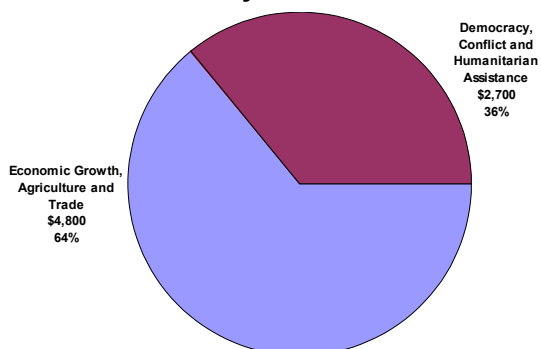
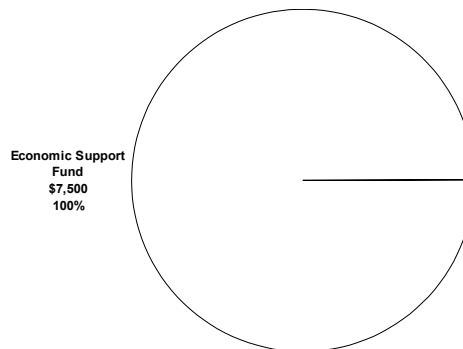


# Mongolia

**FY 2006 Assistance by Sector**



**FY 2006 Assistance by Account**



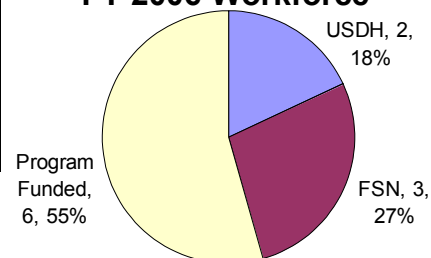
## Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Private Sector-Led Economic Growth	438-001	7,241	7,220	4,800
More Effective and Accountable Governance	438-002	2,700	2,700	2,700
<b>Total (in thousands of dollars)</b>		<b>9,941</b>	<b>9,920</b>	<b>7,500</b>

## Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	429	400	400
USDH Salaries & Benefits	131	242	247
Program Funds	523	539	539
<b>Total (in thousands of dollars)</b>	<b>1,083</b>	<b>1,181</b>	<b>1,186</b>

**FY 2006 Workforce**



**Mission Director:** Leon Waskin

## Mongolia

**The Development Challenge:** Mongolia's harsh climate, small domestic market, land-locked status, and lack of infrastructure present formidable challenges. Yet the country provides an important example to others in East Asia, Central Asia, and elsewhere on how to manage an economic transition within a democratic political framework.

Mongolia's transition to democracy is a remarkable achievement with ramifications that go well beyond its frontiers. Ten elections have been held over the past decade, three each at the local and presidential levels and four at the parliamentary level. Governments have been chosen through elections that reflect the will of the people, and the transition from one government to the next has taken place in a largely positive and cooperative atmosphere. The most recent Parliamentary elections, held in June 2004, further demonstrated the country's progress toward democracy. In that election, the Motherland Democracy Coalition (MDC), which previously had held just four of the 76 seats in Parliament, won 34 seats against the 36 captured by the Mongolian People's Revolutionary Party (MPRP), the reformed Communists who had governed the country for all but four of the 14 years since the transition from socialism began in 1990. The MDC and MPRP now share power in a de facto coalition, with the MDC holding the Premiership and the MPRP the Speakership. Yet, important challenges remain. The judiciary and civil society remain weak, corruption remains high, public access to the decision-making process is limited or nonexistent, the Parliament has yet to emerge as an effective overseer of the executive branch, and the participation of women in the political process is strikingly low (women hold only five seats in Parliament, for example, and none of the 21 regional governorships).

The direction and pace of economic change also have been encouraging. Approximately 75% of the Mongolian economy is now in private hands, up from virtually nothing at the beginning of the 1990s. Total annual gross domestic product (GDP) is estimated at just over \$1 billion and per capita income is estimated at around \$500 per year. Tourism, construction, and light industry offer significant future potential, while international investor interest in mining increased significantly over the past year.

