

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
Energy efficiency and conservation			
ADB	Energy Conservation and Emissions Reduction from Poor Household (Japan Fund for Poverty Reduction grant)	2008–2010	2.0
World Bank	Ulaanbaatar Clean Air Project	2012–2018	15.0
Millennium Challenge Corporation	Energy and Environment Project		40.0
Water and other urban infrastructure and services			
ADB	Ulaanbaatar Urban Services and Ger Areas Development Investment Program (multitranches financing facility)	2013–2019	163.7
Urban public transport			
ADB	Urban Transport Development Investment Program	2012–present	274.4

ADB = Asian Development Bank.
Source: Asian Development Bank.

1. **Evolving development finance landscape.** The development finance landscape began to shift in 2012 as rising per capita incomes and Mongolia's move to tap international financial markets had led the Asian Development Bank (ADB) and other development partners to substitute grant financing for lending on less concessional terms.¹ Some bilateral partners had begun scaling back or closing operations in the country.
2. **ADB assistance.** By focusing on high priority and complex operations where government capacity was lacking, ADB was the only development partner that remained continuously engaged and had even scaled-up its assistance. This includes assistance in various sectors which directly and indirectly contributes to reduced air pollution. For example, projects targeting urban redevelopment, cleaner and efficient urban heating service, better transport management and infrastructure, and greener construction contribute to air quality improvement through reduced direct pollution emission and promotion of medium- and long-term economic and social structural changes.² Similarly, health and education sector projects currently in the country operations business plan for Mongolia, 2017–2019³ will be required to include measures to protect the most vulnerable people from exposure to indoor air pollution. The total ADB financial assistance associated with the above-mentioned projects totals more than \$250.00 million (including \$2.55 million in technical assistance).
3. **World Bank.** To get a sound information basis for a strategy to improve air quality in Ulaanbaatar, the World Bank in partnership with Mongolian counterparts launched the Air

¹ Mongolia was reclassified from a group A country to a group B country in 2011, providing the country access to a blend of Asian Development Fund and ordinary capital resources beginning in 2012.

² ADB. 2009. *Grant Assistance Report: Proposed Administration of Grant to Mongolia for the Energy Conservation and Emissions Reduction from Poor Household*. Manila; ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Mongolia for the Urban Transport Development Investment Program*. Manila; and ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranches Financing Facility to Mongolia for the Ulaanbaatar Urban Services and Ger Areas Development Investment Program*. Manila.

³ ADB. 2017. *Country Operation and Business Plan: Mongolia, 2017–2019*. Manila.

Monitoring and Health Impact Baseline Study in 2008. This was the first time that air pollution was monitored year-round in the *ger* (traditional tent) areas surrounding Ulaanbaatar, and that estimations of the health impacts from the monitored air quality levels were undertaken.⁴

4. Subsequently, the World Bank approved the \$15 million Ulaanbaatar Clean Air Project in April 2012. The project development objective is to (i) enable consumers in *ger* areas to access heating appliances producing less particulate matter emissions, and (ii) further develop selected medium-term particulate matter abatement measures in Ulaanbaatar in coordination with development partners. This objective is being achieved through the promotion of cleaner stoves, development of medium-term abatement measures (city greening, district heating, power plant emissions control, and an affordable housing strategy), and strengthening coordination on air pollution abatement.

5. **Millennium Challenge Corporation.** The Millennium Challenge Corporation's Energy and Environment Project was implemented to increase economic growth by reducing urban air pollution in the capital, decreasing related health costs, and lowering energy costs through more efficient fuel consumption. The \$40 million project provided financial incentives for *ger* area residents to adopt energy-efficient and lower-emission technologies, and funded the upgrade of the electrical network. The project's wind activity supported the development and production of the first commercial wind-powered electricity generation facility in Mongolia, funding an upgrade to the Nalaikh substation and the installation of a training simulator for dispatchers in Ulaanbaatar's National Dispatching Center.

