bank, Japan) are therefore ongoing to develop a sector-wide programme in the area of education and vocational training. These efforts are an encouraging step towards improved donor coordination and rational priority setting. The EC strongly supports these efforts and might join in at a later stage, once plans have matured. Experience from earlier projects, such as the TACIS Manager Training Programme, could provide some valuable lessons in this respect.

In this context, there are plans to foster Mongolian participation in EC higher education programmes. These activities will preferably be funded under the regional programming for Asia. This would build on the many years of experience with the TEMPUS programme for university cooperation and respond to the Mongolian wish for stronger academic ties with Europe. In cooperation with the Mongolian authorities the EC will therefore strive to make the relevant programmes better known among targeted students. Affirmative actions could also be considered as a way of increasing the chances of talented Mongolian students to be selected for European scholarships. After 1-3 years of studies, and possibly some work experience in Europe, graduates are expected to return to Mongolia. The know-how they will have acquired would contribute to the development of the country, particularly in the area of rural development. Naturally it will also benefit the individuals themselves, who will have passed a rigorous selection process and spent a period of intensive learning. EC scholarships are financially attractive and designed to attract talented students irrespective of their personal income. This should also give poor students a chance of social mobility and international experience, which used to be reserved to students coming from better-off families.



Provided that appropriate implementation arrangements can be devised, a further strengthening of trade and economic cooperation is also being considered. The EC could, for example, support the modernisation of the Mongolian aviation sector in cooperation with other donors (World Bank, ICAO). Mongolia's economic reforms, as well as trade and investment links, could be strengthened, not least to enable Mongolia to take full advantage of the new preferential access to the EU market (GSP+) and growing markets in the region. Possible overlaps with the numerous existing programmes in this field need to be watched carefully. Furthermore, the European Bank for Reconstruction and Development (EBRD) now has a sizeable presence in the country. The EC may thus seek to capitalise on EBRD resources where synergies with this Strategy Paper can be achieved, for example by supporting EBRD activities through technical assistance in the areas of investment attraction, institutional strengthening and training, infrastructure and financial sector development. As in the past, support for similar actions by the European Investment Bank (EIB) would also be considered.

To bolster the poverty alleviation measures implemented under this Strategy, the National Statistical Office of Mongolia needs to have in place a sustainable system of official statistics based on the national Statistical Law and international statistical standards and methodologies. Accurate official statistics on the characteristics and dispersion of the population, their livelihoods and natural resources are required. Where possible, the EC will continue to help Mongolia develop and improve its statistical methods.

#### Thematic and Regional Programmes

Mongolia will continue to be eligible for a number of regional and thematic EC programmes<sup>24</sup>. These programmes mostly follow a demand-driven, bottom-up approach which is complementary to the bilateral cooperation agreements. They give NGOs, business associations and other civil society actors, including social partners, an opportunity to obtain grants for project proposals that have succeeded in a competitive selection process. They thus help to strengthen civil society and form part of the policy dialogue with Mongolia. The financing of these activities will be additional to financial resources provided under the bilateral Multiannual Indicative Programme.

The Commission intends to pursue thematic interventions in the following areas:

- Human and Social Development / 'Investing in People': education deserves particular attention in this context. Actions could promote education networks and better access to information, secondary education and trans-national university cooperation or vocational training, including closer cooperation with employers and workers.
- Environment and Sustainable Management of Natural Resources including Energy: to alleviate the problems as outlined in section 2.5.
- Non-State Actors and Local Authorities in Development: actions under this thematic programme are often a laboratory for new ideas, or they cover issues which are not the subject of official government-to-government cooperation.
- Democracy and Human Rights: support to governance, rule of law and human rights
- Food Security: international dissemination of best practice, possibly measures complementary to the main bilateral programme and disaster-preparedness activities.
- Migration and Asylum: this area has been of limited relevance for Mongolia so far.

Finally, Mongolia could also continue to benefit from activities such as those funded to date under the Asia-wide programmes.

#### **4.4. Political Dialogue and Involvement of Civil Society**

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<sup>24</sup> Cf. [http://europa.eu.int/comm/europeaid/projects/index\\_en.htm](http://europa.eu.int/comm/europeaid/projects/index_en.htm)

In addition to development cooperation, the political dialogue with Mongolia is set to deepen further. Official exchanges have already intensified as demonstrated by the much broader thematic scope of recent EC-Mongolia Joint Committee and Sub-Committee meetings, as well as more frequent official visits. A first-ever EU-Troika mission to Ulaanbaatar took place in June 2006. Exchanges should now be broadened to a wider spectrum of interlocutors both within the Government and in civil society, including social partners and local government. Relevant stakeholders from civil society could also be associated in the implementation of EC cooperation with Mongolia.

The EC can be a preferential dialogue partner for Mongolia, not so much because of any profound mutual knowledge, but rather because of the relative distance that has been characteristic of the relationship so far. In fact, very few hard strategic interests intervene in the EC-Mongolia dialogue, which is characterised by a refreshing openness; this reinforces the credibility of the views expressed. The EC will continue to encourage democratic accountability, greater transparency of public affairs and sustainable development.

#### **4.5. Expected Results and Possible Risks**

It is necessary to be realistic when considering available EC resources and the challenges that Mongolia faces. However, the cooperation envisaged is expected to slow down the rural exodus in Mongolia by improving living conditions and providing sustainable employment for a significant part of the rural population. The EC is also keen to consolidate its role as a trusted and valued interlocutor in the dialogue with Mongolia.

Mongolia has the potential to become a model country, not just within Central Asia, and the EC is eager to encourage this. On the other hand, if reform efforts fail, in particular if Mongolia does not make the necessary progress on a number of governance issues (fight against corruption, public services provision, surveillance of the financial sector), the country might also become economically even more dependent on raw material prices, donor assistance and more or less desirable forms of tourism. Discontent with the political system and increasing social inequality could create political and economic instability that would nullify cooperation efforts. In the unlikely and undesirable event of severe problems concerning governance or human rights, the EC might consider suspending its aid. In any case, the EC will continue to monitor governance issues and not hesitate to air problems in the political dialogue.

Assuming that Mongolia is likely to continue on the path to become a model developing country, the effective implementation of cooperation projects will remain a challenge. Co-financing is set to reduce the complexity of numerous small projects and it increases the pressure for the co-financed project to succeed. However, in view of the long time period covered by this Strategy Paper 2007-2013, continuous monitoring and a maximum of built-in flexibility are needed in order to be able to adapt to new developments.

5. ANNEXES

5.1. Country at a Glance

The status of the country as regards the likelihood of achieving the Millennium Development Goals

In October 2006, the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), the United Nations Development Programme (UNDP) and the Asian Development Bank (ADB) issued a report entitled “Millennium Development Goals: Progress in Asia and the Pacific 2006”. This report is the latest update on progress towards the MDGs in Asia and the Pacific. It highlights the region's achievements and exposes issues on which much work remains to be done. The report looks in a holistic way at overall country progress by assessing absolute MDG indicators in addition to MDG targets.

