April 9, 2015

Your Excellency,

I have the honour to attach herewith the national report of Mongolia on progress towards the achievement of the internationally agreed goals, including the Millennium Development Goals, for the annual ministerial review to be held during the high-level segment of the 2015 session of the Economic and Social Council (see annex).

I should be grateful if you would circulate the present letter and its annex as a document of the Council, under item 5 (c) of the agenda.

[Signature]

Ambassador Och Od
Permanent Representative

His Excellency Martin Sajdik
President of the Economic and Social Council
of the United Nations
MONGOLIA’S NATIONAL REPORT
“MANAGING THE TRANSITION FROM THE MILLENNIUM DEVELOPMENT GOALS TO THE SUSTAINABLE DEVELOPMENT GOALS”

(Final)

Ulaanbaatar
2015
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1. **EXECUTIVE SUMMARY**

1. Following the Sustainable Development Program endorsed at the UN Conference on Environment and Development held in 1992 in Rio de Janeiro, Mongolia developed the Sustainable Development Action Program of Mongolia for the 21st Century (MAP 21), after 2000 has produced a number of development strategy documents and made a considerable progress in allocating economic resources based on development priorities; in formulating policies of economic, human and regional development; in reaching consensus regarding importance of development planning and in strengthening methodology and human capacity in related areas.

2. However, during the first decade of transition to market economy in 1990s Mongolia had to undertake macroeconomic stabilization policies and structural adjustment reforms; during those years, necessary resources, institutional arrangements and legal environment for development policy planning and implementation were lacking. With Mongolia’s accession to WTO in 1997, government policies mainly focused on further introduction of market economy principles, economic liberalization, and stabilizing fiscal imbalances, leaving little room for formulation and implementation of development strategy and pursuing human development and sustainable development policies.

3. After 1999 Mongolia experienced major natural disasters such as *zhud*, with transition resulting in widespread poverty and unemployment. It became clear that the macroeconomic stability and economic growth alone could not resolve these emerging social problems. The Millennium Declaration and eight Millennium Development Goals to be achieved by 2015, which were endorsed by leaders of 189 UN member nations in 2000, played a decisive role in formulation and implementation of long and medium-term national development policy and strategy, establishment of economic development planning and development policy mechanisms and development of monitoring and evaluation systems in Mongolia. In 2005 the State Great Khural (Parliament) of Mongolia endorsed the Mongolian MDGs by adding the 9th MDG on “Strengthening Human Rights and Fostering Democratic Governance”. The MDGs targets and indicators were revised and approved by the State Great Khural Decree No 13 in 2008.

4. Based on these policies, Mongolia incorporated the MDGs into the Economic Growth and Poverty Reduction Strategy for the first time in 2003, produced the first National Progress Report on MDGs achievements in 2004, intensified efforts to formulate long-term national policy similarly to other many UN member countries and by passing a State Great Khural Resolution No 12 in 2008 started implementing its first long-term development policy “The MDGs based Comprehensive National Development Strategy (CNDS) 2008-2021”.

5. Mongolia has made a significant progress in implementation of the CNDS and the MDGs. The Mongolian economy has experienced steadfast growth for last 14 years. While the average annual GDP growth in 2000-2005 stood at 5.6 percent, in 2005-2010 it increased to 6.7 percent and further accelerated to 10.7 percent in 2010-2014. As a result, according to the World Bank estimate Mongolia’s GNI per capita reached US$ 3,770 in 2013 and Mongolia is no longer classified as a low-income group country and joined the rankings of lower-middle income countries in 2008, which has been a major step forward for the country.

6. Mongolia has successfully met the MDGs to reduce child mortality, improve maternal health, combat HIV and AIDS and to develop new ICT and build an information society. There has been a significant progress made in promoting the gender equality and increasing women’s participation in politics and decision-making.
7. As a result of efforts to adopt the 9th MDG “Strengthening Human Rights and Fostering Democratic Governance”, Mongolia made notable progress in the areas of transparency of governance and citizens’ participation, and combating and reducing corruption. According to the international organization Transparency International, Mongolia had been ranked in 120th in 2011, but advanced to 80th out of 174 in 2014.

8. Although Mongolia could not halve the poverty, it succeeded in reducing it by one third - poverty rate reduced to 27.4 percent or 11 percentage points in 2012 from 36.3 percent in 1995. This large reduction in poverty can be viewed as a result of the policies taken by the Government of Mongolia. Mongolia’s Human Development Index was 0.698 in 2013, which classifies as a medium development category country and ranks it in 103 out of 108 countries. While an average HDI of Asia Pacific country is 0.614, Mongolia scores higher than other countries in region at the similar development stage.

9. Yet, some important issues have been overlooked and deficiencies and constraints continue to exist despite the considerable progress by Mongolia to improve development planning and to incorporate global development agenda into the country policies. The key issue is the lack of adequate legal environment for development planning. It is crucially important to determine achievable development goals based on modern development planning methodologies and development trends without being caught in election cycle, to increase number and capacity of officers in charge of monitoring and evaluation of strategic planning, to develop and apply proper procedures, guidelines and manuals for formulation of long-term objectives, sector policies and for development of a medium-term strategy, to align ideology and principles of political forces and parties with development policy framework.

