



SWISS COOPERATION STRATEGY FOR MONGOLIA 2007-2012



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Table of contents

Foreword	4
Executive Summary	5
1. Development Context	6
2. Program Review 2003-2005	10
3. Strategic Orientation	12
A. Strategic Choices	12
B. Strategic Principles and Transversal Themes (TT)	14
C. Strategic Program Framework	15
Table P1: Impact and Alignment	
Table P2: Key SDC Contributions aligned to Country Outcomes	
	18
4. Program Management	
Table P3: Program Management Performance	
	20
5. SCS Monitoring System with Tables 2006/07	
Table M1: Impact and Alignment_	21
Table M2: Country Level Outcome Monitoring	22
Table M3: SDC Contributions to Country Outcome Monitoring	22
Table M4: SCO Management Performance, 2007	25
6. Annexes	
Annex 1: SDC Mongolia Program: Medium-Term Financial Planning	27
Annex 2: Development Indicators	28
Annex 3: Links to Key Development Strategies_	29
Annex 4: Progress Reports on EGSPRS, MDGs	30
Annex 5: Official Development Assistance in Mongolia	32
Annex 6: Lessons Learnt from Programs and Strategy Reviews_	33
Annex 7: Income Generation within the "Swiss Cooperation Strategy for Mongolia"	35
Annex 8: Development Context in Mongolia	42
Annex 9: List of Abbreviations	43



Foreword

As one of the first countries of the West, Switzerland established diplomatic relations with Mongolia in 1964. At that time Mongolia was strongly dependent on the Soviet Union and the COMECON. With the collapse of its patron Mongolia embarked on a fast transition from a socialist regime to market economy based on democratic principles and ideologically underpinned by the legacy of Chinggis Khan. The leader of the last Millennium who once ruled the biggest ever empire from India to Europe inspired this transition of Mongolia from a supplier of raw materials to the Soviet Union to a global actor, vigilant about maintaining good relations with its two big neighbors, Russia and China, while cultivating relations with 'third neighbors'. This term stands for all other countries Mongolia has friendly political and economic relations with.

Driven by a neo-liberal market economy theory, the Government of Mongolia first reduced the public financing of basic services, such as health, education, and agriculture, leaving vulnerable people and enterprises with little protection. With significant assistance from various donors, led by the Government of Japan, poverty was contained at 36% for the last years. Mongolia now stands at a critical stage of development, with the enormous potential of its mineral resources on the one side, stagnant poverty and corruption, and high unemployment on the other. To address the challenges of equitable economic development, sustainable management of natural resources, and governance, long-term strategic thinking and investments will have to replace the focus on short-term economic and political benefits. In rural areas, limited access to goods and transport and missing alternatives to herding hamper rural development and fuel rural-urban migration.

Mongolia prioritizes human development with a focus on poverty and unemployment reduction, avoiding harmful impact on the environment and strengthening the resilience of the herders towards natural disasters. Switzerland partners with Mongolia in its efforts to reach these goals as stated in the Mongolian National Development Strategy.

Initially, the Swiss Agency for Development and Cooperation (SDC) successfully supported dzud¹ victims through humanitarian aid programs in Western Mongolia, responding to an international appeal in 2001 by the UN and the Government

of Mongolia. Realizing that structural weaknesses may have worsened the impact of the dzuds, the decision for a longer term SDC involvement was made. The Swiss Cooperation Strategy (SCS) for Mongolia was developed with active participation of key national and international stakeholders in Mongolia. These stakeholders assessed the present situation, analyzed past experiences, drew lessons learnt, developed possible scenarios, set strategic objectives and proposed concrete SDC contributions to country outcomes. The global shift towards a stronger and shared performance orientation in international development influenced the structure of Swiss Support. It is aligned to the Government of Mongolia's development goals clearly guiding and stating SDC's program contributions to the Mongolian priorities. The format of the strategy proposes a common language, format and logic which shall contribute to enhance performance, both in terms of the effectiveness of its development programs and its organizational effectiveness. Explicit efforts are made to define and monitor program management performance to meet the ultimate purpose of delivering development results. The strategy is designed to be a transparent tool of result based management facilitating harmonization with other initiatives in Mongolia and will guide Swiss involvement in Mongolia for the period 2007-2012. Within this period the SDC Mongolia program will grow progressively reaching 9 million CHF SDC per year in 2009.