The report classifies the progress made by each country into 4 categories:

- *Early achiever* — Has already met the target
- ▲ *On track* — Expected to hit the target by 2015
- *Off track – Slow* — Expected to hit the target, but after 2015
- ▼ *Off track – Regressing* — Slipping backwards, or stagnating

Figure 6: Mongolia’s track record on MDG so far

Goal	1	2	3	4	6	7
	\$1/day poverty Underweight children Primary enrolment Reaching grade 5 Primary completion rate	Gender primary Gender secondary Gender tertiary	Under-5 mortality Infant mortality	HIV prevalence TBC prevalence TBC death rate	Forest cover Protected area CO <sub>2</sub> emissions ODP CFC consumption	Water urban Water rural Sanitation urban Sanitation rural
Mongolia	▼ ▼ ▼	● ● ● ● ●	▲ ▲	▲ ● ●	▼ ● ● ●	▼ ▼

- MDGs Millennium Development Goals
- Goal 1 Eradicate extreme poverty and hunger
  - Goal 2 Achieve universal primary education
  - Goal 3 Promote gender equality and empower women
  - Goal 4 Reduce child mortality
  - Goal 5 Improve maternal health
  - Goal 6 Combat HIV/AIDS, malaria, and other diseases
  - Goal 7 Ensure environmental sustainability
  - Goal 8 Develop a global partnership for development

Figure 7: Key figures – 2005:

Population (millions) <sup>25</sup>	2.7
GNI/capita (USD)	690
GDP growth (%)	6.2
Inflation (consumer prices in %)	9.2
External debt / GDP (%)	70
Share of agriculture in GDP (%)	22
Share of industry in GDP (%)	27
Share of services in GDP (%)	51
Total EC Develop. Assistance since 1990 (million €)	>70
Illiteracy rate (%)	2
Life expectancy (years)	65
Human Development Index (ranking of 177)	116
Corruption Index (ranking of 163)	99

Sources: World Bank / IMF, UN, Transparency International

Figure 8: Mongolia's trading partners 2005

The major import partners			The major export partners			The major trade partners		
Partners	Mio euro	%	Partners	Mio euro	%	Partners	Mio euro	%
World	993	100.0	World	691	100.0	World	1,684	100.0
1 Russia	357	36.0	1 China	389	56.3	1 China	645	38.3
2 China	256	25.8	2 Canada	108	15.7	2 Russia	374	22.2
3 EU	108	10.8	3 USA	102	14.7	3 EU	141	8.4
4 Japan	63	6.4	4 EU	34	4.9	4 Canada	131	7.8
5 Korea	59	6.0	5 Russia	17	2.4	5 USA	127	7.6
6 USA	25	2.6	6 Uzbekistan	13	1.9	6 Japan	68	4.0
7 Kazakhstan	23	2.3	7 Ukraine	8	1.2	7 Korea	66	3.9
8 Canada	23	2.3	8 Korea	6	0.9	8 Ukraine	24	1.4
9 Ukraine	15	1.6	9 Japan	5	0.7	9 Kazakhstan	24	1.4
10 Singapore	14	1.4	10 Switzerland	3	0.5	10 Singapore	14	0.8
11 Australia	9	0.9	11 Lebanon	1	0.1	11 Uzbekistan	13	0.8
12 Israel	7	0.7	12 Kuwait	1	0.1	12 Australia	9	0.5
13 Hong Kong	6	0.6	13 Saudi Arabia	1	0.1	13 Israel	7	0.4
14 Malaysia	5	0.5	14 Kazakhstan	1	0.1	14 Hong Kong	6	0.4
15 Belarus	4	0.4	15 Moldavia		0.0	15 Malaysia	5	0.3
16 Indonesia	2	0.2	16 Hong Kong		0.0	16 Switzerland	4	0.3
17 Vietnam	2	0.2	17 Argentina		0.0	17 Belarus	4	0.2
18 Argentina	2	0.2	18 Qatar		0.0	18 Argentina	2	0.1
19 Bulgaria	2	0.2	19 Norway		0.0	19 Indonesia	2	0.1
20 Turkey	1	0.1	20 Egypt		0.0	20 Vietnam	2	0.1

Source: European Commission / DG TRADE based on IMF DOTS. Figures do not fully coincide with those in Figure 3 due to different methodologies.

<sup>25</sup> Ethnically Mongolia is composed of 2 major national groups (Khalkha Mongols and Kazakhs) and over a dozen ethnic minorities. The ethnic groups are the Durvud, Bayad, Buriat, Dariganga, Zakhchin, Uriankhai, Darkhad, Torguud, Uuld, Khoton, Myangad, Barga, Tsaatan and Uzumchin. The respective percentages of the main ethnic groups in the total population are: Khalkha, 79 per cent; Kazakh, 5.9 per cent; Durvud and Bayad, 4.6 per cent; Buriat, 1.7 per cent; Dariganga, 1.4 per cent.

**Political system:**

- The form of government:

Parliamentary democracy with 76 single-seat constituencies for the Great Khural = national parliament ('first past the post' majority voting)

- Membership in regional and global organisations: UN + sub-organisations/agencies, such as World Bank Group/IMF, WTO, FAO, WHO etc.; ADB, EBRD, ARF, ASEAN and SCO as observer, partner for cooperation in OSCE.

**Country specific agreements and forums for political dialogue:**

- The Agreement on Trade and Economic Cooperation entered into force in March 1993. It was concluded for an initial 5-year-period and has been tacitly renewed since then. The two sides grant each other most favoured nation treatment and envisage appropriate measures to facilitate/increase trade. The Agreement commits both sides to protect human rights. Regular EU-Mongolia Joint Committee Meetings take place alternately in Brussels and Ulaanbaatar (most recent meeting in Mongolia in June 2006).
- European Investment Bank Framework Partnership Agreement signed by Mongolia in November 1997.
- Mongolia became a Member of the European Bank for Reconstruction and Development in 2000 and became eligible for loans as a 'country of operations' in 2006.
- Shanghai Cooperation Organization (SCO) has met annually since its foundation in 1996; members: China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan; initial activities concerned border security, anti-terrorism - now widened to economic and trade development. Permanent Secretariat established in Beijing in 2004; Mongolia has observer status.

**Donor Coordination Mechanisms:**

- Monthly donor meetings under UN Resident Coordinator in Ulaanbaatar; exchange of information remains at the participants' discretion; thematic working groups in order to improve international donor coordination in line with the last Consultative Group/Technical Meeting recommendation.
- The previous Consultative Group Meetings have taken a new form and since 2006 'Technical Meetings' between the Government of Mongolia and external partners take place twice a year (February and October 2006 so far).

**Bilateral agreements with EU Member States:**

Austria: Agreements between the Republic of Austria and Mongolia on

- Cooperation in the Field of Taxation of Income and Property (03/07/2003)
- the Promotion and the Protection of Investments (22/05/2001)
- Bilateral Trade Relations (15/12/1992)
- Cooperation in the Fields of Culture, Science and Technology (16/10/1979) + Protocol (22/10/2004)
- Air Transport, initialled and attached as Appendix 2 to the Memorandum of Understanding done at Vienna (28/06/1999)

Belgium

- Agreement on the Promotion and Reciprocal Protection of Investments (23/03/1992)
- Agreement on the Avoidance of Fiscal Evasion and Double Taxation (26/09/1996)

Cyprus

- Agreement on Cooperation in the Fields of Culture, Science, and Education (20/03/1984)

Czech Republic: Agreements between the Czech Republic and Mongolia on

- taxation, prevention of double taxation and tax avoidance (27/02/1997)
- promotion and protection of investments (13/2/1998)
- cooperation and assistance in customs issues (13/11/1998)
- trade agreement to be renewed (11/12/1995)
- Cooperation Agreement between the Mongolian Ministry of Education, Culture and Science and the Czech Ministry of Education, Youth and Sports
- the main directions of the environmental cooperation between the Ministry of Environment of the Czech Republic and the Ministry of Nature and Environment of Mongolia (2001)

#### Denmark

- Agreement on the Promotion and Reciprocal Protection of Investments (13/03/1995)
- Air Services Agreement (19/06/1997)

#### Estonia

- Agreement between the Government of the Republic of Estonia and the Government of the Republic of Mongolia for the Avoidance of Double Taxation and the prevention of Fiscal Evasion with Respect to Taxes on income and on Capital.