6. **Japan International Cooperation Agency.** The Government of Japan through the Japan International Cooperation Agency has supported the capacity development project for Air Pollution Control in Ulaanbaatar City (Phases I and II, 2010–2017). The project supported capacity development of stakeholders concerned for air pollution control with the following activities: (i) development of an emission inventory system and air quality evaluation capacity; (ii) training for stack gas measurement techniques; (iii) improvement of the emission control system by administration (development of a boiler registration system); (iv) support to large and medium-sized polluters for pollution control measures; and (v) utilization and dissemination of project outcomes. Phase III of this technical assistance is being prepared as of this writing, in consultation with ADB, and concerns specific policy-based loan contents.

7. **United Nations Children's Fund.** Together with Mongolia's Public Health Institute and the Association of Public Health Professionals, the United Nations Children's Fund carried out a study on Understanding and Addressing the Impact of Air Pollution on Children's Health in Mongolia. The study presents compelling scientific evidence demonstrating the effects of air pollution on the health of children during the prenatal period with regard to the development of their respiratory system and lung function. The report summarizes growing evidence of the most serious effects, such as reduced fetal growth, preterm birth, pneumonia, and acute respiratory disease.

8. **German development cooperation, Swiss Agency for Development and Cooperation, and United Nations Development Programme.** German development cooperation through Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) extensively supports the Ministry of Energy on energy planning and energy efficiency standards for the

⁴ As of writing this document, the World Bank is about to re-engage in providing technical assistance for air quality improvement and has consulted with ADB to ensure adequate complementarity with the technical assistance to be provided during the policy-based loan implementation.

building industry. The ongoing project will develop an energy efficiency strategy followed by an integrated energy resource plan. The project also supports the establishment of a training system for energy managers and auditors as a way of realizing the potential for improved energy efficiency among consumers.

9. Specific energy measures in public buildings are being developed in cooperation with the Swiss Agency for Development and Cooperation. Under this arrangement, selected public buildings are being renovated in close cooperation with local governments and the local construction industry. The aim is to demonstrate how decentralized public funds can be used for urgently needed investments in energy efficiency in public buildings. The project is also working with the Energy Regulatory Commission of Mongolia, which is responsible for developing and setting the tariffs along the entire value chain in the energy sector.

10. The Nationally Appropriate Mitigation Actions in the Construction Sector in Mongolia project started its implementation with support of the United Nations Development Programme in Mongolia in 2016. The objective of the \$8.2 million project is to facilitate market transformation for energy efficiency in the construction industry through the development and implementation of Nationally Appropriate Mitigation Actions (NAMA) in Mongolia. This objective will be achieved by removing barriers to increased adoption of energy efficiency technology in the construction industry through three components: (i) establishment of baseline energy consumption and greenhouse gas emission in the construction industry; (ii) development and implementation of NAMA in the construction industry; and (iii) development of a measuring, reporting, and verification system for NAMA.

11. **Other development partners.** The Climate and Clean Air Coalition is working with the Mongolian Bank (XacBank) to investigate affordable improved technologies, like electric and solar systems, for heating. The Frankfurt School of Finance and Management is conducting a feasibility study that will help XacBank design a financial product to help *ger* families purchase clean heating options.

B. Institutional Arrangements and Processes for Development Coordination

12. No specific institutional arrangements between Mongolia's development partners exist regarding finance sector development. However, development partners involved in this sector communicate regularly on a bilateral basis regarding their overall operations to ensure that no overlap occurs. The proposed program's objectives are consistent with and complementary to those of the above-mentioned development partners.

C. Summary and Recommendations

13. Although several development partners are working to support the efforts of the Government of Mongolia and Ulaanbaatar to reduce air pollution, no overlap has occurred. ADB is playing a lead role in re-establishing aid coordination mechanisms in line with international best practices for development effectiveness. All development partners have been consulted on current project work and future plans to minimize overlap and ensure that each partner's work is considered and integrated jointly.