Walter Fust, Ambassador
SDC Director-General

¹Natural disaster: dry summers followed by extremely cold winters led to the death of millions of animals, which underfed, could not survive the cold winters. The consequence was that many herders lost a large part of the herd, the basis for their livelihood, and were driven into poverty.

Executive Summary

The Swiss Cooperation Strategy (SCS) for Mongolia 2007-2012 provides the framework for the next phase of Swiss development cooperation in Mongolia. The Swiss Agency for Development and Cooperation (SDC) started its support to Mongolia with humanitarian aid in 2002. Although still young, the SDC program has already significantly contributed to the improvement of the livelihood of vulnerable herders and ex-herders in Mongolia, and has gained respect and appreciation of both the Government and the people.

SDC's programs gradually shifted from quick delivery of humanitarian aid to long-term development cooperation programs. Main contributions were geared towards better management of pasture in rural areas, a land tenure system appropriate to a free market economy, measures to rehabilitate pastures, disaster mitigation, income generation and good governance. SDC initiated a number of pilot activities to develop and test value chains for specific products, technologies, and marketing skills, with the aim to generate alternative income

for poor herders. Then the Swiss Program expanded towards a Natural Resources Management, aimed at supporting livelihoods of vulnerable people through the sustainable use of the natural resources while focusing on environmental issues.

The SCS is aligned to Mongolia's Development Goals (MoDGs), the National Development Strategy (NDS), the Economic Growth Support and Poverty Reduction Strategy (EGSPRS), and the local Harmonization agenda. The SCS strategic objective aims at contributing to improve and secure livelihoods of herders and ex-herders in rural areas focusing on improving the sustainable use and rehabilitation of natural resources as well as supporting ecologically-oriented social and economic development. To reach the above mentioned objective, SDC contributes to following four specific country outcomes. The three first outcomes are derived from the Socio-Economic Guidelines for Mongolia (SEG). The last outcome aims to enhance Swiss Mongolian relations.

The specific SDC contributions are aligned to the respective country outcome:

- 1 **Improved legal framework and implementation capacities for management and monitoring of natural resources at the herders and at national level**
Development of gender responsive and equitable legislations, empowerment of herders in gaining secure land tenure, and capacity development of government and civil society organizations in the implementation of policies
- 2 **Strengthened resilience of herders to vulnerabilities in the livestock sector and improved disaster preparedness and environmental stewardship**
Improvement of agricultural production and land rehabilitation, introduction and implementation of sustainable coping strategies and plans for degraded rangelands, and support of afflicted herders in securing their livelihoods after natural disasters
- 3 **Increased income of herders and ex-herders in targeted areas based on improved productivity of their livestock and income diversification**
Improvement of local resources, services and skills to produce good market quality goods, support of regional and local economic development initiatives, and strengthening of livestock management, production, and support services for herders
- 4 **Deepened Swiss Mongolian Relations**
Strengthened Swiss Mongolian relations through the support of the democratic development and cultural exchange

SDC's target group are the vulnerable herders and ex-herders in rural areas of Western Mongolia. Sustainable Natural Resources Management is the main thematic focus, while good governance, gender, and the right-based approach are transversal themes for the whole program. According to SDC terminology, the program in Mongolia is a 'special

country program' with a duration perspective of 10 years, and a financial volume of 5-10 million CHF/year. The Swiss Cooperation Strategy for Mongolia 2007-2012 is the basis and the frame document for SDC's activities, and Switzerland is committed to support Mongolia with about CHF 40 million in the next five years.



1. Development Context

Mongolia with a surface of 1,566,500sq km is **38 times bigger than Switzerland**, yet it has three times less inhabitants (2.5 million), of which half live in the capital city, Ulaanbaatar. It is also land-locked, located between two huge neighbors, China and Russia. In 1206, Chinggis Khan started to establish the biggest empire ever, stretching from India to Europe. Over the centuries the empire slowly disintegrated. In 1921, Mongolia became the second socialist country in the world under the protection of the **Soviet Union**. Because of its strategic location the Soviets invested heavily in Mongolia to bring it from a 'backward nomadic' civilization to a 'modern' one. Huge efforts were undertaken to build towns, a communication network, an education and a public health system as well as industrial production capacities. With the **collapse** of the Soviet Union in 1990, the discontinuation of its subsidies to Mongolia, and the breakdown of monetary and trade relations between the COMECON countries, Mongolia's centrally planned economy suffered a **harsh initial shock**. Unemployment soared; poverty and social problems increased sharply.