#### Finland

- Agreement on Economic, Scientific and Technological Cooperation (1990)
- Air Services Agreement (10/02/2000)

#### France

- Accord culturel (31/01/1968)
- Accord sur l'encouragement et la protection réciproque des investissements (08/11/1991)
- Convention en vue d'éviter les doubles impositions et de prévenir l'évasion et la fraude fiscales en matière d'impôts sur le revenu et sur la fortune (18/04/1996)
- Accord d'amitié et de coopération (18/04/1996)
- Cultural Agreement (2005)
- Agreement on Food Assistance (22/10/1991)
- Agreement on Legal Assistance in Civil Matters and Enforcement of Judicial Orders (27/02/1992)
- Agreement on Geophysics (19/04/1996)
- Agreement on Cooperation in the Field of Tourism (2005)

#### Germany

- Agreement on Cultural Cooperation (16/09/1997)
- Protocol on Development Cooperation (04/06/1998)
- Agreement on Cooperation in the areas of Education, Science and Culture (29/07/2003)
- Agreement on the Promotion and Reciprocal Protection of Investments (26/06/1991)
- Declaration of Basic Relations (19/09/1995)
- Agreement on Technical Cooperation (16/09/1997)
- Air Services Agreement (29/05/1998)
- Agreement on the Avoidance of Fiscal Evasion and Double Taxation (22/08/1995)

#### Hungary – Agreements on

- (Economic) Cooperation Agreements (27/09/1996 and 12/2005)
- Friendly Relations and Cooperation (1998)
- Cooperation Plan 2002-2004 on Education, Culture and Science (15/11/2001)
- Civil, Family and penal legal Issues (1969)
- Air Services (13/09/1994)

#### Italy

- Agreement on Economic and Technical Cooperation (20/10/1996)
- Agreement on Cultural Cooperation (15/02/1973)
- Agreement on the Promotion and Reciprocal Protection of Investments (15/01/1993)
- Agreement on the Avoidance of Fiscal Evasion and Double Taxation (11/09/2003)

#### Latvia

- Cooperation Agreement on Education, Culture and Science (27/06/2003)

#### Lithuania

- Cooperation Agreement on Education, Culture and Science (01/07/2003)

#### Luxemburg – Agreements between the Government of the Grand Duchy of Luxembourg and the Government of Mongolia on

- Air Services (18/03/1995)
- Avoiding Double Taxation and Preventing Fiscal Fraud (05/06/1998)
- Agreement on Cooperation in the Field of Finance

#### Netherlands

- Agreement on the Promotion and Reciprocal Protection of Investments (03/09/1995)
- Agreement on Air Services (09/03/1995)
- Agreement on the Avoidance of Fiscal Evasion and Double Taxation (08/03/2002)

#### Poland - Agreements on

- Avoidance of Double Taxation (13/5/1997)

- Cooperation and Mutual Assistance in Customs Matters (13/5/1997)
- Mutual Promotion and Protection of Investments (08/11/1995)
- Validity of Agreements Signed between Poland and Mongolia in 1954-1991 (08/11/1995)
- Legal Assistance and Legal Relations in Civil, criminal, Family and Employment Matters (19/10/1998)
- Cooperation in the Fields of Culture and Education (09/12/1999)
- Cooperation in Matters of Science and Technology (09/12/1999)
- Air Services (26/05/1989)

**Slovakia** - Agreements between the Czechoslovak Socialist Republic and the People's Republic of Mongolia on

- rendering mutual legal assistance and on legal relations in civil, family, and criminal affairs (15/10/1976)
- dual citizenship (09/07/1984)
- consular convention (03/06/1976)
- Agreement between the Government of the Czech and Slovak Federal Republic and the Government of Mongolia on non-visa treatment for holders of diplomatic and official passports (26/06/1992)

**Spain**

- Agreement on Cooperation in the Field of Culture, Science and Education (23/08/1995)

**Sweden**

- Agreement on the Promotion and the Reciprocal Protection of Investments (20/10/2003)
- Agreement relating to Air Services (19/06/1997)
- Memorandum of Understanding on the Cooperation between the Scandinavian Countries regarding SAS and the Designation of MIAT (10/01/2001)
- Action Plan on Cultural Cooperation for 2005-2006 (19/04/2005)

**UK**

- Cooperation agreement in the areas of Education, Culture and Science (26/04/1996)
- Consular Convention (21/11/1975)
- Agreement on the Promotion and Reciprocal Protection of Investments (04/10/1991)
- Agreement on the Avoidance of Fiscal Evasion and Double Taxation (23/04/1996)
- Agreement concerning Air Services (01/03/2000)

**Map of Mongolia:**



Source: EC Joint Research Centre

## **5.2. Evaluation of Country Strategy 2002-2006**

(carried out by external consultants and finished 04/2005 – summary)

- The Mongolian CSP and NIPs are consistent with the EC Asia strategy, and in particular address the Asia strategy's priority area on “the promotion of development and addressing poverty”. The CSP and NIPs are also in line with EC development cooperation objectives.
- In general, Mongolia's CSP and NIPs provide sufficient information on their relevance for Mongolia, and in particular explicitly refer to the main government plans and documents.
- Cross-cutting issues are dealt with in the CSP and NIPs. The treatment of cross-cutting issues in the second NIP is more satisfactory than in the first NIP. On institutional sustainability, one of the cross-cutting issues, we note that the CSP and NIPs pay relatively little detailed attention to how interventions can be sustained and replicated.
- The CSP and NIPs focus on rural development. Within this broad sectoral option, the EC is focusing primarily on agrarian production and marketing. The sectoral focus on rural development is a priority area that fits comfortably with EC policies and is also fully in line with the expectations of the Government of Mongolia. In discussions with various interlocutors, rural development has emerged as an area that requires substantial and continued attention. The EC is well placed to provide assistance in the field of rural development, due to its past experience in this sector. Therefore, the CSP review team considers the sectoral mix in the CSP to be appropriate.
- The Mongolian Government appears to be quite satisfied with the dialogue and consultation process and is satisfied with its degree of “ownership” of EC-funded projects. It should be pointed out that “ownership” is mostly “government ownership” rather than ownership by (other) intended target groups and beneficiaries.
- The EC dialogue and consultation within the donor community are somewhat constrained by the lack of a continuous presence on the ground. The issue of donor coordination is important for a highly aid-dependent country like Mongolia. Generally, overlap of activities is difficult to avoid under these circumstances, yet the review team found no evidence of harmful overlap of activities from different donors involving EC-funded projects.
- The EC has some ongoing but limited dialogues with civil society in the context of the determination of the EC strategies. This is an area where more could be done.
- Assessment of the achievement of the objectives set out in the CSP and NIPs is hampered by the lack of time-bound targets that have to be achieved. Also, the projects of the first NIP experienced some delays in start-up, making it difficult to review the achievements to date.
- Implementation of the two projects under the first NIP - the TACIS Establishment of a Collection and Distribution Network and the TACIS Development of Agricultural Services - began in 2004.
- No sectoral approaches have been adopted in Mongolia. The World Bank is now pioneering the exploration of a sectoral approach in the education sector. In the view of some in the donor community, this is too soon.



- By contrast, a project approach has been followed. Of the other approaches considered, a programme approach – as an intermediate solution between the project and sectoral approach that is described in more detail in the main text – appears to be viable and perhaps preferable.
- The Midterm Review (MTR) did not make any very specific recommendations that needed to be followed up on. The main conclusion of the MTR was that the CSP and the directions it set out were still valid. Therefore, the question of the follow-up on the recommendations of the Mid-Term Review is not relevant.
- The most relevant change in EC policies that affect Mongolia was the transfer of Mongolia from TACIS to ALA, opening the way for more and further reaching interventions, as well as providing more flexibility in the duration of the projects.
- The last Mongolian elections were held in 2004. A coalition government was formed which broke up late 2004, giving rise to an unclear political situation. This development also hampers the implementation of the Government Action Plan 2004-2008 (similar in content to the previous action plan and poverty reduction strategy paper), which was formulated before the break-up.
- The main international developments that appear immediately relevant for Mongolia are the settlement of its Russian rouble debt and Mongolia's eligibility for (considerable) funding from the Millennium Challenge Account.
- The EC's consultation and dialogue processes are hampered by a lack of on-the-ground presence in Mongolia. For historical and cultural reasons, as well as geo-strategic considerations, EU member states see the role of the EU and EC in Mongolia as more than just focusing on development and poverty reduction, and would like to see this being underpinned with an EC presence on the ground.
- Assuming that the EC continues its focus on the field of rural development, the main challenge for the next CSP and NIPs appears to be how to design intervention strategies that focus more strongly on sustainability and replicability of the interventions.