After several years of economic stagnation and decline, GDP growth rates reached 3.9% in 2002 and 5.6% in 2003. This encouraging development suggests that Mongolia's hard-won political stability is beginning to have an economic impact. A vibrant "underground" economy and informal "remittances" from the estimated 70,000 Mongolians working overseas may make the actual per capita income figure even higher, but the poverty rate remains high at 33%. The growing international debt burden--now approximately \$1 billion--is cause for concern, as is the level of corruption. Similarly, while the new coalition government has verbally expressed its commitment to continue the reform process and to maintain macroeconomic discipline, it is not yet clear that it will be able to do so in the face of significant political pressure on both parties to carry out unaffordable campaign promises.

U.S. interests in Mongolia stem from its important role in contributing to stability in a potentially volatile part of the world; the positive example it sets in promoting economic reform and democracy; and its visible support for the United States in the continued war on terrorism. Most notably, Mongolian peacekeeping contingents and advisors are currently on duty in both Iraq and Afghanistan. Mongolia's strategic location between Russia and China, two traditional rivals that are also nuclear powers and important players on the global stage, adds to its significance.

**The USAID Program:** The projects being carried out under USAID's strategy are tightly focused, directly addressing two of Mongolia's most pressing concerns: sustainable private sector-led economic growth and more effective and accountable governance. Every USAID project in Mongolia helps advance at least one of these two objectives.

Activities to promote sustainable, private sector-led growth are directed towards the policy, sector, individual firm, and "grassroots" levels. The Economic Policy Reform and Competitiveness (EPRC) Project provides training and advisory services to government institutions and the private sector. Project staff have worked closely with both major political groupings to develop a bipartisan package of legislative proposals for tax reform that will improve Mongolia's investment climate, increase domestic production, and facilitate the creation of new jobs in the private sector. Significant work is underway on moving toward the privatization of Mongolia's energy sector. EPRC has helped establish an "Open Government" website

that serves as a venue for the posting of new legislation and for the conduct of on-line chats between government and the public, and is moving to help strengthen Mongolia's nascent chapter of Transparency International to serve as a watchdog on corruption. EPRC is also helping Mongolia prepare for the impact that the expiration of the Multi-Fiber Agreement will have on its textile industry and is strengthening Mongolia's capacity to conduct trade negotiations.

Business training provided through USAID focuses on migrants from rural to peri-urban areas and on the harsh southern portion of the country and helps extend knowledge about the market economy, including sound business practices, to a much larger segment of the population. As a result of USAID assistance, over 500 small businesses were either created or significantly strengthened during the past year and more than 1,500 people were placed in jobs.

Judicial reform is the largest program within USAID's governance work. Following the introduction of new civil and criminal codes, USAID and its partner, the National Center for State Courts, launched a series of training and outreach programs for every judge in the country, which improved case management and court administration, introduced new approaches to continuing legal education, and helped address corruption in the legal sector. As a result, all courtrooms are now fully automated and public access to information is increasing dramatically. Additionally, in the past year, USAID-funded assistance to political parties led to a more representative parliament after the June 2004 general election, while work with the Parliament led to passage of a far-reaching reform bill intended to strengthen the ability of parliamentary committees to oversee the work of the government. USAID plans to continue and expand these efforts over the next several years and launch new initiatives aimed at increasing the transparency of government and expanding the participation of women in the political process.

**Other Program Elements:** Several USAID Washington-funded programs are further enhancing the new USAID country strategy. These include a grasslands and wildlife management project in eastern Mongolia; support to a pioneering microfinance institution; strengthening of nongovernmental organizations (NGOs) related to human rights and rural development; and a variety of small information technology (IT) initiatives. Finally, the sale of wheat provided by the U.S. Department of Agriculture's Section 416 program is providing significant additional development resources, especially to NGOs working in rural areas.