Due to the early adoption of adjustment policies, market-based reforms and a successful transition to a democratic political system, Mongolia was initially one of the **rapid reformers among transition countries**. However, despite this relative successful transition, **high income poverty levels of 36% have persisted** (survey of 1998 and 2003), mainly because of the almost total collapse of the secondary sector, which had been developed under socialism to absorb excess labor from the children-rich herder families .

Harsh winters and dry summers (dzuds) in 1999-2002 brought a **second shock** just a few years after the economy had started to grow again. A decline from 34 to 24 million heads of livestock over these years led to a further economic regression and clearly pointed to the environmental vulnerability of the 800,000 people whose livelihood depends directly or indirectly on livestock, whose productivity and health is, in turn, directly relevant to the livelihoods of the rural population. **Rural poverty** is sensibly higher than in urban areas (43% vs. 30%); worse-off than herders are however poor people in rural centers. There are substantial differences in **poverty across regions**, reaching 51% in the West

and 27% in Ulaanbaatar. Inequality (Gini 0.33) is higher in urban areas. Female-headed households, unemployed, low level of education, low ownership of assets (livestock, land, and savings) are correlated to poverty incidence. **Unemployment** is a primary concern of the people. Risk mitigation strategies are informal mining, migration to urban centers in search of better education and job opportunities, labor export to South Korea and other countries, value-addition to existing products, diversification and alternative income. **Kinships** are an important social net, but are often the root causes for nepotism or even corruption, a growing concern in Mongolia, particularly at elite level. It is posing a high risk of accruing the benefits of development and growth for a tiny part of the nation. Although there are more than 5000 national NGOs, only a fraction are active and **civil society** needs to be strengthened.

To fight persistent poverty the Government of Mongolia has adopted a pro-poor growth and poverty reduction strategy package (Annex 2, 3). It has adopted the **Mongolian Development Goals**, adding Good Governance and Human Rights to the usual MDGs. These goals have been incorporated into the **Economic Growth Support and Poverty Reduction Strategy (EGSPRS 2003)**, which is at the moment the most strategic policy in terms of setting the development objectives of the Government. It is country-owned and participatory and aims at:

- Ensuring macroeconomic stability and public sector effectiveness;
- Supporting production and exports and improving the environment for private-led development;
- Enhancing regional and rural development and environmentally sustainable development, in particular, speeding up the land reforms;
- Fostering sustainable human development and mainstreaming gender dimensions in poverty reduction interventions; and
- Promoting good governance, and implementing and monitoring the strategy.

Relations, however, between various strategies, guidelines, action plans, policies, the budget, as well as the importance of the various documents for implementation, is as yet neither clear nor



consistent. The “**Socio-Economic Guidelines (SEG)**” include the objectives of the Government for a particular year as well as concrete actions for their implementation in strict accordance with the **Action Plan of the Government**, the MDGs and other guidelines, and have been approved by the parliament. The SEG will be replaced by an MDG-based **National Development Strategy (NDS)**, which will consolidate the actual planning processes to arrive at an interrelated policy, planning and budget system. In the short-term, the SEG provide a suitable tool for aid coordination, together with the **Medium-Term Expenditure Framework** and the **Public Investment Plan** under the leadership of the Ministry of Finance. First steps have been made by holding technical meetings between the government and the donors (Annex 5) on a 6-month basis since 2006.

The **maturing implementation mechanisms** also reflect the **actual political situation**. Parliamentary alliances have remained fragile since a Democratic Coalition led by the Democratic Party won elections in 1996. The coalition was challenged constantly by the long-ruling Mongolian People’s Revolutionary Party (MPRP), which won a landslide victory in 2000. However, in 2004 the MPRP lost its majority and the current government is based on **power sharing between different fractions**, yet with a **clear dominance of the MPRP**. The different parties are committed to **democratization, human rights, free press and a free market system**.