### 5.3. Country Environmental Profile – Summary

(based on a study carried out by external consultants and finished 06/2005)

Particular geographical features of Mongolia are its extreme cold climate and vast steppe lands and mountains, while the Gobi Desert extends across the southern half of the country, covering 40% of the land area. The population density is one of the lowest in the world. Recently there has been rapid urbanisation concentrated on the capital, Ulaanbaatar, where over 40% of the total population of some 2.7 million now live.

Mongolia's traditional livelihood is of a pastoral or transhumance mode, involving annual movement from extensive summer grazing areas to winter camps nearer to settlements. Livestock husbandry still provides employment for 40% of the population. The other major sectors are mining - now critical to Mongolia's economic development, - and forestry, which is in serious decline following over-exploitation during Soviet times and poor management.

Against a backdrop of widespread poverty and hazardous climatic conditions, governments and donors have recognised the need for Mongolia's natural resource endowment to be better managed. Linkages between poverty and environmental management and good governance are consistently made. Donor organisations have assisted the Mongolian Government in raising environmental awareness, undertaking diagnostic studies, developing legislation and carrying out planning studies. However, transforming policy statements and plans into effective action has proved problematic.

#### Environmental challenges:

In the mining sector Environmental Impact Assessments (EIA) and their management plans are a tool for better control, but tend to be narrowly focused on ecological impacts; they are repetitious – written to fulfil an administrative requirement – and are in any case subsequently ignored and in practice unenforceable. Little or no public consultation is undertaken. NGOs are numerous, but they have very limited resources and are not necessarily well-viewed by Government, critical as many are of environmental governance in the country.

Important land management issues also include damage to topsoil by opencast mining, both in the formal sector and small-scale illegal 'ninja' gold mining operations. Mining has harmful impacts on health, in particular where chemicals such as mercury are improperly used, leading also to downstream water pollution. Mining through the development of strip mines, as well as the deposition of overburden spoil and tailings, have also contributed to exacerbating land degradation. As a consequence, lakes and rivers have dried up, vegetation cover has decreased dramatically, soil has lost its fertility and there is increased sand movement.

Given the country's prevailing climate, a lot of coal is burned (for energy and heating). Air pollution is a hazard within the *ger* (tent) or house (wooden shack) and in the streets. This problem is greatly aggravated by vehicle pollution in Ulaanbaatar, where the situation during the long winters is particularly serious.

Urban water: other problems of urbanisation are industrial effluents (local tanneries), untreated domestic wastewater and inadequately managed solid waste. Water shortage is a major problem for towns and particularly for Ulaanbaatar, where pricing does not adequately reflect scarcity and availability is especially deficient in the poor *ger* areas of the urban periphery.

Deforestation (particularly timber harvesting in sloped or steep terrain), change in local weather patterns, overgrazing and pastureland degradation, animal husbandry in arid and semi-arid

regions, are all factors contributing to an ever increasing desertification in the country. Crop cultivation also magnifies the desertification risk, since spring tilling coincides with the season of strong winds. It is estimated that, in the past 30 years, about 35-50 tonnes of soil have been lost per hectare of cultivated land due to wind erosion alone. The pastoral livelihood system requires animal populations to be in balance with grazing and water resources. But greater sedentarisation and inadequate provision of livestock support services has led to serious localised overgrazing around trading centres.

Mongolia still has a rich biodiversity, but rare species are endangered by hunting and illegal trapping.

#### Political response:

Serious difficulties in achieving transparent and coherent implementation of government programmes are evident. Newly elected governments have been through a number of national sustainable development planning processes, but these have usually not survived into the next electoral cycle. Donor representatives and independent commentators observe that the Ministry of Nature and Environment (MNE) shows excessive deference to the vested interests of mining, logging and hunting lobbies, as if enforcement of legislation might arrest economic development. User fees and penalties are too low and seriously outdated.

Because of the 'tyranny of distance', together with poorly resourced and trained government staff at district and sub-district levels, it is extremely difficult to monitor - let alone enforce - legislation on the ground. The responsibility for overseeing implementation of the law falls on staff of the State Inspection Service (SIS). Resource rents for mining, commercial forestry and hunting are not consistently raised, nor are there any appropriate incentives to encourage local government to implement what is often ambiguous legislation.

#### Conclusions:

In Mongolia maintaining the subsistence needs of the family is difficult for all but a privileged elite. A number of detrimental activities are indirectly caused by reactions to situations of poverty, such as informal mining, illegal and inefficient logging, overgrazing around settlements and rural-urban migration. There is, however, a new dynamic as the young leave behind the tough pastoralist lifestyle and seek education and paid labour in and around Ulaanbaatar. Physical and social support infrastructure is not adequate to cope with these new movements; employment opportunities are limited in an already over-extended and aid-dependent service sector.

Priority policy areas are identified as: a) revision and updating of existing institutional and legislative frameworks, especially in the forestry, water resources, mining and urban sectors; b) reforming and clarifying the land tenure arrangements to encourage long-term management and investment in land, and c) encouraging greater public participation, disclosure of malpractice and information dissemination.

The full version of this Environmental Profile is available at:

[http://europa.eu.int/comm/external\\_relations/mongolia/intro/index.htm](http://europa.eu.int/comm/external_relations/mongolia/intro/index.htm)

#### **5.4. Coordination with EU Member States**

Combining efforts to increase aid effectiveness, the Commission is committed to the Paris Declaration on alignment and coordination of policies and harmonisation of procedures.<sup>26</sup> The Council Conclusions of November 2003 provide for the development of EU roadmaps on harmonisation in all countries. In view of the limited activities of EU Member States in Mongolia such a roadmap has not yet been established. Coordination among Member States and with the European Commission takes place on an informal basis through meetings and ad hoc exchange of information. In preparation for this Strategy Paper, an EC programming mission to Mongolia has consulted all resident Member States. Coordination with non-resident Member States takes place via the EC Delegation in Beijing and headquarters in Brussels.

The following annex tries to match donor contributions, including projects of the EC and its Member States, with the 'guidelines for socio-economic development' approved by the Mongolian Parliament. A detailed list of all EC projects in Mongolia since 2000 is provided in the Multiannual Indicative Programme 2007-2010, which takes its direction from this Strategy Paper.