10. Mongolia would be able to contribute to global sustainable development by strengthening the central government institution responsible for development agenda to align strategies of political parties and development policy options with development policy objectives, establishing a proper development policy planning system with the research-based long-term development visions for the country, medium-term Government Action Plans based on long-term development visions, short-term policy and budget aimed at the long-term strategic goals and by successfully applying global sustainable development principles to the three national development pillars in social, environmental and economic policy areas.

11. Development cooperation will play a significant and unique role to support implementation of the post development agenda. Mongolia supports a renewed global partnership and looking to the future of development cooperation. Areas for international support will be directed to accelerate the capacity building for greater policy integration and coherence for sustainable policy paths and effectively address highly complex trade-offs between the three dimensions of sustainable development. Systems for monitoring and evaluation needs to be further strengthened to measure the performances of Government policies, programs and projects in pursuit of SDGs that potentially will contribute to result-based sound governance.

12. This national report identifies progress and achievements made and problems and challenges encountered in implementation of the national development goals and challenges. The national report also discusses the factors affecting the successful implementation of the national development strategy and lessons learnt. It also briefly touches upon the possibility of reflection of Mongolia’s successful experience in policies, projects and programs for other countries.
2. THE SUSTAINABLE DEVELOPMENT POLICY AND STRATEGY OF MONGOLIA: CURRENT STATUS

2.1. The Development Policies during the transition period

13. Mongolia has persistently pursued to align its development goals with market economy principles since its transition to a market economy. Major policy documents outlining the country development goals were developed since that time. For instance, “Development Concept for Mongolia” (1996), “Master Plan for Mongolia’s Population Settlement and Development” (1996), “Sustainable Development Action Program of Mongolia for the 21st Century (MAP 21)” (1998), “Mongolia’s Regional Development Concept” (2001), “Pole cities for Regional Development (2003), “The Economic Growth and Poverty Reduction Strategy (EGPRS)” (2003) and other policy documents were adopted and implemented. There have been some progress and successes in allocation of resources to priority areas under the market economy principles, reaching common understandings and developing policies for human development, regional and economic development, and strengthening relevant methodology and human capacities. However, the policy documents encountered many challenges in their implementation and they failed to serve a foundation for the government action programs or be fully implemented for a number of reasons described fully below.

14. While Mongolia was continuously thriving to pursue development planning and optimal allocation of economic resources in long, medium and short terms, the UN Conference on Environment and Development held in 1992 in Rio de Janeiro served as a major impetus to place them in the center of policy attention during the transition period. The Sustainable Development Program approved at the Rio de Janeiro conference contains 59 targets including 17 social development targets, 13 environmental targets, 15 economic targets and 14 implementation targets. In line with it, Mongolia adopted these targets within national policies and developed the MAP 21 (Mongolia Action Program for 21st century).

15. The MAP 21 was an influential document to lay down foundations for development planning. The MAP 21 formulated national development policies as based on principles of environmental protection and reliance on domestic resources for the first time. However, this sustainable development concept didn’t fit well with concurrent the economic situation and economic policy priorities of the period. At the time of adoption of the MAP 21 the Mongolian economy was still in the middle a transition crisis; in addition, budget revenue sharply fell due to the 1997-1998 Asian financial crisis and price fall of copper, the main export commodity of Mongolia, on international markets.

16. With the transition to market economy not yet complete, the nation’s economic policy focused more on further introducing of market principles rather than development priorities. Needs for fiscal stabilization caused severe resource constraints and lack of investment available for development priorities. With Mongolia’s accession to WTO in 1997 right before the Asian crisis, market economy-based trade liberalization and price liberalization policies were high on development agenda. Hence, the implementation of the sustainable development policy adopted in 1998 became protracted due to coincidence of the transition, the Asian economic crisis and due to conflict of the transition objectives with the overall macroeconomic policy coordination.

17. However, social problems of the period proved the importance of development policy and planning. During the first 5 years of the transition to a market economy (1990-1995), Mongolia confronted completely new social and economic phenomena – poverty. A household social and eco-
nomics survey conducted by the National Statistical Office in 1995 found that 36.3% of population was poor. At the times of widespread poverty and unemployment, natural disasters stroke. Due to 1999-2000 dzuds output of the agriculture sector, which accounted for 33 percent of the GDP, fell by 16.8 percent increasing poverty even further. The overall economy experienced grave difficulties; a national average monthly household income in urban area stood at Tugrik 82 thousand and Tugrik 72 thousand in rural areas (equivalent to US$ 50-60). Social issues came to front, migration to urban areas from rural areas started and ecological problems worsened though they were not as severe as the social problems.

18. Hence, development policy formulation was launched prior 2000. However, first, the absence of integrated national development policy and strategy implementation, monitoring and evaluation systems; second, structural programs established with international financial institutions designed to restore macroeconomic stability and to reduce fiscal deficit rather than to allocate budget resources to development priorities were on top of agenda; attention to social sector and environmental issues was severely constrained by lack of resources for poverty reduction and social infrastructure. However, despite the limited opportunities for the adequate development planning due to the ongoing economic transition, the Asian financial crisis, the macroeconomic instability and structural deficiencies, the social situation itself required to improve the economic development planning.

2.2. Adoption of MDGs as development policy foundation guidance

19. In September 2000, leaders of 189 UN member nations endorsed the Millennium Declaration and adopted eight MDGs to achieve them by 2015, and the State Great Khural endorsed the Mongolian MDGs in 2005. Mongolia also has its own, 9th MDG on “Strengthening Human Rights and Fostering Democratic Governance” which is devoted to democratic governance and human rights, unique for the country. The MDGs targets and indicators were revised and approved by the State Great Khural Decree #13 in 2008.

