



Mongolia: Unleashing the Private Sector to Drive Inclusive Growth in Eastern Mongolia

Project Name	Unleashing the Private Sector to Drive Inclusive Growth in Eastern Mongolia	
Project Number	53029-001	
Country	Mongolia	
Project Status	Proposed	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	TA: Unleashing the Private Sector to Drive Inclusive Growth in Eastern Mongolia	
	Technical Assistance Special Fund	US\$ 600,000.00
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development	
Sector / Subsector	Agriculture, natural resources and rural development - Agricultural policy, institutional and capacity development Public sector management - Economic affairs management	
Gender Equity and Mainstreaming	Some gender elements	
Description	This proposed knowledge and support technical assistance (TA) seeks to support the Government of Mongolia with the preparation of an evidence-based regional private sector development policy document and the capacity building of rural private sector. The TA is aligned with the 2019-2021 Country Partnership Strategy for Mongolia and included in the country operations business plan, 2019-2021. The proposed TA will assist Mongolia in formulating an effective private sector development strategy for the eastern region of Mongolia under the Mongolia Sustainable Development Vision 2030 (SDV) and the Mongolia Regional Development Concept (MRDC).	
Project Rationale and Linkage to Country/Regional Strategy	<p>The Parliament of Mongolia approved the MRDC in 2001, which was intended to be implemented over three stages: (i) 2001-2005; (ii) 2005-2010; and (iii) post-2010. The objective of the MRDC is to reduce increased population density in a small number of economic and political centres, promote industrialization, and enhance socio-economic equality between urban and rural areas through optimal utilization of the country's lands, natural resources, crop farming, livestock, and intelligence capacity. Accordingly, the Government of Mongolia established regional secretary offices in five regions: (i) the western region; (ii) the Khangai region; (iii) the central region; (iv) the Ulaanbaatar region; and (v) the eastern region.</p> <p>The Cabinet Secretariat and the National Development Agency (NDA) are responsible for long-term planning of regional development and facilitating coordination among 21 aimags or provinces. In a 2018 NDA assessment of MRDC implementation, it concluded that the progress rate is only 30-40% for the first two stages, and eight regional economic centres were not developed as planned in the RDCM. The Cabinet Secretariat and NDA is currently working to update the RDCM and relevant policy and regulatory documents because the current RDCM is outdated in comparison to the current development needs of Mongolia and the amount of time elapsed since its approval in 2001. The implementation of actions to be taken under RDCM was hindered largely by frequent changes of Mongolia's Government and fiscal constraints. Regional secretary offices in five regions were abolished in 2013 due to state budget cuts. Mongolia did not prepare any evidence-based regional development policy prior to the Western Mongolia Private Sector Development Policy supported by the ADB TA9066-MON: Fostering Value-Added Activities in Western Mongolia TA which was completed in 2018. Moreover, the current RDCM emphasized the selection of one aimag center as a single pillar of each region in rural areas, and each rural region was chaired by a particular pillar aimag's governor. This institutional arrangement for regional development reduced incentives and accountability of aimags to coordinate with each other. The Government of Mongolia requested ADB to support private sector development in the eastern region of Mongolia comprised of the three aimags - Dornod, Khentii, and Sukhbaatar, as a follow-up to the success of ADB's previous support in western Mongolia. Eastern Mongolia's economy is heavily dependent on only three sectors: mining, animal husbandry, and services. Although the three eastern aimags have considerable untapped resources of minerals, animals, fish, and crop farming, the region's contribution to Mongolia's economy is minimal. For instance, eastern Mongolia produces little more than 5% of national gross domestic product, yet accounted for 18.3% of its land area and over 15% of its livestock.</p> <p>The three eastern aimags are among the most underdeveloped and isolated. The poverty rate in eastern Mongolia stood at 43.9% vis- -vis the national level of 29.6% in 2016. The region's unemployment rate was 7.3% in Q3 2018, higher than the national average of 6.9%. Population density is low in eastern Mongolia at 0.7. Despite these challenges, there are some positives as the 2018 aimag economic competitiveness assessment ranked Dornod, Khentii, and Sukhbaatar 9th, 11th, and 13th out of 21 aimags, respectively for infrastructure development. The economic potential of the eastern region offer opportunities for economic growth under the right policies and institutions. This will require an increased focus on (i) the development of infrastructure, (ii) the technical expertise required by the private sector, and (iii) good governance. It will be important in the TA to identify and categorize priority sectors of the region's economy, formulate the proper method to exploit untapped local resources, and promote information-sharing and coordination among aimags. A proper private sector development policy needs to be designed based on empirical evidence. However, the aimag governments lack the specialist human resources and financial capacity needed to support private sector development. Their ability to prepare a regional private sector development strategy and to plan and evaluate its implementation is insufficient.</p>	
Impact	The Objectives of The Mongolia Sustainable Development Vision 2030 And the Mongolia Regional Development Concept	
Outcome	Readiness for value-added activities in private sector development in the three eastern aimags (provinces) enhanced	
Outputs	The aimags' economic competitiveness and potential assessed The eastern Mongolia private sector development strategy formulated Regional agribusiness cluster model(s) designed Coordination and information sharing for economic development among the three eastern aimags strengthened	
Geographical Location	Eastern Aymag, Hentiy Aymag, Suhbaatar Aymag	

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Responsible ADB Officer	Enkhbold, Enerelt
Responsible ADB Department	East Asia Department
Responsible ADB Division	Mongolia Resident Mission
Executing Agencies	Cabinet Secretariat Ulaanbaatar, Mongolia

Timetable

Concept Clearance	17 Apr 2019
Fact Finding	13 May 2019 to 13 May 2019
MRM	-
Approval	-
Last Review Mission	-
Last PDS Update	16 May 2019

Project Page	https://www.adb.org/projects/53029-001/main
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