Politics, however, is strongly influencing the appointment of civil servants at almost all levels. These changes have negative implications on the capacity development of government institutions, on the coordination of Official Development Assistance (ODA, Annex 5) and on governance in general. There has indeed been a **declining trend in the quality of governance**, particularly with regard to government effectiveness and control of **corruption** in recent years. The huge country demands significant investment into infrastructure, from roads to power stations. The aid absorption capacity is, however, limited due to the small State budget and limited human resources, the government being unable to even properly maintain the infrastructure. The **political development** challenge for Mongolia is to establish effective and accountable institutions in an environment, where the politicization of the civil service is pervasive, the judicial system weak, governance issues remain critical and anti-corruption legislation and control structures are not yet adequate. Regionalization and decentralization of government structures will continue to be discussed over the next years. But the weak economic and tax basis of the rural areas and, therefore its high dependence on government subsidies pose significant challenges for capacity building of decentralized institutions.



“Khot ail” - herders’ households



Economic development in Mongolia is based on **private-sector-led economic development**, its share of the GDP (USD 1.9 billion in 2005) increased from virtually nothing in 1995 to 77% in 2005. Between 1995 and 2002, GDP growth was relatively low at 2.7% annually (Annex 2). To a large part, this was due to unfavorable external conditions (Asian and Russian crises, decline in main export and commodity prices) and internal vulnerabilities (dzuds, high unemployment). Because of rising commodity prices, increased investors' confidence, - especially in the mining sector - better weather conditions, and gradual diversification, economic growth has increased in recent years and is expected to remain at 5% over the next five years². The **GDP** as recorded by the National Statistical Office (NSO) has reached **USD 686** per capita in 2005. A study from USAID (2006) indicates that 53% of GDP is generated by the formal economy and 47% by the informal economy. With a **public debt** as high as 80% of the GDP, Mongolia is at **moderate risk of debt distress**. With prudent macroeconomic policies favoring equitable, pro-poor growth, a favorable economic and climatic environment careful targeting of social welfare entitlements and a moderate increase in concessional debts, Mongolia has good prospects for **sustainable growth** and good relations with WTO, which it joined in 1997.

ODA to Mongolia - equivalent of 19% of Mongolia's GDP - is relatively high (Annex 5). Foreign investments reach about 4% of GDP. Infrastructure investments shall further boost foreign investments in the mining and manufacturing sectors as well as the export sector, which consists mainly of mining (42%) and textile products (17%). The **mineral resource-dependent** and the cashmere product export structure are of low value addition and depend highly on the **Chinese market**, which absorbs almost half of Mongolia's exports.

Human rights in general are **widely respected** in Mongolia thanks to the engagement taken in the major UN human rights treaties, including the International Covenant on Civil and Political Rights, and the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment. However, after his 2004 mission the Special Rapporteur on the right to food concluded that there is a serious problem in addressing the issue of food security and the lack of access to food in Mongolia. More than one third of Mongolia's population is **chronically undernourished**. The economic transition has had negative effects on food security

and has been accompanied by the emergence of extreme poverty and growing inequality, amounting to a regression in the realization of the right to food.

There appears to be **relative gender equality** in Mongolia compared to many other countries. Literacy is high for both men and women (98%), and there is even a reverse gender gap at higher levels of education. A recent census, however, indicates that a disproportionate and growing number of female-headed households are living in poverty. High economic participation rates of women in formal employment is in contrast with a falling proportion of women elected at all levels (for the national parliament it fell from 23% in 1990 to 7% in 2004). Despite the passing of equality legislation, discrimination against women, **persistent gender gaps** remain in all sectors. The current phase of land privatization is highly politicized, but negative gender impacts may result if the process is not conducted from a gender perspective. The transition seems also to have increased all forms of **gender-related violence** especially in detention, child prostitution, and trafficking. There is today a sound enabling policy environment in place with the Domestic Violence Law (2004), the National Program for Gender Equality (2002), the MDG and EGSPRS gender targets, the National Program on Domestic Violence. A more effective implementation of these policies is now needed. The **Kazakh minority** (~4% of the population) lives in Bayan-Ulgii and the children have their primary education in the Kazakh language. They are proportionally represented in the government and also hold positions of influence. There are several other ethnic minorities with less than 2%, yet fully integrated into the society, along with a 3% minority of deaf people. The main religion in Mongolia is Tibetan Buddhism. People live in harmony with adherents of other world views like Shamanism, Atheism, Christianity and Islam (Kazakh minority).