20. Adoption of MDGs was an important step in developing long and medium-term national development policy and strategies for Mongolia, when it was experiencing transition and served as strong impulse for establishing appropriate implementation mechanisms as well as monitoring and evaluation systems. Mongolia was strongly committed to overcoming economic problems, paying special attention to human development, addressing economic and social planning deficiencies, and included for the first time MDGs as development objectives in the 2003 EGPRS, and produced the first progress report on the MDGs implementation in 2004. Afterwards Mongolia intensified its efforts in long-term national policy development similar to other UN member countries and the MDG-based Comprehensive National Development Strategy (CNDS) up to 2021 was adopted by the State Great Khural’s Decree #12 in 2008 and consequently implemented.

21. MDG-based CNDS became a basis for subsequent Government Action Plans and the first implementation monitoring report was published by the Government in 2010 and the National Development Institute conducted an independent evaluation of the CNDS progress in 2014. In line with adoption of MDGs and MDG-based National Development Strategy, Mongolia put on strong emphasis on putting in place legal and institutional frameworks for strategic planning, economic policy coordination and policy implementation, which were lacked before MDGs adoption by the country. MDGs and the MDG-based CNDS have played a decisive role on the development strategy serving as a foundation for the Government Action Plans and annual fiscal policy. The Government of Mongolia created development planning institutions reformed fiscal planning by aligning with the development policy. In addition, it strengthened partnership framework, linking pri-
vate sector with the development policy through concession agreements and established a specialized Development Bank of Mongolia to mobilize new development financing sources in addition to budget resources.

22. The Government of Mongolia established relevant institutions in charge of the national development policy right after its adoption and the Development Bank of Mongolia in 2011 to finance major development projects in long-term, introduced a new financing mechanism for development financing as a Public-Private Partnership (the Concession Law approved in 2011), adopted medium-term public investment program document, revised the Budget law into the Integrated Budget Law to reflect strategic development priorities, and adopted Local Development index for better intergovernmental allocation. Furthermore, a law on innovation was adopted to diversify the economy as an important objective of the development planning and the law has helped to link economic resource allocation with technique and technology development. A draft Law on Development policy and planning as the main law to reinstate development policy and planning nationwide was considered by the Government and is submitted to the Parliament. Currently the fifth national report on implementation of the MDGs in Mongolia is produced and a new Vision document is planned to be developed in line with the Post-2015 development agenda. One of the major achievement and result of the implementation of MDGs in Mongolia is the establishment of the development policy framework and putting the development planning in the center of economic policy.

23. As part of the implementation of MDG-based CNDS the Government of Mongolia developed “The New Midterm Development Program” that was approved by the State Great Khural in June 2010. Mongolia had a full set of national development goals that were integrated with global developments goals. In order to manage implementation in the light of MDGs and MDGs based CNDS, the Government of Mongolia renewed its focus on improvement of strategic planning, economic policy coordination and development policy planning that were very limited prior to approval of MDG (Figure 1).

**Figure 1.** Evolution of development policy and planning system


24. The MGDs played major incentives for development of economic and social policy, its implementation and financing, establishment of policy outcome monitoring and evaluation systems, and for expansion of capacity strengthening activities.
25. Thus, with implementation of the CNDS the Government of Mongolia has given considerable attention to functions such as development strategy planning, linking it with public financing, planning, monitoring outcomes, and systematic collection of development statistical data and information, which were overlooked before the MDGs adoption. Public acknowledges the importance of the functions and policy makers put efforts in further strengthening the framework. These progress and achievements can be classified as the government structural reform, financial system improvement, framework expansion, strengthened monitoring and evaluation systems and statistical system improvement.

2.3. Adjustment of government structure for development planning

26. The Government of Mongolia created independent government institutions responsible for development planning; created development-oriented financial institutions for development and amended the budgeting programming to give priority to financing for development goals. Several government organizations were charged with the development planning over the period of 1990-2014.

27. Prior 2008, development policy formulation and strategic planning fell under duties and functions of the Ministry of Finance and later this task was transferred to a new agency, the National Development and Innovation Committee established in 2009 under the Prime Minister. The government created an institution responsible for economic policy, planning and development financing in 2012 and embarked on major reforms to reflect development objectives in national budget and public financing framework, economic diversification, and provision of guidelines for policy formulation. Measures were accelerated in human resource planning and capacity development, strengthening policy formulation and result based monitoring and evaluation.

28. As a result of undertaking such reforms mid-term development strategy has been improved content-wise. Annual government plans or Economic and Social Development Guidelines that was in place since 1992 was considered as short-term planning document. As can be seen from Guideline for 2005, MDGs were embedded as specific target under umbrella of the Millennium Declaration in health Sector Policy; later in 2006 they were embedded in poverty reduction objectives in the Guideline and since 2007 embedding MDGs into the annual Guidelines have become a usual practice in the following years.

29. Regarding the medium-term planning, The Government Action Plan serves as a medium-term policy document. The Government Action Plan for 2008-2012 was developed in line with the MDG based CNDS, a draft medium-term priority issues for 2012-2016 was formulated and considered by the Government in 2012 and medium-term public investment program was adopted at the Government level in 2012. After the 2012 parliament election, changes to the policy formulation and planning systems were made and government structure and institutional arrangements for planning and implementation of policy and strategy aligned with the MDGs of Mongolia and its sustainable development objectives were set up with establishment of central government institutions responsible for economic, environment and green development. The Ministry of Labor is responsible for employment promotion and poverty reduction. To facilitate infrastructure development the Ministries of energy, road and transportation, and construction and urban development were also established accordingly.