**Other Donors:** Though its assistance level is gradually decreasing, Japan remains Mongolia's largest bilateral donor with a portfolio that includes a variety of infrastructure and training projects, as well as rural development and environmental protection efforts. The United States is third in terms of development assistance after Germany's GTZ with programs in legal reform, small and medium enterprise development, energy, conservation, and rural finance. The Asian Development Bank (ADB) is the largest multilateral donor in Mongolia with programs in agriculture, public sector reform, road construction, and regional development. The World Bank is funding projects in sustainable livelihoods, private sector development, water and sanitation, roads, information technology (IT), energy, and judicial/legal reform. The International Monetary Fund (IMF) focuses on fiscal and monetary policy through its \$37 million Poverty Reduction and Growth Facility. Other significant players are the United Nations (democratic governance, poverty reduction, microcredit and entrepreneurship, sustainable grasslands management, biodiversity) and the European Union (agricultural exports, rural services). Other donors providing support to Mongolia include: India (scholarships, IT); Australia (public sector reform, NGO capacity building, and scholarships); Canada (IT, NGO development); Russia (scholarships); Korea (training for civil servants and volunteers); and Norway (legislative strengthening). USAID works directly with the World Bank in the energy sector, with the IMF on policy reform measures, and with the GTZ on judicial reform.

Mongolia has also been selected as a candidate for receipt of resources from the new Millennium Challenge Account (MCA). As of this writing, its proposal for an MCA compact is under review.

## Mongolia PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2003 Actual	FY 2004 Actual	FY 2005 Current	FY 2006 Request
Economic Support Fund	10,000	9,941	9,920	7,500
<b>Total Program Funds</b>	<b>10,000</b>	<b>9,941</b>	<b>9,920</b>	<b>7,500</b>

STRATEGIC OBJECTIVE SUMMARY				
438-001 Private Sector-Led Economic Growth				
ESF	7,300	7,241	7,220	4,800
438-002 More Effective and Accountable Governance				
ESF	2,700	2,700	2,700	2,700

USAID Representative,  
Leon Waskin

## Data Sheet

<b>USAID Mission:</b>	Mongolia
<b>Program Title:</b>	Private Sector-Led Economic Growth
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	438-001
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$7,220,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$4,800,000 ESF
<b>Year of Initial Obligation:</b>	1995
<b>Estimated Year of Final Obligation:</b>	2008

**Summary:** USAID's strategic objective in the economic growth sector is to "accelerate and broaden sustainable, private sector-led economic growth". This program aims to achieve: (a) an improved enabling environment for private sector growth; (b) more competitive industries and sectors; and (c) expanded economic opportunity for marginalized Mongolians. As described below, the components of this program reinforce and complement one another. Policy reforms are taken "downstream" to the sector and firm level, ensuring that the creation of an improved enabling environment results in increased production, trade, and income.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Improve Economic Policy and Governance (\$2,800,000 ESF). Building on the highly cooperative working relationships developed with the new Prime Minister's and new Speaker's teams of advisors, USAID and its partners will continue to pursue critical economic policy reforms in 2005. A comprehensive, bipartisan "competitiveness-based" tax reform package will be finalized for submission to Parliament. This package will have far-reaching effects on the Mongolian economy, including a reduction in private sector investment costs that should increase foreign direct investment. USAID will continue to emphasize the important issue of energy sector commercialization and eventual privatization as a crucial step toward improving the overall environment for growth. A cost-based accounting system, developed last year, will be implemented throughout the energy sector to improve accuracy and transparency, and thereby enhance investor confidence. Building on its past successes, USAID will continue to help the Government of Mongolia (GOM) privatize certain key state-owned enterprises. Targets for privatization this year include the national cashmere company and the Ulaanbaatar Electricity Distribution Network. USAID will also continue to work on key transparency issues, especially public participation in the development of new laws, including publication of the national budget, and will begin efforts to strengthen the local chapter of Transparency International, an anticorruption watchdog group. Work on this program component is carried out through a prime contract with Chemonics, in partnership with The Asia Foundation and The Services Group.