Mongolia's environment is characterized by a continental climate and **fragile ecosystems**. **Climate changes** (increased temperature and less precipitation) and uncontrolled utilization of the common resources, water and pastureland, have drastically revealed the country's vulnerability. **Land degradation, loss of biodiversity and desertification** are serious threats and demand an urgent response at the legislative and at the community level to draw up and enact proper rangeland and water management practices. The pressure on natural resources due to poverty in rural areas has increased; excessive hunting, illegal logging, collection of medicinal plants, the creation of unauthorized car tracks, **uncontrolled artisanal**

² IMF 2005 Mongolia: Article IV Consultation, Report 05/396

mining and **overgrazing** further lead to the depletion of natural resources. Since Mongolia's well-being highly depends on the natural wealth (agriculture, mining, tourism), natural resource management and ecological issues - including the environmental impact of fast urbanization - should be at the heart of sustainable development.

The major development challenges of Mongolia boil down to the following: The country has to achieve a socially balanced, **pro-poor economic growth** while the urban-rural gap is widening. As an economy embedded between two huge markets, it has to find its place in a globalized world. It has to build an **open democratic society**, a task which poses considerable challenges in terms of **governance and poverty reduction**. And it has to achieve all of this on the basis of **fragile ecosystems interlinked with climatic changes**, which requires particular vigilance in the management of natural resources. The **Swiss Cooperation Strategy (SCS)**

for Mongolia is the guiding frame for the Swiss program for development in Mongolia 2007-2012, elaborated commonly between SDC's East Asia Division, the Natural Resources and Environment Division, and the Humanitarian Aid Department. Switzerland and Mongolia established diplomatic relations in 1964 and share being surrounded by strong and influential neighbors, land-lockedness, and taking a neutral stance in the region. For Mongolia, Switzerland is one of their 'third' neighbors, a country they cultivate friendly relationships with, and Switzerland is profiting from these relations in soliciting support both for issues of common interest in international organizations and for international treaties. Good relationships with small countries are important in giving Switzerland a voice and additional weight in these organizations. Mongolia and Switzerland also share a common interest in a peaceful transition in North Korea, in which both countries are engaged.



Migration to urban areas

2. Program Review

The evolution of the Swiss cooperation with Mongolia is marked by a gradual transition from Humanitarian Aid to Development Cooperation programs (Annex 6). SDC started its interventions in Mongolia following a UN appeal in 2001 for dzud (disastrous winters and dry summers) relief. Initially, SDC intervened with a traditional approach by providing in-kind relief to the victims of the dzud, (i.e. food, clothing), feed for the animals, and shelter for homeless poor. Due to size of Mongolia, administration and transportation consumed significant parts of the relief budgets of many donors. SDC decided to introduce **innovative In-Cash support programs to herders**, based on its experience in Eastern Europe. The main principle of this approach is to provide carefully selected beneficiaries (victims of the dzud) with one-time small cash grants through the local banks and leave them with a free choice on how to spend it. After initial skepticism of donors and the national government, the SDC's in-cash approach proved to be a **very effective and efficient tool for dealing with disaster relief and preparedness**, and is being increasingly accepted among the authorities and other stakeholders. It has benefited more than 7000 herder families in four aimags (province) so far, contributing to immediate - even though only temporary - poverty reduction and disaster mitigation. This fact was reflected in the Livelihood Assessment study, conducted soon after the cash program, which showed a poverty rate of only 34% for Gobi-Altai in 2003, compared with 51% for the Western region.

Natural calamities, climate change and social reasons all contributed to the devastating effects of the dzuds. In 2003, SDC started addressing **causes of vulnerability with longer-term development programs**, initially by assistance to herders and ex-herder families, aimed at the diversification of their income sources. SDC also engaged itself in a **renovation program of school dormitories** in order to contribute to increased school attendance among poor herder children in Western Mongolia. Forty years after establishing diplomatic relations with Mongolia, Switzerland opened a **'Swiss Cooperation Office** at the Embassy of Switzerland' in Ulaanbaatar in 2004.