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<sup>26</sup> Cf. <http://www.oecd.org>

## 5.5. Guidelines for Socio-Economic Development and Donor Matrix\*

No.	General guidelines for targets and measures	Criteria	Contribution by Donors	2005	2006	2007	2008
				Exp.	Target level		
	<b>Create an environment to ensure stable economic growth, stabilize economic growth</b>	<b>GDP growth rate</b>		6.1	7.6	6.7	6.7
1	Implement policies and regulations to maintain inflation at a reasonable level;	CPI, percent	<b>IMF:</b> Discussion of monetary policy to with BOM	10.1	6.0-7.0	6.0-6.5	6.0-6.5
2	Prudently manage foreign exchange reserves to prevent from abrupt changes in the exchange rate;	Annual change in tugrug exchange rate versus USD, percent rate;	<b>IMF:</b> TA on exchange rate and foreign reserve management policies	0.015	0.023	0.024	0.022
3	Strengthen banking and financial sectors, reduce the government share in the financial sector, support new financial products and services;	Money supply and GDP, percent	<p><b>ADB:</b> Capacity Building for Non-Bank Financial Sector, Assistance on legal and institutional reforms</p> <p><b>EBRD:</b> Capacity building on credit analysis, risk management</p> <p><b>Germany:</b> Credit-program for SME and renewable energy, promotion of service provider in finance sector; Strengthening Bank Training Center, Supporting rural finance system</p> <p><b>Japan:</b> Enhancing commercial bank term-lending capacity for SMEs and Environmental protection; Capacity Building of Commercial Banking Sector</p> <p><b>IFC:</b> Investment in financial and non-bank financial sector</p> <p><b>IMF:</b> TA on banking supervision</p> <p><b>UNDP:</b> Piloting new microfinance products</p> <p><b>USAID:</b> Housing Finance Corporation, Credit information Bureau</p> <p><b>World Bank:</b> Enhancing commercial bank term-lending capacity, Reforming financial services and payments in rural areas; Upgrading Credit information Bureau; Improvement of Commercial Bank Risk Management and payment systems; Index based livestock insurance,</p>	50	52	55.5	60

\* Source: Mongolian Parliament/World Bank. Point 14 has been slightly amended following a suggestion from France. Otherwise, no particular efforts have been undertaken to try to complete or check the information kindly provided by the World Bank. We apologize for possible omissions and inaccuracies.

No.	General guidelines for targets and measures	Criteria	Contribution by Donors	2005	2006	2007	2008
				Exp.	Target level		
4	With the aim of ensuring the sustainability of foreign and domestic debt in the long-term, draw up "Foreign debt strategy" and administer debts without causing difficulties to the budget and economy of Mongolia;	Share of foreign debt in GDP	<b>IMF:</b> Support in improving debt management <b>IMF/WB:</b> Joint DSA on annual basis <b>World Bank:</b> Improving government debt servicing; Support in developing and finalizing Mid Term Debt Management Strategy	87.4	87.3	87.2	85.5
5	Expand foreign trade and economic relations, increase the number of export products, and boost exports;	Share of exports in GDP, percent	<b>China:</b> Support to Customs <b>EBRD:</b> Advisory services for enterprises <b>EU:</b> Support in Enhancing Exports and Sustainable Entrepreneurship; Strengthening Networking with European Intermediary Business Organisations, Establishment of Collection and Distribution Network; Development of Animal Hair based industry <b>Germany:</b> Export oriented industrial and trade policy formulation, promotion of SME; Supporting in trade negotiations <b>Netherlands:</b> Cleaner Production <b>UNDP:</b> Support for trade negotiation capacity and human development concept in trade policy <b>USAID:</b> Trade facilitation unit, finding of export markets	0.514	0.518	0.527	0.533
6	Improve the investment return by creating favourable environment that protects foreign and domestic investment;	FDI, USD mil	<b>Germany</b> <b>Japan:</b> Establishment of Tax Administration Project <b>Netherlands</b> <b>USAID:</b> Tax reform <b>World Bank-</b> Improving tax administration; ICA, Trade , mining and cashmere studies	110	115	120	125
7	Satisfy the prudential share of budget revenues and expenditure in GDP, and thereby reduce the budget deficit;	Share of budget deficit in GDP	<b>IMF:</b> TA on revenue and expenditure reform and implementation of new tax law <b>USAID:</b> Tax reform, macroeconomic work <b>World Bank:</b> GFMIS, Capacity building for public expenditure management; improving budget planning regime, improving expenditure planning capacity	-0.9	-3.5	-1.1	1.4
8	Draw up a complete investment program for the government sector, implement annual investment policies in line with the program;	Investment program adopted	<b>UNDP/UN Agencies:</b> Supporting development MDG-based Long-Term National Development Strategy	-	-	-	-

No.	General guidelines for targets and measures	Criteria	Contribution by Donors	2005	2006	2007	2008
				Exp.	Target level		
	<b>Increase the share of secondary and further sectors in GDP, deepen their specialization</b>	<b>Share in GDP</b>		<b>59.7</b>	<b>61.5</b>	<b>63.6</b>	<b>65.9</b>
9	Improve the coverage and supply of energy, reduce the number of households without a regular source of energy;	Share of number of soums connected to the central system in number of soums with possibility to be connected	<b>ADB:</b> Improvement of UB Heat Efficiency <b>China</b> <b>EBRD:</b> Support for private sector participation in power sector/privatization <b>Germany:</b> Improving the energy distribution networks <b>Japan:</b> Rehabilitation/improvement of the 4th Thermal Power Station in UB <b>Sweden:</b> Rehabilitation of transmission grid <b>Turkey,</b> <b>World Bank:</b> Reducing system losses, improving revenue collection and financial sustainability of distribution system in UB and 7 aimags;	57.7	61.5	65.4	69.2
10	Enhance the energy production in order to ensure the projected economic growth;	Growth in energy production, percent	<b>China</b> <b>EBRD:</b> Support for private sector participation in power sector/privatization <b>Germany:</b> Rehabilitation of power plants, training of power station personnel <b>Japan:</b> Rehabilitation/improvement of the 4th Thermal Power Station in UB <b>Korea</b> <b>Netherlands:</b> Energy Efficiency <b>USAID:</b> Energy regulatory reform, <b>World Bank:</b> Support in implementation of energy sector reforms	7.1	7.3	7.7	7.7
11	Implement objectives of the national program on renewable energy;	By program implementation	<b>EU:</b> Improvement of district heating systems in urban centers <b>Germany:</b> Renewable energy power plants in rural areas; Supply strategies for nomads <b>India-</b> Solar energy pilot <b>Japan/China:</b> Provide with solar energy battery <b>Kuwait/Abu Dabi Fund:</b> Taishir Hydro Power Station <b>World Bank/ Netherlands:</b> Increase access of herders to electricity, rehabilitation of mini grids, introduction of renewable-diesel hybrid generation systems.	-	-	-	-

No.	General guidelines for targets and measures	Criteria	Contribution by Donors	2005	2006	2007	2008
				Exp.	Target level		
12	Expand the capacity of mining and prospecting activities as well as its processing;	Ratio of pure copper production to copper concentrate production	<b>Switzerland:</b> 'Support for Artisanal Mining Program' - support in formalizing artisanal mining, inputs to the law, environmentally friendly and more efficient technologies for artisanal mining. <b>World Bank:</b> Mining Cadastre; Mining Study	1.7	1.7	1.8	1.9
13	Improve the supply and coverage of healthy food, reduce the population with food and nutrition deficiency;	Supply of flour requirement, percent Supply of vegetable requirement, percent, Plant-processed meat, thousand tons Plant-processed milk, million liters	<b>Canada</b> <b>EU (ECHO):</b> Food Security, Livestock and Nutrition Programme, Meat processing/crop industry <b>France:</b> Food security <b>Japan:</b> Food Aid <b>Korea</b> <b>Russia:</b> Wheat provision-Humanitarian.aid <b>Switzerland:</b> Improvement of potato seed quality and certification, access to seed for poor <b>UNICEF:</b> Growth Monitoring and Promotion for under five children, Supplementation of micro-nutrients, Universal Salt Iodization( USI) <b>UNWHO: Training on food safety, diet, nutrition and HSAP</b>	18 13.3	25 13.9	32 15.0	40.1 6.0
14	Reduce risks in agriculture, increase the productivity, capacity, and profitability by enhancing production; create the better living environment in rural areas	Number of farmer establishments Number of livestock, thousand heads	<b>ADB:</b> Agriculture Sector Development program; Agriculture Sector Strategy Formulation <b>EU:</b> Development of agricultural services; Establishment of a Collection & Distribution Network, Reduction of Community Vulnerability <b>France:</b> Stock breeding/genetic improvement: 1.5 million EUR planned 2006-2009 <b>Germany:</b> Support of regional economy, Support/training for cooperatives; Support for privatization of veterinary services and training <b>India-Friendship farm</b> <b>Japan:</b> Food Aid; Support for increase of food production; Crop-Livestock Management Model; Training of veterinary specialists <b>Netherlands:</b> Drought Early Warning Systems, Improved sustainable grassland management, Veterinary assistance; income diversification, bufferzone management, Support for regional economies <b>Sweden:</b> Rural development <b>Switzerland:</b> Tools and methods for pasture rotation and rehabilitation, production of forage seed and fodder; small loans and grants for community development <b>Turkey</b> <b>UNDP:</b> Skills training for herders, creation of community revolving funds to enhance business opportunities <b>USAID:</b> Gobi Initiative in 6 aimags; Gobi forage in 6 aimags <b>World Bank:</b> Support in Pastoral risk management; Index based livestock insurance, Community investment fund	300  0.14	375	460	530