2.4. Impacts of MDGs on financial system and financial cooperation for development

30. There were significant improvements made in integrating budget planning into the development policy. The main improvement is the linkage between budget planning and the development ob-
jectives. The 2012 Integrated Budget law of Mongolia stipulates terms and definitions of public investment program as one of the main component of the development policy. While in 2006 the Parliament stated in its resolutions: “Ensuring implementation of Economic and Social Development Action Mongolia for the Year of 2007 by providing financing sources under the framework of the Budget Law”, it was changed in 2013 as: “Prepare draft budget on the basis of the Economic and Social Development 2013 Action Plan and submit it to the SGH”. The latter statement clearly illustrates the State Budget have started to build upon on the Action Plan (on development policy and plans). This resolution states “Implementation of 2013 Action Plan should be closely tied to the MDG-based NCDS and other policy documents” that incorporate emerging principles approach of integrating short, mid- and long-term development policy, financing and institutions. Furthermore, the medium-term fiscal framework and annual guidelines are adopted by the State Great Khural at the spring session and on basis of them annual general and central government budgets are developed.

31. The Government established the Development Bank as a major financial institution to support the economic development. Investment made by the Development Bank in 2013 exceeded the public investment from the central government budget, demonstrating the Development Bank being the main financial source for development programs.

32. In addition, the Concession Law was adopted in 2010, creating opportunities for mobilizing private investment in implementation of development objectives. Currently major projects in Mongolia, for instance, power stations, local paved roads, and railway projects are planned to get financed under concession agreement.

33. Thus, Mongolia established the new financing arrangement and has considerably increased development financing. Budget expenditures in education and social welfare rose by 18.1 percent and 22.8 percent in 2006-2012 in comparison to the previous 6 years after the MDGs adoption. Budget expenditures in education, health and social welfare account for 49.6 percent of total central government budget expenditures.

34. In addition, the Government of Mongolia widened development financing framework within financial system and established new international cooperation framework and arrangements. The major achievement is significant increase in financing by mobilizing foreign investment and investing in major development projects. This includes domestic private investment, aid, and foreign direct investment. Average annual domestic and foreign investment growth was about 20 percent in 1999-2005 and average annual growth of foreign direct investment and aid increased to 54.1 percent in 2006-2012 after the adoption of development objectives. During the same period domestic investment grew 7.6 times while investment from foreign financing increased 10.2 times.

35. Mongolia closely cooperated with international organization and donor countries, made considerable investment in development and received total US$ 910.6 million concessional loan for 2006-2012. It was spent on implementation of MDGs and NDS. Mongolia also strengthened economic cooperation with many countries, received and spent US$ 848.9 million in grants from donor countries on many development programs.

36. Mongolia implemented 429 projects under overall aid programs for 2006-2012, the number of projects and programs under the foreign aid program grew 2.4 times and their implementation sped up. Number of new projects and programs in education, health, social welfare, poverty reduction, gender, infrastructure, governance and environment grew 2-6 times for the period in comparison to the previous 6 years. With the establishment of the Development Bank Mongolia
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raised US$ 2.4 billion on commercial terms from international financial market and Oyu Tolgoi project alone attracted total US$ 6.4 billion of foreign direct investment. Mongolia succeeded in significantly raising development financing and international partnership and cooperation played an important role in it.

37. It is a major progress to audit by the National Audit Office on development policy, financing, implementation and results, to present and to endorse audit opinion report by the State Great Khural. For instance, the 2012 audit report states “audit was conducted within the mandate of the National Audit Office defined in the Auditing Law and based on State Great Khural resolution No 34 of 2011 and the 2013 procurement plan of the National Audit Office to the Auditor General of Mongolia. The purpose of the audit was to review, reach conclusion and make recommendations on implementation of the 2012 Economic and Social development Guidelines of Mongolia, to present them to relevant authorities and officials and to publish them to public.

38. Another major achievement is evaluation of the CNDS implementation in 2010 and 2014 and presentation of relevant reports in addition to monitoring and evaluation of short-term policy implementation. One could conclude that the institutional arrangements for planning are successfully set, financing sources are secured and monitoring and evaluation systems and relevant legal environment are created.

2.5. Impacts of the MDGs on development objective monitoring and statistical systems

39. Since 2010, the Government has made considerable steps to improve its monitoring and evaluation system by transitioning into results-based system that could be considered as an indirect impact of the MDG-based monitoring and evaluation system application. It should be noted that this transition is at a very earlier stage of its development. The results-based monitoring and evaluation system requires consistent application of all stages of the monitoring and evaluation system starting from its “Preparatory evaluation”. The most important criteria for success are consistent application of all steps and related procedures. The system requires sustainability, which is the main challenge for adaptation.

40. To further support introduction of the results-based monitoring and evaluation system the Cabinet Secretariat even drafted a Law on Government monitoring and evaluation, though it has been now merged into the draft of the Law on development and planning. The most recent Government intervention was Government Resolution #322 of 2013 on “General regulation for monitoring and evaluation of government agencies”. The resolution assigned the ministries and agencies at the central and local levels to develop and adapt the monitoring and evaluation systems and methodology applicable to their sector, industry, or locality. The MDGs have played an important role in creating the national results-based monitoring and evaluation system and strengthening capacity.

