

## DEVELOPMENT COORDINATION

### A. Major Development Partners: Strategic Foci and Key Activities

1. As an active investor in the transport sector in Mongolia, the Asian Development Bank (ADB) is the co-chair of the transport sector working group, a group of international development organizations and foreign government representatives—including the People's Republic of China (PRC), Japan, Russian Federation, and Turkey—that meets periodically to monitor all sector developments and strategies in Mongolia. The group has determined a course of action for transport sector development in the country, and identified key areas where additional investments and capacity development are needed.

2. Most of ADB's assistance to the transport sector in Mongolia had been in the road and aviation subsectors. Since 1992, ADB has provided loans and grants of \$570.5 million for the sector. ADB is an important player in the transport sector. Currently, ADB is implementing (i) the Western Regional Road Corridor Investment Program,<sup>1</sup> which is improving the Western Road Corridor that links Mongolia to Xinjiang Autonomous Region in PRC and Siberia Province of the Russian Federation to promote international and national transport of freight and passengers and (ii) Urban Transport Development Investment Program,<sup>2</sup> which will promote sustainable economic growth of Ulaanbaatar by a sustainable and efficient urban transport system and services. ADB also provided loans and a grant to promote regional cooperation and sustainable economic growth in Mongolia by improving transport efficiency and safety for domestic and international traffic on the country's north-south corridor section from Sainshand to Zamyn-Uud.

3. Mongolia joined Central Asia Regional Economic Cooperation (CAREC) in 2003, just as the program's vision of a seamless transport-corridor network was taking shape. The CAREC aims to promote cooperative development to accelerate economic growth and poverty reduction. Regional cooperation under the CAREC Program focuses on several areas, including transport, trade facilitation, trade policy, and energy. Transport and Trade Facilitation Strategy 2020 (TTFS 2020) was endorsed at the 12th Ministerial Conference in October 2013 to enhance transport and trade, aiming to (i) establish competitive transport corridors; (ii) facilitate the movement of goods and people through CAREC corridors and across borders; and (iii) provide sustainable, safe, and user-friendly transport and trade networks. The strategy highlights the need for regionwide improvements in road safety, and acknowledges that investment in road safety results in both economic and social benefits. At its 14th Ministerial Conference (Ulaanbaatar, Mongolia 25 September 2015), the ministers of CAREC Program endorsed a joint commitment to road safety and proposed collective action through a safe systems approach.

4. Mongolia's National Action Plan 2016–2020 was ratified by the Parliament in September 2016 and it stated that the government will further develop the road, transportation and logistical network that sustains economic growth which is consistent with social needs and demands, and provides safe and comfortable services.<sup>3</sup> To achieve this goal, the government will expand the international, intercity and local paved road networks, and complete the paved roads connecting

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<sup>1</sup> ADB. 2011. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan Multitranche Financing Facility Mongolia: Western Regional Road Corridor Investment Program*. Manila. <https://www.adb.org/projects/documents/western-regional-road-corridor-investment-program-mongolia-rrp>.

<sup>2</sup> ADB. 2012. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan Multitranche Financing Facility Mongolia: Urban Transport Development Investment Program*. Manila. <https://www.adb.org/projects/documents/urban-transport-development-investment-program-rrp>.

<sup>3</sup> Government of Mongolia. 2016. *Action Program of the Government of Mongolia for 2016-2020*. Ulaanbaatar. [http://www.mfa.gov.mn/wp-content/uploads/2015/06/2016-2020\\_Gov\\_AP\\_Eng\\_Revised.pdf](http://www.mfa.gov.mn/wp-content/uploads/2015/06/2016-2020_Gov_AP_Eng_Revised.pdf).

every *aimag* centers with the capital city, and continue the construction of the horizontal axis of the Millennium Road. The government will also undertake measures to improve the road maintenance, by improving its quality and gradual increase of financing resources (Table 1).

**Table 1: Road Maintenance Budget**

No.	Year	Approved Budget (MNT billion)	Remarks
1	2014	22.6	
2	2015	18	
3	2016	8+12	The amendment to the State Budget allocated MNT12 billion to road maintenance in September 2016.
4	2017	10	Actual required budget is MNT55 billion.

Notes: The figures in this table are only for the state budget. The road maintenance budget has been declining. In 2017, compared to the actual required budget, it only covers about 18%. This budget is barely sufficient for only routine maintenance and limited repairs.

Sources: Ministry of Road and Transport Development.

5. International development partners are active in the transport sector in Mongolia, although most of the assistance has been, and continues to be, in the road subsector (Table 2).