No.	General guidelines for targets and measures	Criteria	Contribution by Donors	2005	2006	2007	2008
				Exp.	Target level		
15	Implement objectives of the "Electro Mongolia" (Tsakhim Mongol) program, develop innovative information and communications technology;	Number of telephone users, thousand persons; Number of mobile phone users, thousand persons, Number of internet service users	<b>EBRD:</b> Restructuring and privatization of Telecommunications sector <b>India-</b> IT centers in 5 aimags, VC facility in UB <b>ITU</b> <b>Korea:</b> E-governance <b>UNDP</b> <b>WHO:</b> Fellowship for national medical record system, National health information system <b>World Bank:</b> Extension and improvement of ICT infrastructure in rural areas; increase private sector participation in e-government services, Strengthening regulatory capacity	-	-	-	-
	<b>Reduce the percentage of population with income below the poverty line</b>	<b>Share of the poor in total population decreased</b>		<b>36.1</b>	<b>35</b>	<b>33.5</b>	<b>31.8</b>
16	Increase employment, reduce unemployment;	Unemployment rate	<b>ADB:</b> Social sector programs including reduction of poverty and unemployment <b>Denmark:</b> Human rights in labour market <b>France:</b> Micro credits for agricultural/food producers; Income generation activities <b>Germany:</b> SME and cooperatives support; Regional Economic Development <b>Sweden/UNDP:</b> Poverty Research and Employment Facilitation <b>Switzerland:</b> Western region development; Scholarship for students from poor families <b>USAID:</b> Ger initiative <b>UNDP:</b> Promoting One Village One Product initiative and the clustering of small business <b>UNICEF:</b> Non-Formal Education <b>World Bank:</b> Rural micro-finance services (savings, credit, and/or insurance) <b>World Vision</b>	0.035	0.035	0.034	0.034
17	Reduce the school drop-out, preserve the objective of providing elementary education to all children;	Coverage rate of elementary education	<b>ADB:</b> Education Sector Development Project II and III <b>Denmark:</b> School development in rural areas <b>EU:</b> Improve Quality and Accessibility of Basic Education for Poor <b>Japan:</b> Teaching Methods Improvement; Strengthening the planning capacity <b>Sweden:</b> Education for Children with Disabilities <b>UNICEF:</b> Child Friendly School, Multi-grade Teaching <b>World Bank:</b> Improving teachers' skills and policy, monitoring and evaluation capacity	91.2	91.2	94.1	94.5

No.	General guidelines for targets and measures	Criteria	Contribution by Donors	2005	2006	2007	2008
				Exp.	Target level		
18	Transform secondary education into 11-year structure by 2006 and 12-year by 2007;	School graduation in 11 and 12 years achieved	<b>ADB:</b> Education Master Plan <b>India-</b> Higher secondary school program, ITEC/ICCR scholarship <b>Japan:</b> Improvement of Primary Education Facilities; Grassroots Human Security	-	-	-	-
19	Improve the study environment and rooms of secondary schools, and sufficiency and supply of teachers and textbooks;	Number of schooling seats, thousand	<b>ADB:</b> Education Sector Development program <b>Japan:</b> Improvement of Primary Education Facilities; Teaching Methods Improvement <b>UNFPA:</b> Curriculum development and teacher training <b>UNICEF:</b> Child Friendly School project <b>World Bank:</b> Provision of non-text book children books at all bag and soums schools.	319.5	324.9	328.6	332.7
20	Lessen the inequality in primary and secondary school enrolment and literacy between male and female pupils;	Literacy rate of 15-year olds and over (ratio of female and male)	<b>ADB:</b> Education Sector Development Project II and III <b>Sweden:</b> Education for children with disabilities <b>UNICEF:</b> Child Friendly School project <b>World Bank:</b> Provision of non-text book children books at all bag and soums schools.	1.01	-	-	1
21	Reduce the mortality of children aged less than 5;	Mortality per 1000 live births	<b>Germany:</b> Reproductive health program <b>Japan:</b> Assistance for Grassroots Human Security Projects <b>Italy:</b> Improvement of Maternal and Child Research Center <b>UNICEF:</b> Growth Monitoring and Promotion for under five children, EPI, IMCI, Child Nutrition, WES <b>WHO:</b> Training on Childhood illness and Neonatal mortality reduction; Reduction of diarrhea related diseases	29.1	28	-	29.2 (in 2015)
22	Ensure the supply of reproductive health aid and service to everyone, reduce the maternal mortality;	Maternal mortality per 100 000 live births	<b>ADB: Decreasing Maternal Mortality</b> <b>Germany:</b> Health promotion and health education for HIV/AIDS prevention <b>Japan:</b> Supply of special equipment for Infectious Disease Control <b>UNFPA:</b> Reproductive health Support <b>UNICEF:</b> Safe Motherhood <b>WHO:</b> Training on Safe motherhood, mother friendly hospitals	98.2	95		50 (in 2015)
23	Reduce the spread of tuberculosis;	Number of tuberculosis patients per 100 000 persons	<b>Global Fund</b> <b>Japan:</b> Supply of special equipment for Infectious Disease Control <b>UNFPA:</b> Reduction of spread of tuberculosis, STIs and HIV <b>WHO:</b> Training on diagnosis and treatment and specimen transport system	90	80		40 (in 2015)

No.	General guidelines for targets and measures	Criteria	Contribution by Donors	2005	2006	2007	2008
				Exp.	Target level		
24	Improve the diagnostic and treatment capacity of state and private hospitals, support initiatives to establish modern comprehensive diagnostic centers in Ulaanbaatar and regional centers;	By operations outcome	<b>Japan:</b> Supply of special equipment for Infectious Disease Control <b>Korea</b> <b>Russia:</b> Technical aid <b>Switzerland:</b> Medical equipment and tools <b>WHO:</b> Diagnostic support to remote soums; quality assurance programs, specimen transport system	-	-	-	-
25	Improve the coverage and quality of medical services by enhancing the hospital management capacity of all levels and improving their structure and organization;	Share of hospitals that completely meet requirements of the structure and operational standards of soum hospitals	<b>ADB:</b> Health Sector Reform, Capacity Building for Health Sector Reforms, Health Sector Development projects <b>EU:</b> Improvement of health care of rural population in Selenge <b>Korea</b> <b>Switzerland:</b> Surgical Team; training on surgery operations in UB, and basic emergency surgeries for rural surgeons and doctors of the Khangai region; Internet based Telemedicine network <b>WHO:</b> Training program on health program management	30 (in 2004)	0.4	-	0.8
26	Improve housing sufficiency, supply, and conditions, ensure the implementation of the "40000 apartments" program	Number of flat built newly, thousands	<b>ADB:</b> Housing Finance, Integrated Development of Basic Urban Services in Provincial Towns, Urban Development and Housing <b>China:</b> Housing support for civil servants <b>Turkey:</b> Survey on investment for 40 thousand apartment program	-	-	-	-
27	Lessen negative aspects of over-concentration and migration of population, increase the coverage of social services for them;	By operations outcome	<b>ADB:</b> Social Security Sector Development program <b>Germany:</b> Cost and energy efficient housing; Energy efficient rehabilitation of apartment buildings Community driven ger-development Demand-driven technical vocational education and training; Establishing of Land Management and tax register <b>UNDP:</b> Support to civil registration system <b>UNFPA:</b> Support to unregistered migrants and civil registration <b>UNICEF:</b> Convergent Basic Social Services, Family Empowerment Strategy <b>WHO:</b> Support and research on new immigrants to Health insurance programme in UB	-	-	-	-