41. MDGs have played a critical role in establishment of socio and economic indicator database, and in development of data services. Improvement in data collection and methodology helps not only MDGs evaluation but also help policy makers in monitoring and evaluation of national and sector policies and strategic results.

42. In field of the national statistics sector development, a new law on “National census on population housing” was approved in 2008. Methodology to calculate a human development index was approved that resulted in having unified methodology allowing relevant economic institutions consistently use human development indicators for reporting.
43. The National Statistical Office developed Mongolia’s MDGs in line with international MDGs with 48 indicators, published them in 2006 statistical yearbook and made available to public. The National Statistical office later in 2008 expanded them to 24 targets and 67 monitoring indicators.

44. A Pilot Project to Support the National Poverty and MDGs Monitoring and Assessment System was implemented by the Government of Mongolia and UNDP; the nation-wide MDG Monitoring and Evaluation system was created, and associated data base for routine statistical data collected by the statistical and line agencies was established as well. Out of 64 monitoring indicators included in the MDG data base 20 indicators are collected through the statistical surveys and censuses, and remaining 44 indicators are compiled from the ministries and agencies’ administrative data records. Foundations for the web-based data system was established by order of the Chairman of the National Statistical Office #01/61 of 2009 as the DevInfo version 5, and the roles and responsibilities of the relevant parties regarding the database compilation, update and use were defined as well. The appointment of a person in-charge of MDG database at the NSO has played a significant role in advancing the monitoring and evaluation system.

3. IMPLEMENTATION OF DEVELOPMENT POLICY IN MONGOLIA, ITS ACHIEVEMENTS, CHALLENGES AND CONSTRAINTS

3.1. Development Policy Implementation

45. Despite significant progress towards development policy formulation, financing and monitoring and evaluation, the country faces challenges of the inadequate legal environment and lack of experience. Thus, it is of utmost importance to identify both the factors affecting the successful implementation of the national development strategy of Mongolia and challenges encountered, when the country is about to embark on implementation of global goals.

46. Implementation of the two main development policy documents of Mongolia, the MDGs and MDG based CNDS, is reviewed in this report. The Government of Mongolia reports on annual implementation of the CNDS to the State Great Khural. The 2014 evaluation report on the CNDS implementation concludes that few objectives were fully met and many challenges were encountered for the last 7 years between 2008-2014. Since it is the first long-term development policy of Mongolia, it is important to consider the following lessons learnt:

- The CNDS included “wish list” items or objectives;
- Medium and short-term development policy documents such as the Government Action Plan, the annual Socio-Economic Development Guideline, sectoral and inter-sectoral development policy documents have been not fully coordinated and made coherent with the NCDS;
- The CNDS implementation coordination between the Ministries was inadequate and some inter-sectoral objectives were left out/overlooked. These poorly affected the implementation; and
- Election platforms of political parties have been not aligned with the NCDS objectives.

47. Despite these setbacks, in overall Mongolia has made a considerable progress during the implementation of the NCDS and MDGs. The Mongolian economy grew rapidly for last 14 years. Average annual GDP growth for 2000-2005 was 5.6 percent, for 2005-2010 it increased to 6.4 percent and it further accelerated to 12.2 percent between 2010-2014. As a result, according to the
World Bank estimate Mongolia’s GNI per capita reached 3,770 US dollar and the country is no longer classified as a low-income country based on its GDP per capita\(^1\). Based on the World Bank estimate, Mongolia left the low-income countries ranks and joined the lower-middle income countries’ rank in 2008; it is a significant step forward for the country.

48. Although the economic growth has been high and the economy expanded, poverty hasn’t been reduced principally and the negative outcomes of persistent unemployment rate, widening income inequality of population and other adverse outcomes have been observed. They indicate that the economic growth hasn’t been inclusive enough. The ratio between the consumption of the richest 20 percent and the poorest 20 percent in 1995 was 5.5 and it increased to 6.2 in 2012. Currently, transforming the economic growth into inclusive one is the most pressing issue. This shows that it is necessary to pay attention and take actions to improve social development, increase the inclusiveness of economic growth, in particular, for the target groups.

49. Goals to reduce child mortality, improve maternal health, combat HIV/AIDS and target to develop new ICT and build an information society have already been achieved in Mongolia. There has been a significant progress made in promoting gender equality and increasing women’s participation in politics and decision-making.

50. Actions taken to improve maternal health had good results. For instance, legal documents, strategies, guidelines and manuals for medical services for women and obstetricians were formulated and enacted, registration and information system for maternal mortality was established, system to provide medical treatment and transfer pregnant women with high risks and multiple diseases to the third level clinics was put in place, reducing maternal mortality rate was the national priority objective and one of the indicators to monitor national priority objective, performance of aimag governor office and government organizations and awareness on women health at national and local levels have been raised to achieve results. Furthermore, the assistance and support from the WHO, UN organizations and other international organizations were well directed and reached the target groups having significant impact.

51. Mongolia adopted the ninth goal “Strengthen human rights and foster democratic governance,” and made strong progress in the areas of ensuring the transparency of governance and citizens’ participation and combating and reducing corruption. According to the corruption perception index of the Transparency International, Mongolia ranked 120 in 2011; in 2014 it ranked at 80 out of 174, which is notable progress.