Increase Participation in Global Trade and Investment (\$1,400,000 ESF). Mongolian cashmere, tourism, leather, and meat products have considerable export potential. USAID and its partners will address such needs as product quality, pricing, marketing strategies, and supporting infrastructure (e.g. reliable, affordable power) to enhance the competitive position of Mongolian industries. One focus in 2005 will be the training of Mongolian trade negotiators in negotiation skills to represent the country in regional trade meetings with their Asian neighbors and negotiations with trading partners. In 2005, a new tourism law will be completed with private sector involvement, which should promote new investment and increase incomes and foreign exchange earnings in the tourism sector. Work on this program component is carried out by Chemonics, The Asia Foundation, and The Services Group.

Increase Private Sector Growth (\$3,020,000 ESF). Direct assistance to marginalized Mongolians in the Gobi region (the Gobi Initiative Phase II) and peri-urban areas (the Growing Entrepreneurship Rapidly or GER Initiative) will continue through the provision of business development services (e.g. product development, marketing), as well as access to financing and business information. In 2005, while the emphasis will remain on strengthening individual businesses, other activities will include the development of new business associations, expansion of credit programs (through private banks), and expansion into new areas such as veterinary services. The successful business outreach program through radio,

television, and newspapers will continue. USAID and its partners will also seek opportunities to allow small, poorer businesses to sell products to larger companies in 2005. As results last year demonstrate, connecting small businesses with larger companies offers considerable potential for increased sales and new job creation. Another focus will be on the development of private-public partnerships and the facilitation of more interaction between small businesses and local governments. Finally, USAID's policy and competitiveness project will assess the feasibility of a new, private sector equity fund. This fund could dramatically increase the availability of investment capital. The main grantees working on this program component are Mercy Corps and Cooperative Housing Foundation. The contractor Chemonics is leading development of the equity fund. The grantees funded under this program component will begin to wind down activities in anticipation of the closure of these projects by FY 2007.

**FY 2006 Program:** Improve Economic Policy and Governance (\$2,800,000 ESF). In 2006, USAID will continue to work with the Government of Mongolia and the private sector to strengthen economic performance, especially the policy environment and the trade and investment climate. The 2006 program should see more emphasis on efforts to increase sales, employment, and exports. Important policy reform work will continue, particularly the difficult task of taking approved policies through to implementation, and USAID will work with revenue departments and private companies to help them fully understand and implement new tax regimes. In 2006, USAID anticipates that legislative work may begin on land privatization, and policy work could expand into the mining sector by providing advice on such issues as concessions and supporting infrastructure. Same implementers as above.

Increase Participation in Global Trade and Investment (\$2,000,000 ESF). Building on the policy reform accomplishments of 2004 and 2005, along with such new features as the planned private equity fund, 2006 will see an expansion of efforts to increase Mongolian exports. USAID will help business "clusters" with export potential to improve products, identify markets, attract investors, and increase export sales. USAID may also provide additional technical assistance in such areas as tourism development (2006 will mark the 800th anniversary of the founding of the Mongolian state), business feasibility studies, and privatization. Same implementers as above.

**Performance and Results:** In FY 2004, important results from USAID's efforts to promote private sector-led growth have included: (1) design and initial implementation of a cost accounting system for the power sector which will facilitate privatization; (2) development of options for Mongolia's response to the upcoming expiration of the Multi-Fiber Agreement; and (3) development of bipartisan tax reform legislation that will lower producer costs and attract investors. New markets were identified for Mongolian export products, and several activities have successfully promoted Mongolia as a tourist destination. The Gobi and GER Initiatives created and strengthened 526 small businesses. Sales revenue increased by over \$463,000 in the Gobi project area alone. In the peri-urban areas, 950 new borrowers received much-needed credit as a result of loan mediation services, 1,532 people were placed in jobs (781 of whom were women), and 245 new jobs were created, 185 of which were filled by women.