**Table 2: Major Development Partners**

Development Partner	Project Name	Duration	Amount (\$ million)
<b>Transport</b>			
ADB	Road Development Project	1995–2000	25.0
	Chinggis Khaan International Airport Infrastructure Upgrading Project	1993–1999	36.0
	Regional Road Development Project	2005–2014	67.6
	Western Regional Road Corridor Investment Program	2011–present	170.0
	Regional Logistics Development Project	2011–present	45.0
EBRD	Development of a Master Plan for the Aviation Subsector and Management of Mongolian Airlines	2002	1.6
JICA	Road and Bridge Construction and Improvement Project in Ulaanbaatar	...	25.0
	Railway Rehabilitation and Intermodal Facility Development Project in Choibalsan and Zamyn-Uud	...	...
	Road Design in Eastern Mongolia	2001–2002	...
	Transshipment Facility Development Project at the Zamyn-Uud New Ulaanbaatar International Airport	2009–2010 2015–present	21.3 270.0
KfW	Regional Transport Infrastructure Development Project		7.7
Kuwait Fund	Erdenet–Bulgan–Unt–Tarialan Road Construction Project	2003–2012	40.8
	Darkhan–Erdenet Road Construction Project	1996–1998	18.7
MCC	Choyr–Sainshand 176.4 km Road Construction Project		
Sida	Human Resources Development	2007	2.0
World Bank	Major East–West Highway Corridor Development Project	2011	...
	Limited Assistance to Upgrade Gravel Roads	2011	...
	Financing for Road Master Plan	2011	...
China Exim Bank	Ulaanbaatar to New International Airport of Ulaanbaatar highway construction	2016–2017	...
	Regional Road Development Project	2009 <sup>a</sup>	3.20
	3 Bridges Construction Project in Ulaanbaatar	2017	...
	Ulaanbaatar–Nalaikh Road Improvement Project	2017	...

Note: Excludes technical assistance projects.

... = no data was available. ADB = Asian Development Bank, EBRD = European Bank for Reconstruction and Development, EDCF = Economic Development Cooperation Fund, JICA = Japan International Cooperation Agency, MCC = Millennium Challenge Corporation, Sida = Swedish International Development Cooperation Agency.

<sup>a</sup> Only 3.3 km completed in 2009.

Sources: Ministry of Road and Transport Development and development partners.

## **B. Institutional Arrangements and Processes for Development Coordination**

6. A development coordination mechanism between development partners has been established for the exchange of information, policy dialogue, and country portfolio reviews. The Ministry of Finance synchronizes financial assistance from various partners, and Ministry of Road and Transport Development implements all transport and road projects. ADB Mongolia Resident Mission has facilitated policy dialogue, programming, and project implementation since 2001.

7. The government is a signatory to a number of bilateral and multilateral agreements with neighboring countries and international organizations to facilitate international transport through Mongolia. Under CAREC initiative, ADB is helping Mongolia to harmonize cross-border regulations and customs procedures with its neighbors. The steering committee set up for the project to coordinate implementation will support smooth coordination among line ministries, different agencies, and stakeholders, and provide guidance to support the timely completion of the project. Development partner coordination will continue to be critical to accomplishing stated goals and objectives in the transport sector. Through forums such as the transport sector working group, development partners will be able to discuss key developments in the sector and develop strategies to distribute aid most efficiently. Continued coordination will ensure that projects complement each other rather than overlap.

## **C. Achievements and Issues**

8. ADB has led efforts by international development partners in Mongolia's transport sector with a combination of policy and project-level interventions. Through ADB's involvement in the transport sector, the geographic isolation of the rural poor has been reduced, providing them with access to urban markets, health services, jobs, and social services. Construction of the main state roads and any associated access roads will increase employment and reduce poverty. Investing in all transport subsectors in Mongolia will promote the key outcomes of the CAREC initiative, including (i) harmonizing cross-border transport procedures, (ii) developing and improving regional and international transport corridors, (iii) harmonizing transport regulations, and (iv) improving sector funding and management. It will also advance the desired outcomes of ADB's country strategy and program for Mongolia, including promoting improvement in the domestic transport network and better integration of domestic and regional markets.

9. ADB's interventions in the transport sector have targeted (i) enhancing Mongolia's transport links to neighboring countries and promoting regional cooperation and integration in transport to address the country's landlocked status and remoteness from developed markets, (ii) promoting and developing a sound sector policy and regulatory framework, (iii) ensuring adequate fund allocations through the government's road subsector budget, (iv) improving road safety, and (v) strengthening the institutional and human capacity in the sector.

## **D. Summary and Recommendations**

10. ADB's intervention through the government priority investment projects will advance the government's key development objectives and make overall development partner assistance more effective. Enhanced connectivity through infrastructure development of Mongolia's main corridors is essential for the economic growth and poverty reduction.