52. Although Mongolia couldn’t halve its poverty rate, it succeeded reducing it by one third. Poverty rate in Mongolia stood at 36.3 in 1995, further increased to 38.7 in 2010 but declined to 27.4 in 2012. It is attributable to successful implementation of the targeted social policy by the State Great Khural and Government of Mongolia.

53. Mongolia’s Human Development Index was 0.698 in 2013, which classifies as a medium development category country and ranks it at 103 out of 187 countries. An average HDI of Asia Pacific country is 0.614 and Mongolia scores higher than the other countries of the similar development stage.

54. Although there has been a progress made, there are still development targets lag behind\(^2\). Goals to halve poverty rate, reduce youth unemployment rate, reduce the prevalence of tuberculosis and protect environment especially in reducing air pollution in urban settlements such as Ulaanbaatar haven’t been achieved.

55. There are difficulties to evaluate implementation of some goals without clear targets. Moreover, evaluation and review of some goals is hindered by incomplete data and the methodology issues; it is a good lesson for future implementation.

56. The Government produced the Fifth National Progress report on MDG achievements in 2013. The draft report was discussed at a meeting of the Subcommittee for MDGs and poverty reduction issues under the Social policy, education, culture and science Standing Committee of the Parliament. The Subcommittee asked to intensify the implementation of MDGs. The fifth report discusses in great detail development progress made and challenges faced.

3.2. Encountered Problems, challenges and lessons learnt

57. The decade of 1990-2000 was the most daunting time of the transition period and high unemployment, poverty and hyper-inflation had adverse impacts on people’s livelihood, affecting the achievement of MDG to reduce poverty. In addition, the weak economic structure of the country, high share of livestock sector dependent on the environment and weather in the economy, under-developed processing industry and infrastructure have been hurdles to productive employment. For instance, the drought and the dzud occurred in 2000-2001 and 2009-2010 brought huge losses to livestock sector, resulting in loss of livestock and livelihood of thousands of herders and increase in poverty rate. A total of over 10 million head of livestock were lost in the 2000-2001 disaster and the production of livestock sector declined over 20 percent. Furthermore, the global economic and financial crisis in 2007-2009 hit Mongolia hard and GDP decreased by 1.3 percent in 2009. Due the rapid development of mining sector in recent years, Mongolia grew more reliant on mining and thus prone to global mineral prices’ fluctuation.

58. Our past experience proves that it is not an easy task for a developing country with transition economy to achieve the goal to reduce poverty. The participants of the public consultations highlight that “in addition to the difficulties and challenges faced during the implementation of MDGs in the past 20 years in Mongolia, responsible and good governance aren’t established; the law enforcements are unsatisfactory; the existing institutions are weak; crises occur frequently; inconsistent and incoherent development policies are implemented.” The shortages of financial resources and limited engagement of private entities and civil society organizations in achieving MDGs are among many factors affecting Mongolia’s accomplishments and failures.

59. Overall, Mongolia has made significant progress in strengthening development policy planning and in coordinating the global development trends into its policies but some critical policy issues have been neglected and difficulties still exist.

60. The crucial issue is the lack of adequate legal environment for development planning. The following issues deserve serious attention:

\(^2\) Mongolia’s HDI for 2013 is 0.698. However, when the value is discounted for inequality, the HDI falls to 0.618, a loss of 11.5 percent due to inequality in the distribution of the dimension indices. The Gender Inequality Index (GII) reflects gender-based inequalities in three dimensions –reproductive health, empowerment, and economic activity. Mongolia has a GII value of 0.320, ranking it 54 out of 149 countries in the 2013 index.
• Determining the development priorities after 2015 should be based on modern development planning methodologies and development goals should be achievable; the legal environment for development policy planning in Mongolia should be established and enacted;
• The number and the capacity of officers in charge of monitoring and evaluation of strategic planning should be increased;
• Guidelines and manuals should be developed and used for formulating long-term targets, sectoral policies, and include these targets in the medium-term strategies;
• It is of importance to include ideology and principles of political forces and parties in the development policy framework;
• The State Great Khural and the Government should pay special attention to implementation of the long-term policy previously; and
• The Government Action Plan should be formulated based on the long-term policies.

61. Special attention should be paid to incorporate strategic objectives in medium- and short-term economic policies. Although significant attention has been paid to MDG based long-term development strategy since 2008, the Government Action Plan goals haven’t been coordinated well with the strategy and only short-term policies incorporated the long-term strategy. This is due to the fact that the change of power in political parties elected for Parliament had decisive and dominant part in determining the medium-term planning based on the election manifesto. Therefore, it is crucial to have the manifestos of political parties coordinated and coherent with development targets set by the framework of global partnership and national long-term development policy of Mongolia. These weaknesses and gaps create the inconsistencies for successor implementers of long-term development policy.

62. The institutions responsible for development agenda should be strengthened. Remarkable progress has been made in establishing an institution in charge of development planning. The Ministry of Finance has been in charge of development planning since the end of 2014. This change in structure brings a step closer for bringing development planning in alignment with financing mechanisms. Development targets set worldwide and sustainable development goals are very broad-based, thus coordinating the development cooperation and partnerships with financing mechanisms will be a necessary condition for achieving the goals.