## US Financing in Thousands of Dollars

Mongolia

438-001 Private Sector-Led Economic Growth	DA	ESF	FSA
<b>Through September 30, 2003</b>			
Obligations	5,569	34,163	14,289
Expenditures	5,569	23,012	14,288
Unliquidated	0	11,151	1
<b>Fiscal Year 2004</b>			
Obligations	0	7,241	0
Expenditures	0	5,036	1
<b>Through September 30, 2004</b>			
Obligations	5,569	41,404	14,289
Expenditures	5,569	28,048	14,289
Unliquidated	0	13,356	0
<b>Prior Year Unobligated Funds</b>			
Obligations	0	0	0
<b>Planned Fiscal Year 2005 NOA</b>			
Obligations	0	7,220	0
<b>Total Planned Fiscal Year 2005</b>			
Obligations	0	7,220	0
<b>Proposed Fiscal Year 2006 NOA</b>			
Obligations	0	4,800	0
Future Obligations	0	14,600	0
Est. Total Cost	5,569	68,024	14,289

## Data Sheet

<b>USAID Mission:</b>	Mongolia
<b>Program Title:</b>	More Effective and Accountable Governance
<b>Pillar:</b>	Democracy, Conflict and Humanitarian Assistance
<b>Strategic Objective:</b>	438-002
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$2,700,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$2,700,000 ESF
<b>Year of Initial Obligation:</b>	1996
<b>Estimated Year of Final Obligation:</b>	2008

**Summary:** USAID's program to promote more effective and accountable governance in Mongolia consists of two projects. The Judicial Reform Project (JRP) focuses on improving the professional and institutional capacity of the judiciary. The Parliamentary and Political Party Project strengthens parliamentary processes and supports the conduct of free and fair elections.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Improve Justice Sector/Legal Framework (\$2,200,000 ESF). In FY 2005 USAID's implementing partners will work with the General Counsel of the Courts (GCC) to improve the implementation of the new court administration and management system introduced last year. Areas such as budgeting and financial and human resource management will be addressed through training, technical assistance, and preparation of new guidelines and procedures. JRP has computerized case management procedures and records, initiated automated random assignment of cases, and created public information areas in courtrooms. The public access terminals in each court make case information available to lawyers, litigants, and the public. With all courts now automated, the USAID grantee will assist courts with the creation of a nationwide, web-based database of cases and decisions, further improving the transparency of the judicial system. This year, the new database will be made available on-line in a "user friendly" format. Educational efforts will continue to further develop the capacity of the newly created National Legal Center. Activities such as training of trainers and increasing skills in legal research and writing will be emphasized in 2005. A new course in decision writing for judges will be designed and implemented. Automation of the prosecutor's office will begin this year and public education activities will be expanded to better inform the public and improve its perception of the judiciary. Training and advisory services for the Special Investigative Unit in the Prosecutor General's office, the Judicial Disciplinary Committee, and the GCC will continue with the goal of improving ethics throughout the judicial sector. Finally, USAID will support a new court observation program, initially in Ulaanbaatar. In 2005, the highly effective and popular television show - "Legal Hour" - will continue to inform the public on such issues as legal rights and remedies. Work in this area is performed by the National Center for State Courts (NCSC) in partnership with The Asia Foundation (TAF) and PACT, Inc.

Promote and Support Free and Fair Elections (\$250,000 ESF). USAID resources will fund training for political party poll-watchers and local election commissioners in preparation for the upcoming presidential election in June 2005. Two polls will be conducted and one focus group will be held to identify and analyze issues of national importance for this election. This program is implemented by the International Republican Institute (IRI).

Strengthen Democratic National Governance Institutions (\$250,000 ESF). Parliamentary development activities in 2005 will focus on training for newly elected Members of Parliament, as well as assistance with implementation of the recently passed "Parliamentary Procedures Law". USAID's grantee IRI will also work to achieve the passage of new and effective ethics legislation, continuing a process begun in 2004. Efforts to increase the participation of women in politics, such as workshops and training conferences, will be expanded significantly.