Appropriate governance structures and strategies related to sustainable managed natural resources are the two priorities chosen to contribute to rural poverty

reduction and combating desertification. Therefore, SDC started the Pasture Ecosystem Management Program (PEM), focusing on the management of rangeland (the livelihood basis of the herders), by 1) tackling the devastating effects of the **'tragedy of the commons'** (i.e. the rapid deterioration of the publicly-owned rangeland **[green gold]** by herders with private livestock), 2) dealing with the lack of fodder reserves during harsh winter conditions, and 3) assisting in awareness raising and capacity development for herders and institutions responsible for Mongolia's rangeland. PEM has developed tools and methods for **pasture rotation and rehabilitation**, and supported the **production of forage seed and fodder**, based on a combination of participatory involvement of stakeholders and of a scientific approach. Aiming at a sustainable use of Mongolia's rangeland, SDC, together with other donors, is providing advice to the government in creating an **enabling legal framework for land tenure**.

Using a similar approach, SDC provides hope for a better future for an estimated 100,000 ex-herders and other poor people who have started activities in informal **artisanal mining** to survive, digging mainly for gold in a country, where as much as one third of the land is licensed to prospecting and mining companies. While artisanal mining contributes significantly to **rural development economically**, miners often work under very difficult conditions, often in **conflict** with formal mining companies and leaving profound marks on the pristine nature. In close partnership with the Mineral and Petroleum Resource Authority of Mongolia (MPRAM) SDC, together with the WB and ILO, is supporting the government to **formalize artisanal mining**, and has provided inputs to the draft law. The 'Sustainable Artisanal Mining Program' (SAM) is also introducing **environmentally friendly and more efficient technologies** for artisanal mining (reduction of mercury and dust emissions, careful use of the limited water resources). Much of this has been achieved by combining local knowledge with best practices and lessons learnt within SDC through South-to-South knowledge transfer (e.g. experiences in artisan mining from Latin America and in pasture management from Inner Mongolia, in China, and Tibet).

A Potato Sector Rehabilitation program, which supports the improvement of **potato seed quality**



and certification, access to seed for poor people, and crop management and irrigation, should contribute to higher income for the herder and ex-herders.

A number of pilot activities were aimed at increasing the productivity of the herds, finding alternative income generation options, as well as developing new and marketable value-added products, with the ultimate objective of improving income and reducing unemployment. SDC has gained experience in the development of products based on the comparative advantage of the Gobi-Altai Aimag, such as Ashvai, a barley flour cookie, which gained nationwide acceptance and recognition.

The program experiences are concentrated in the rural area with a geographical concentration in the Western region, where poverty rate is highest.

The thematic focus was natural resource management and income generation for herders and ex-herders. This clear focus was designed to most efficiently use the comparatively small budget.

In conclusion, the program has been successful so far in responding to clearly identified needs of herders and has a good potential for the future. It is widely acknowledged among herders, administration, highest level of Government and donors and has a strong local and national ownership. The program's main features have been developed stepwise and its strength is to have kept the same key focus. The basis for a systematic program approach and orientation for the future has been set. The very well trained and motivated staff of the Swiss Cooperation Office (SCO) has an important stake in the quality and the acceptance of the program in Mongolia.



Herder family profile

An average herder family in Mongolia is composed of five family members and has 155 animals: 69 goats, 66 sheep, 10 cattle, 9 horses and 1 camel. Their income from these animals is an estimated CHF 22 per person per month, about half coming from the sale of cashmere wool. Additional income from pensions, social allowance and sale of natural resources is estimated at CHF 8 per person per month¹, bringing the total income to about

CHF 30 per month per person. The poverty line in Mongolia is set at CHF 27 per person per month, which means that these families just barely manage to cover their basic needs like food, fuel, schooling of children, medical care and veterinary services. Although herders are partially self-sufficient in meat and milk products, they are highly vulnerable to climatic variations that affect water sources and pasture vegetation, forcing them to move long distances. Because of their limited cash-flow, accidents, school fees or transportation needs can only be met by going into debt. The fact that more than 50% of Mongolia's herders own less than 100 animals shows that they are forced to seek additional income in the informal sector. Roughly 100,000 people, mostly herders and ex-herders are therefore engaged in informal artisanal mining. There are very few other options in rural Mongolia to increase and diversify one's income. Degraded pasture land and scarce income cause many to move to Ulaanbaatar or other centers in pursuit of a better life and a good education, a prerequisite for a decent job in order to break the poverty cycle. However, Ulaanbaatar's labor market is unable to absorb all of these in-migrant herders and many of them end up in slum districts around the capital city.