4. NATIONAL POLICY DURING THE TRANSITION PERIOD FROM THE MDGs TO SUSTAINABLE DEVELOPMENT GOALS

4.1. The current process to renew the long-term development policy

63. When development policy and planning’s adequate legal environment is established, it will serve as a legal basis to undertake policy documents reviews. A draft law on development policy and planning has been submitted to Parliament.

64. Currently, a working Group is formed to formulate the long-term development policy of Mongolia in April 2016 by the Decree of the Mongolian Parliament’s Speaker. The chairman of the political party caucus at the State Great Khural leads this working group and the technical sub-working group is composed of ministries and government agencies. The necessity to renew the NCDS enacted in 2008 is related with the transition to sustainable development goals from MDGs. The Post-2015 Sustainable development goals (SDG) of Mongolia are set to continue the activities started in the framework of MDGs, to be coherent with 17 SDGs set by the global partnership and
reflect pressing issues and challenges of Mongolia’s development. The results from a series of national consultations on Post-2015 Development Agenda organized by the UN Residence Mission in 2012-2014 engaging multi-stakeholders form the basis for the determination of development goals for Mongolia.

65. Contribution of scientific research to improve the policy coordination, coherence, consistency and integrated management for achieving the sustainable development goals are promoted. The National Development Institute of Mongolia is conducting research to provide science-based policy recommendations and know-how on application of the concept and principles of Sustainable development. The Institute has recently completed a comprehensive study aimed to designing a long-term National Development Policy. The study used interdisciplinary approach to data collection and analysis. The process of discussing results and findings, as well as the process of informing on updates on the research progress was organized systematically to adaptively capture feedback and responses generated from multi-stakeholder consultations and discussions.

66. The National Development Institute’s proposed draft Long-term national development policy covers the period of 2016-2040 and defines 5 priority areas with sub objectives:

- To diversify the economy, enter the international market and use resources efficiently;
- Develop Mongolia’s human capital, foster highly skilled labor force and increase productivity and production capacity;
- Strengthen quality of government institutions, policy and regulations;
- Application of modern technologies and innovations in all sectors; create adaptive capacity to climate change; and
- Strengthen middle class, the driving force for development and improve the conditions for public health and safety.

4.2. The main priorities for long-term development policy

67. Long-term development priorities for three pillars of Sustainable development – economic and social development and environmental are defined as follows and are being consulted upon.

4.2.1. Social Development

68. The long-term objective for the social development is currently determined as strengthening the middle class, and improving the conditions for health and safety of the general public. Although Mongolia’s economic growth has been continuously positive in the past 14 years, poverty has not dropped rapidly. Yet the income inequality among the population has widened as mentioned earlier. Policies aimed at steady increase of the middle class and reducing income inequality and income gaps among population shall be considered the foundation for the sustainable social development.

69. Mongolia’s MDG-based National Comprehensive Development Strategy and the priority issues of the Government, included in the 2012-2016 Government Action Plan, to form a society where the majority will be the middle income citizens will be further implemented. Reducing poverty will be the pre-requisite for increasing the middle class. Therefore, within the framework of sustainable development goals, there is a need to align the 9th goal of “Promoting Sustainable Industrialization” with goal to reduce unemployment by redefining the UN’s goal to “end poverty in all its forms everywhere” in the local context.
70. Reducing the income inequality, income gaps and differences consumption patterns will require the elimination of gaps in the infrastructure in rural areas such as the access to housing, education, health services and difference in the living conditions. This target is relevant to the 10th SDG goal to “reduce inequality within and among countries”.

71. In the framework of SDG’s population health, the third goal was proposed to “ensure healthy lives and promote well-being for all at all ages”. In the context of our country, improving the protection of the population, better access to health services and improvement of quality of medical services were proposed to MDGs, and they will be implemented further. Increasing the average life expectancy (a specific age can be defined as target) include targets to reduce the gap in the average life expectancy of men and women. Mongolia will propose a target to reduce some significant illnesses that are widespread among its population. For example, the country will propose a target to reduce tuberculosis incidents, which previously was included in the MDG, and other diseases related to the heart and tumor. As for the reduction of tuberculosis, Mongolia would like to continue getting support from the international organizations, because in the case of our country, drug-resistant tuberculosis has become widespread, and the costly treatment of this disease can become a challenging burden on the state budget in the upcoming years.

72. In the framework of social development, a policy is currently being discussed on setting a priority on strengthening the capacity of a Mongolian citizen, and building a highly skilled Mongolian workforce. In the framework of the SDG on education, the 4th target to “ensure inclusive and equitable quality education and promote lifelong learning opportunities for all” should be wholly implemented in our country. In this case, Mongolia should specially focus on improving the quality of education. For example, at the university education level, it is believed that the professional guidelines, the academic programs should be aligned with the market demand, and provides the necessary knowledge and skills for youth, which is a priority target. The need to make the targeted social protection system flexible for poor, minority, disabled and vulnerable groups was highlighted during the national consultation.

73. In the framework of promoting gender equality, domestic violence and human trafficking that has gained increased attention in Mongolia should be confronted and further emphasis is required to protect the rights of girls and women, the main victims of violence.

74. There is need to abolish the current trend of politicizing of the civil service system, to hire skilled professional staff in public institutions regardless of their political affiliations and to reduce corruption at all levels. The pressing social development issue particular to Mongolia is the improvement of capacity of government institutions and the quality of policies and regulations.