**FY 2006 Program:** Improve Justice Sector/Legal Framework (\$2,200,000 ESF). Based on good progress, USAID plans to extend the JRP through September 2008. With FY 2006 funding, JRP will focus



on “universal” implementation of the new procedures for improved court management. Continuing legal education programs will be strengthened, with an emphasis on increasing the independence of judges by improving their skills and networks of information and support. Greater transparency in the courts will combine with public education and media efforts to allow the public to have a good sense of how “their” courts are performing. Training will be provided to further improve court procedures. Areas such as integrity in the courtroom and improved customer service will receive attention in 2006. Automation of the prosecutor’s offices will continue, and training on property law may be initiated. The implementers will remain the NCSC, TAF, and PACT, Inc.

Strengthen Democratic National Governance Institutions (\$400,000 ESF). USAID plans to announce a competitive solicitation for this program in 2005. Implementation of new activities will begin in FY 2006. This solicitation will seek ideas from new partners on how to address issues such as corruption, strengthening the Parliament’s oversight capacity, expanding public participation, strengthening local government and civil society, and increasing the involvement of women in the political process.

Promote and Support Free and Fair Elections (\$100,000 ESF). USAID does not plan further assistance to political parties, but may use funds to support limited groundwork for the lead-up to the 2008 national elections (e.g., updated poll watcher manuals).

**Performance and Results:** In FY 2004, the automation of all 61 of Mongolia’s courts was completed, increasing transparency and improving accountability of the court system nationwide. Public access terminals were installed in all courts, increasing participation and expanding the public’s opportunity to review the judicial system at work. Continuing education for all legal professionals was begun with the creation of the National Legal Center (NLC). USAID-funded assistance built much of the capacity of the NLC to train legal professionals on a sustainable basis. Training of trainers under the JRP has created a cadre of trainers capable of conducting high-quality, cost-effective training in every region of the country.

USAID assistance also helped establish the Special Investigative Unit that reports to the Prosecutor General. As a result of that assistance, the Unit is now a viable and active operation - more reports of crimes committed by justice sector officials were reported and investigated in its first year of operations than were investigated in the previous four years combined. USAID’s grantees also contributed to the design and equipping of a new Judicial Disciplinary Committee with its own, independent investigators. During the first year of the Committee’s operations, the number of judges disciplined almost doubled. In 2004, the JRP continued to improve public outreach, educating people on their rights under new judicial codes. Finally, last year the first bar examination in Mongolia was developed and implemented with USAID assistance and the first examination was given. This will contribute dramatically to improving the competence and status of legal professionals.

Partly as a result of extensive USAID-funded training for political parties in coalition building and message development, opposition candidates (MDC plus independents) in the June 2004 national elections increased their seats in the 76-member parliament to 37 from four, while receiving about the same percentage of the total popular vote as in the previous election. This dramatic accomplishment struck a positive blow for democracy in Mongolia. Last year also saw the passage of the Parliamentary Procedures Law, which will redistribute power from the centralized Secretariat’s office in the Parliament to eleven standing committees and committee chairs.

## US Financing in Thousands of Dollars

Mongolia

438-002 More Effective and Accountable Governance	DA	ESF	FSA
<b>Through September 30, 2003</b>			
Obligations	1,442	11,981	1,728
Expenditures	1,442	8,337	1,728
Unliquidated	0	3,644	0
<b>Fiscal Year 2004</b>			
Obligations	0	2,700	0
Expenditures	0	3,134	0
<b>Through September 30, 2004</b>			
Obligations	1,442	14,681	1,728
Expenditures	1,442	11,471	1,728
Unliquidated	0	3,210	0
<b>Prior Year Unobligated Funds</b>			
Obligations	0	0	0
<b>Planned Fiscal Year 2005 NOA</b>			
Obligations	0	2,700	0
<b>Total Planned Fiscal Year 2005</b>			
Obligations	0	2,700	0
<b>Proposed Fiscal Year 2006 NOA</b>			
Obligations	0	2,700	0
Future Obligations	0	5,400	0
Est. Total Cost	1,442	25,481	1,728