3. Strategic Orientation

A. Strategic Choices

Over the next years Mongolia will be a SDC 'special country program', with the option of eventually become a SDC priority country later on. The strategic program choices are:

Alignment to Mongolian Development Goals, the National Development Strategy, the Economic Growth Support and Poverty Reduction Strategy and Harmonization

The Swiss Cooperation Strategy is aligned with the main Mongolian policy documents. The Economic Growth Support and Poverty Reduction Strategy (EGSPRS) provides the policy directions for economic growth and poverty reduction. The next revision, based on the National Development Strategy, is planned after the parliamentary elections in 2008. At present, the Socio-Economic Guidelines, synchronized with the Medium-Term Expenditure Framework, set specific annual targets and general directions related to economic growth, human development, regional development, environment, governance and the legal sector. The SDC cooperation strategy aims at contributing to poverty reduction (MDG #1); sustainable natural resource management (MDG #7), and at strengthening human rights and democratic governance (MoDG #9) within clearly defined niches. The government is presently strengthening its commitment to harmonization, thus enhancing the opportunities for improved aid effectiveness. SDC will support it e.g. by increasing its portfolio share, and following program-based approach (Paris Declaration Point 4) for a minimum of 60% of its programs by the end of 2012. SDC will focus its contribution on defining and reaching targets in partnership with donors with similar thematic foci (or areas of intervention), striving for harmonized, effective and efficient use of resources, and tangible results.

Targeting Herders and Ex-Herders

SDC will continue to focus on niches with a high potential of benefit for **vulnerable herders and ex-herders**, on promoting **preventive measures against further impoverishment and on improving their livelihoods**. Over half of the population still relies on agriculture (including livestock) for a substantial part of their income, yet the share of agriculture in the GDP has declined

from 38% to 23% since 1995. The primary sector contributes only 12% to the total exports (2005). In the same period, the tertiary sector grew from 35% to 50%. Growth is concentrated mainly in Ulaanbaatar, attracting growing numbers of people to migrate to the capital. Poverty fell in Ulaanbaatar, but increased in rural areas from 33% to 43% between 1998 and 2003. To ensure a balanced national development, the Government of Mongolia is focusing on job creation in rural areas, on reducing vulnerability of people, and on increasing the value of agriculture products. SDC will support this strategy by focusing on **income generation using Local Economic Development (LED) and sub-sector approaches** to improve the livelihoods of the herder and ex-herders, considering their comparative advantages, their skills and needs, as well as natural resources and marketing potentials of selected locations (Annex 7).

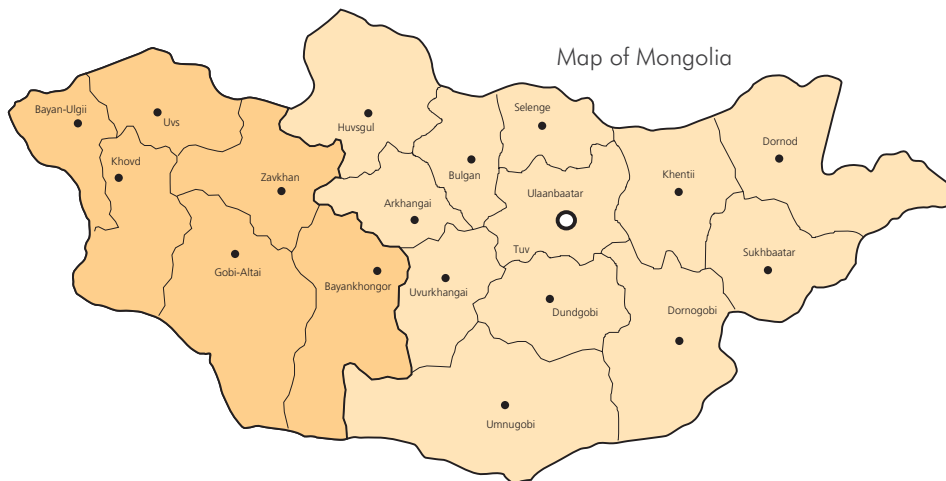


A herder woman feeding a kid

Geographic Focus on the Western Region

SDC started its humanitarian and development programs in the Western region, as this area was hit severely by the dzuds between 1999 and 2003. Based on the high poverty incidence of 51% (2003, compared with a national average of 36%) in the West and SDC's past HA experience, SDC will focus its operations on the Western region (Bayan-Ulgii, Khovd, Zavkhan, Bayankhongor, Gobi-Altai and Uvs aimags). These aimags have also limited access to electricity and good roads. The

Government intends to increase efforts towards decentralization and regionalization, prioritizing the development of selected, economically viable areas and regional towns. SDC will assist the national authorities in **assessing development potentials** of the western region and scale up its existing programs or implement new ones in the region. SDC's programs will be closely coordinated with those of other donors in the area³, and successful approaches or products of national interest will be made available for replication in other areas to make use of synergies.