No.	General guidelines for targets and measures	Criteria	Contribution by Donors	2005	2006	2007	2008
				Exp.	Target level		
28.	Improve the quality and coverage of social security and care, ensure the implementation of the "Strategic document of social welfare" to improve the efficiency;	Number of persons covered by social insurance, thousand persons	<b>ADB:</b> Social Security Sector Development program <b>Canada</b> <b>NDF</b> <b>UNICEF:</b> Child protection <b>World Bank:</b> Assistance in better targeting of CMP and creation of CMP beneficiaries' database of 6 aimags. <b>World Vision</b>	684	691.1	698.3	705.6
29.	<b>Ensure healthy and ecologically-friendly living conditions, prevent from environmental deterioration;</b> Ensure healthy and ecologically-friendly living conditions, reduce the air pollution of cities;	Amount of CO <sub>3</sub> exhausted from production of 1 kcal thermal energy, grams	<b>AustraliaCanadaJapan:</b> Support for improvement of Solid Waste Management and planning in UB City <b>Kuwait</b> <b>Netherlands:</b> Geo-information Center <b>UNDP:</b> Promoting energy efficiency new national Construction Codes and Standards to reduce CO2 emission and quality of <i>ger</i> insulation <b>Spain</b> <b>World Bank/GEF:</b> Improved stoves <b>WHO:</b> Training and research on air quality measurement, their effects on health and environment	0.51	0.5	0.49	0.48

No.	General guidelines for targets and measures	Criteria	Contribution by Donors	2005	2006	2007	2008
				Exp.	Target level		
30	Prevent from environmental deterioration, enhance economic growth, improve recovery and protection of natural resources;	Number of springs that meet sanitary and hygiene requirements: Recovery rate of land damaged by mining prospecting: Share of preserved area in total territory - Share of forests - Total forestation, including Green Fortress program, hectares	<b>Austria</b> <b>Canada</b> <b>Denmark</b> <b>Germany:</b> Support for sustainable use of forest and nature conservation in Khangai, Khentii and Gobi; environmental protection in mining; <b>Japan:</b> Support in River basin management Model for Conservation of Wetland and Ecosystem and its sustainable use <b>Korea</b> <b>Kuwait</b> <b>Netherlands/FAO:</b> Community based Forestry program; Water management; Improved natural resource data management (NGIC), Buffer zones; Sustainable Grasslands <b>Netherlands/UNDP:</b> Biodiversity in Altai Sayan <b>Russia:</b> Support in fighting deforestation <b>Spain</b> <b>Sweden:</b> Rural development and environmental education (TA), Environmental education <b>Switzerland:</b> Natural Resource Management Program-Ecological Education; know-how to artisanal miners, development of artisanal mining law <b>UNDP/Netherlands:</b> Support for environmental governance: institutional effectiveness for monitoring and control over natural resource management, review of legal and policy framework for environment, capacity building for the grass root level organizations; community - based natural resource management <b>WHO:</b> Health springs project, Studies on waste characterization and medical waste in UB, Darkhan <b>World Bank/Netherlands:</b> Strengthening Environmental Management Capacity	156 43 13.4 8.2 5400	200 45 13.6 8.22 6355	250 47 13.9 8.23 10000	300 49 14.2 8.24 12000
31.	Reduce the share of population without access to reliable drinking water;	Number of wells in utilization	<b>Japan:</b> Rehabilitation/improvement of Water Supply Facility of Ulaanbaatar city <b>Netherlands/UNDP:</b> Capacity building for National Water Authority, improving access of rural and urban poor to water and sanitation <b>World Bank:</b> Improvement of water supply for <i>ger</i> areas population	30.5	32.0	34.5	36.0

No.	General guidelines for targets and measures	Criteria	Contribution by Donors	2005	2006	2007	2008
				Exp.	Target level		
32	Protect population and livestock from weather and natural disasters, improve the prevention system, reduce the loss to herder families and economy as a whole;	Accuracy of forecast warning of climatic disasters, average percent	<p><b>EU (ECHO):</b> Food Security, Livestock and Nutrition Programme</p> <p><b>Japan:</b> Support for Development of Comprehensive Crop-Livestock Management Model; Food Aid</p> <p><b>Netherlands:</b> Improved natural resource data management (NGIC) and Drought Early Warning systems (MNE)</p> <p><b>Switzerland:</b> Pasture Ecosystem Management Program- tools and methods for pasture rotation and rehabilitation, and supported the production of forage seed and fodder; Shelter Project – provision of fully equipped <i>gers</i> for homeless herder families in UB and western aimags</p> <p><b>World Bank:</b> Index based livestock insurance</p>	89.3	89.5	89.8	90
33	<p><b>Improve Governance transparency, efficiency and deliver public service to each citizen;</b></p> <p><b>Establish legal and other conditions and opportunities for the public to obtain information freely;</b></p>	Share of households with possibility to receive information in multi-channels in total households increased	<p><b>ADB:</b> Support for administrative consolidation and assistance in ensuring transparency and accountability mechanisms for the delivery of public services</p> <p><b>Germany:</b> Training and re-training of lawyers</p> <p><b>Japan:</b> Legal Reform Support; Strengthening Accounting and Auditing Capacity</p> <p><b>Sweden:</b> Reform in public administration; Support to National Human Rights Commission; Support in developing a public service broadcaster</p> <p><b>UNDP:</b> Support community mobilization and community driven initiatives; Parliament Advocacy; Promotion of good local governance; Support in Development of Democratic Governance indicators</p> <p><b>USAID:</b> Open Government website, Superchat, automation of courts, NDF</p> <p><b>WHO:</b> Open Ministry of Health website</p> <p><b>World Bank:</b> Improving capacity for Civil service reform; Legal Capacity Building; Legal Center, Enhancement of the Legal Education and Legal Profession</p>	-	-	-	-
34	Continue the military reform, improve the military structure, increase the military capacity, have more participation of Mongolian military services in UN peace-keeping and other international activities;	By operations outcome		-	-	-	-

No.	General guidelines for targets and measures	Criteria	Contribution by Donors	2005	2006	2007	2008
				Exp.	Target level		
35	Strengthen professional monitoring and control on legal and standards enforcement, thereby transform into a service for customers;	By operations outcome	<p><b>China:</b> Equipment Supply for the General Customs</p> <p><b>Germany:</b> Legislative drafting of commercial laws and civil code; civil procedure law, enforcement of civil judgements, Training of lawyers</p> <p><b>Japan:</b> Legal Reform Support; Strengthening of Accounting and Auditing Capacity; Establishment of Tax Administration</p> <p><b>Russia:</b> Support in enforcement of constitutional law standards</p> <p><b>Sweden:</b> Institutional strengthening - Mongolian Arbitration Court</p> <p><b>Switzerland:</b> Advice on creating an enabling legal framework for land tenure</p> <p><b>USAID:</b> Special Investigative Unit on corruption in justice sector, assistance to Prosecutor's office and advocates, improvement of court management</p> <p><b>World Bank:</b> Strengthening Accounting and Auditing Capacity; Support in establishment of Administrative Court System</p>	-	-	-	-
36	Protect citizens from crime, enhance proper court-ruling of crimes, ensure reimbursement of losses, strengthen legislative authorities;	Crime revelation and court-ruling improved	<p><b>Germany:</b> Training and re-training of lawyers</p> <p><b>USAID</b></p>	-	-	-	-
37	Create favourable external environment for politics, security, and legislation to secure socio-economic development;	By operations outcome	<b>Sweden:</b> Support in establishment of Land Administration System (TA)	-	-	-	-
38	Implement the objectives of "General guidelines for privatization and restructuring of state property in 2005-2008", privatize and restructure state-owned enterprises in a manner that ensures their more contribution into economy;	By implementation of general guidelines	<p><b>ADB:</b> Equity participation in privatized companies</p> <p><b>EBRD:</b> Support in restructuring and privatization of Power and telecommunication sectors</p> <p><b>IFC :</b> Equity participation in privatized companies</p> <p><b>USAID:</b> Commercialization of Energy sector; assistance on privatization of SOEs</p> <p><b>World Bank:</b> Support in commercialization of Energy sector, resolution of Savings Bank</p>	-	-	-	-