75. Based on integrated development policy and results-based programme management, it is crucial to strengthen sectoral coordination and coherence. Thus, strategic planning system, equal and inclusive public sector, strong accountability systems are required. The evaluation report of MDG-based National Comprehensive Development Strategy and the fifth national progress report of the MDGs in Mongolia states that the main challenges faced in implementing national development policy were the weak institutional capacity, insufficient policy coordination, lack of consistency in public policies, inadequate coordination of sectoral and inter-sectoral strategies and plans and insufficient synergies and coherence with national long-term development strategy.

4.2.2. Sustainable environment

76. Environmental policy integration should serve as a main operational principle to implement sustainable development. Most of key development policies adopted after the MAP 21 Agenda, such
as MDG-based Comprehensive National Development Strategy, Mongolia’s Regional Development Policy, Mongolian National Security Concept, EGPRS, fell short of providing an explicit objective to integrate environmental aspects and policy objectives into sector policies and pursue environmental policy integration as a cornerstone for sustainable development.

77. Currently, there are some challenges that country faces regarding operationalization of the broad sustainable development concepts, as it is too vaguely perceived and there is a not common understanding of sustainable development concept across different sectors or at different policymaking levels. The challenges are coordination of different sector policies to achieve sustainable development and integration of environmental concerns into existing sets of sector policy processes, organizational arrangements and power structure. As an effort to address these gaps, the Government made substantial moves by establishing the Ministry of Environment and Green Development in July 2012.

78. The National Policy on Green Development is developed in-line with other national programs being implemented in the environmental sector such as National Programs on Climate Change, on Water, on Renewable Energy, on Combating Desertification, etc. The National Policy on Green Development could be also considered as an important national initiative to integrate environmental aspects and policy objectives into other sector policies, such as energy, industry and agricultural policy. This policy is an indicator for political commitment and leadership for achieving environment policy integration, but continuous high-level commitment is a pre-requisite for transitioning towards the SDGs. Cooperation with international organizations on green economic development has been strong and there is intention to further expand this cooperation. For instance, Mongolia joined the Partnership for Action on Green Economy in 2013 and has cooperated with UN specialized agencies (PAGE, UNEP, UNITAR, ILO, UNIDO and UNDP). It intends to join the Global Green Growth Institute and to apply the “green” economic model T21 for policy making studies.

79. Before 2012, the nature and environmental portfolio was considered as one of the line ministries and didn’t have the authority to influence decision-making and policy formulations of other ministries. Therefore, for the sake of promoting policy to achieve a balanced integration of three pillars of sustainable development it is important to raise the MEGD status, develop its capacity to deal with increasing volumes of decisions, have structured contact with other ministries, and have support from external actors in green development policy implementation. Moreover, it requires improvement of coordination and communication processes, budgeting incentives, improve analytical and scientific capacity for sustainable development.

4.2.3. Economic development

80. The economic development goals are the diversification of the economy, further integration with international markets and improvement of resource utilization efficiency. While for the last decade Mongolia has experienced steadfast growth in the mining sector, the economy grew more dependent on copper and coking coal exports and became more vulnerable to fluctuations in prices on international markets and to demands of few countries, the main export markets. Hence, the economic diversification has turned into a foundation for the development policy. With this development the mining sector to GDP stood at 20.2 percent in 2013 from 12 percent in 1995. The mining sector produced 81.3 percent of total exports in 2014, whereas it stood at 35.2 percent in 2000. Mongolia considers that she has opportunities to diversify the economy by utilizing its comparative advantages. For instance, there are opportunities for export of high quality organic food and developing tourism sector by protecting precious virgin nature. There are also opportuni-
ties for energy export to Asian markets by constructing solar and wind power stations. Asia’s renaissance, further integration of the neighbor economies and infrastructure development in Asia are creating favorable external conditions for further economic development in Mongolia.

81. The next economic challenge is to implement an industrialization policy as stipulated in the Government Action Plan for 2012-2016. A draft State Policy on Industrialization is developed and prepared for consideration of the State Great Khural in the 2015 spring session. Within the industrialization policy major reconstruction works such as construction of the Sainshand industrial park, a metallurgy plant development and others are planned. For the last years initial steps towards the industrialization have been taken. For instance, cement plants with total capacity of 2 million tons of cement are constructed in two regions. The Darkhan metallurgy plant was expanded and an iron ore processing plant was built in 2014. The heavy industry development policy including expansion of power and heating plants is being pursued. Construction of the power station #5 in Ulaanbaatar is launched. Bidding for power station projects in Bagenuur and Tavantolgoi were organized and concession agreements are signed.

5. CONCLUSION

82. Mongolia has achieved some of the Millennium Development Goals and is likely to reach some of remaining Millennium Development Goals targets by 2015. Although various factors may be attributed to this success, effective policy and programme interventions, including the MDG-based Comprehensive National Development Strategy and the Health Care Strategies, have been central to these accomplishments. As the target date to achieve the Millennium Development Goals or 2015 is close, Mongolia is determined to realize its remaining goals while it also looks ahead to continued involvement in forming the post-2015 development agenda.

83. Development cooperation will play a significant and unique role to support implementation of the post development agenda. Mongolia supports a renewed global partnership and looking to the future of development cooperation. Areas for international support will be directed to accelerate the capacity building for greater policy integration and coherence for sustainable policy paths and effectively address highly complex trade-offs between the three dimensions of sustainable development. Systems for monitoring and evaluation needs to be further strengthened to measure the performances of Government policies, programs and projects in pursuit of SDGs that potentially will contribute to result-based sound governance.