No.	General guidelines for targets and measures	Criteria	Contribution by Donors	2005	2006	2007	2008
				Exp.	Target level		
39	Improve the coverage and timeliness of legislative information of all sector to the public in line with the "General guidelines for improvement of legislation of Mongolia until 2008";	By implementation of general guidelines	<b>USAID:</b> Anticorruption support, Open Government website, Superchat Special Investigative Unit on corruption of justice sector officials, assistance to Prosecutor's office and advocates, improvement of court management, automation of courts <b>World Bank:</b> Unified Legal Information System	-	-	-	-
40	Improve the disaster management structure supported by the public, strengthen capacity of specialized staff, enhance disaster prevention force and equipment;	By operations outcome	<b>China:</b> Support in preventing from Avian Influenza <b>Japan:</b> Capacity development for Weather forecasting and data analysis <b>UNDP:</b> Support in development of National Framework of Action for Disaster Risk Management 2006-2015, capacity building of NEMA, facilitation of creation Community-based Disaster Management structures: strengthening herders' self-help groups; Support for development of National Preparedness Plan for Avian Influenza, in its implementation; <b>USAID:</b> DM training, surveillance system and training on AI	-	-	-	-
41	Educate the public in disaster prevention, expand foreign relations and cooperation, intensify preventative measures;	By operations outcome		-	-	-	-
42	Increase women's participation in decision-making;	Participation of women in decision-making increased	<b>UNFPA:</b> Work with parliament on gender equality program, domestic violence <b>USAID:</b> Outreach and training for women who wants to be involved in politics				
43	Increase the data exchange capacity of the National Center of citizens' registration and information and its offices, ensure smooth and quality operation;	By operations outcome		-	-	-	-



## 5.6. Chronology of EC-Mongolia Relations

- 1989 Establishment of diplomatic relations between EC and Mongolia. Accreditation of Mongolian Ambassador to Brussels in 1990. Accreditation of EC Head of Delegation in Beijing to Ulaanbaatar in 1991.
- 1992 Commissioner F. Andriessen pays an official visit to Mongolia. Mongolia's Prime Minister D. Byambasuren visits Brussels.
- 1993 Trade and Cooperation Agreement enters into force. The President of the Mongolian Parliament N. Bagabandi visits Brussels.
- 1994 Mongolia becomes eligible for TACIS Programme (Technical Assistance to Community of Independent States and Mongolia) which has since then provided the major part of EC project grants (which altogether exceed EUR 70 million)
- 1995 Mongolia's President P. Ochirbat visits Brussels.
- 1996 Commissioner H. Van den Broek visits Mongolia.
- 2001 Mongolia's Prime Minister N. Enkhbayar visits Brussels.
- 2001 European Commission adopts first Country Strategy Paper (CSP) which outlines the priorities for EC cooperation with Mongolia between 2002 and 2006: rural development, support to the private sector and for alleviating the social consequences of transition.
- 2002 The President of the Mongolian Parliament S. Tumor-Ochir visits Brussels.
- 2003 European Commission sponsors 5<sup>th</sup> International Conference of New or Restored Democracies in Ulaanbaatar. Commissioner P. Nielson visits Mongolia and speaks at the Conference.
- Jan. 2004 Mongolia becomes eligible for the ALA Assistance Programme for Asian and Latin American Developing Countries.
- May 2004 EU enlargement from 15 to 25 member states – now six Member States with resident embassies in Ulaanbaatar: Czech Republic, France, Germany, Hungary, Poland, UK.
- May 2004 EC adopts National Indicative Programme 2004 - 2006: continued focus on poverty alleviation through rural development. Devolution/"Deconcentration" of project implementation to Beijing Delegation.
- Sept. 2004 Seminar on "Opportunities for Cooperation between Mongolia and the EU" in Ulaanbaatar: Asia-wide programmes, science & technology under the 6<sup>th</sup> Framework Programme, NGO co-financing, trade-related technical assistance.
- March 2005 Deputy Prime Minister Ulaan leads the Mongolian Delegation for the 8<sup>th</sup> Joint Committee Meeting in Brussels (established under the 1993 Trade & Cooperation Agreement).
- June 2005 Mongolian Prime Minister T. Elbegdorj meets Commissioner Figel in Brussels.
- Dec. 2005 Practically all Mongolian exports are granted tariff-free access to the EU under the reformed Generalised System of Preferences (GSP+).
- June 2006 9<sup>th</sup> EC-Mongolia Joint Committee meeting and first-ever EU-Troika visit to Mongolia. The European Commission opens a Technical Office in Ulaanbaatar.

## 5.7. Acronyms

ADB	Asian Development Bank
ADRA	Adventist Development and Relief Agency
ALA	(EC Cooperation Programme) for Asian and Latin American Developing Countries
ARF	ASEAN Regional Forum
ASEAN	Association of South-East Asian Nations
ASEM	Asia-Europe Meeting
BG	Bulgaria
CSP	Country Strategy Paper
CZ	Czech Republic
DCI	(EC Regulation No 1905/2006 establishing a) Development Cooperation Instrument
DE	Germany
EBA	Everything but Arms (preferential tariffs)
EC	(Commission of the) European Communities – ‘EU’ (European Union)
ECHO	EC Humanitarian Aid Office
ECU	European Currency Unit – predecessor of the Euro (EUR)
EGSPRS	Economic Growth Support and Poverty Reduction Strategy
EIA	Environmental Impact Assessment
FAO	(United Nations) Food and Agricultural Organization
FR	France
GDP	Gross Domestic Product
GNI	Gross National Income
GSP	General System of Preferences
HIV	Human Immune Deficiency Virus
ICAO	International Civil Aviation Organisation
IDA	International Development Agency (World Bank Group)
IFC	International Finance Cooperation (World Bank Group)
IMF	International Monetary Fund
MDC	Motherland Democratic Coalition (coalition of opposition parties in 2004 parl. elections)
MPRP	Mongolian People’s Revolutionary Party
MTR	Mid-term Review
NGO	Non-governmental organisation
NIP	National Indicative Programme
OSCE	Organization for Security and Cooperation in Europe
PL	Poland
PRSC	Poverty Reduction and Support Credit
SCO	Shanghai Cooperation Organization
SLP	Sustainable Livelihoods Programme
SME	Small and medium-sized enterprises
TAC	(ARF) Treaty of Amity and Cooperation
TACIS	(EC Cooperation Programme) for the Commonwealth of Independent States
TEMPUS	Trans-European Mobility Scheme for University Studies
Tg	Togrok (Mongolian currency – 1 EUR = approx. 1500 Tg)
UK	United Kingdom
UNDP	United Nations Development Project
USAID	United States Agency for International Development
WHO	World Health Organization
WTO	World Trade Organization