Thematic Focus on Sustainable Natural Resource Management

SDC focuses on rural development, in line with the Government Action Plan, which aims to reduce disparities in development between urban and rural areas⁴. In rural areas animal husbandry, crop production and informal mining will remain the main occupations for more than 50% of the population, all relying on the use of natural resources. The formal mining sector is contributing more than 50% to the gross industrial outputs, but it only employs 12,000 people (1.5% of the total work force). In comparison the informal mining sector employs between 50,000-150,000 people. SDC is focusing on **artisanal mining**, addressing user rights, appropriate technology, labor safety and

land rehabilitation issues. Changes in climate (less precipitation and higher temperature) and man-made actions (overgrazing and negligence of wells) have significantly increased **rangeland degeneration and desertification**, affecting **70-80% of the pastures**. Because they are public property and user rights are not clearly defined, herders have little interest in investing in rangeland. Therefore, SDC will work with the herders and with relevant institutions to find ways for fighting desertification. In particular, SDC will support the Land Relations, Geodesy and Topography Authority (LRGTA) in developing a new distribution of responsibilities and privileges in rangeland use based on equitable access, preventing nepotism and discrimination of gender or nepotism (SEG 33⁵). Awareness-raising in environmental issues will be conducted at all levels, especially targeting children through the development of eco-education materials. SDC will back programs enhancing the productivity of pastures and livestock and the development of a strategy together with the GoM and other donors. SDC will support the development of selected agro-products and promote their marketing-based local economic development opportunities with the aim to increase the herder's income.

³Donors working in the West include the Asia Development Bank (Agriculture Development Program), World Bank (Sustainable Livelihood Project), UNDP (Altai-Sayan Project), GTZ (Socio-Economic Development in Zavkhan), World Vision (Area Development Programs), USAID (through Mercy Corps), JCS International, ADRA and VET NET NGO

⁴Government Action Plan, Main Objectives, Point 3

⁵SEG § 33: Take actions to improve responsibility and duties of citizens with regard to protection, exploitation and possession of natural resources, and to create natural resource management system relying on local population for keeping the environment under constant possession, care and monitoring.





B. Strategic Principles and Transversal Themes (TT)

The program will contribute to **MDG #1**: Eradicate extreme poverty and hunger; **MDG #3**: Gender; **MDG #7**: Sustainable natural resource management; and local **MoDG #9**: Strengthen Human Rights and Foster Democratic Governance.

SDC will foster **harmonization** at the sector and project level through close coordination with other donors in order to use development assistance more effectively and efficiently. SDC will also support the harmonization agenda of the Government.

Governance will be a transversal theme (TT) throughout the program to address key issues for Mongolia's development, such as mining rights, effective public services, and land and water rights. A few specific programs will be developed as for example the introduction and nation-wide replication of One-Stop-Shops. Likewise, SDC will mainstream **gender** (TT) into its programs, and support specific gender initiatives on key issues such as human trafficking, equitable access to land, participation in the management of natural resources and the distribution of additional income and labor within the value chains. SDC will link its grass-roots experience with evidence based policy dialog and work towards improved social accountability⁶. It will promote pro-poor growth, and support actions to strengthen the civil society contributing to capacity development for effective natural resource management by the users.

SDC will follow the **Rights based approach** comprising the principles of equality and equity, accountability, empowerment and participation. SDC will primarily aim at empowering the poor to express their concerns freely, and advocate their causes in sector development strategies, program design and implementation.

Capacity development at the individual and the institutional levels of national partners is crucial. Within its programs SDC **promotes young people**, works with a long-term perspective, and possesses clear exit strategies. It favors national implementation of people-centered and result-oriented programs with international backstopping support. This is in line with the strategies pursued by other key donors to create national ownership. Backstoppers provide technical inputs and the NPOs need to have the capacity for effective program monitoring and financial controlling.

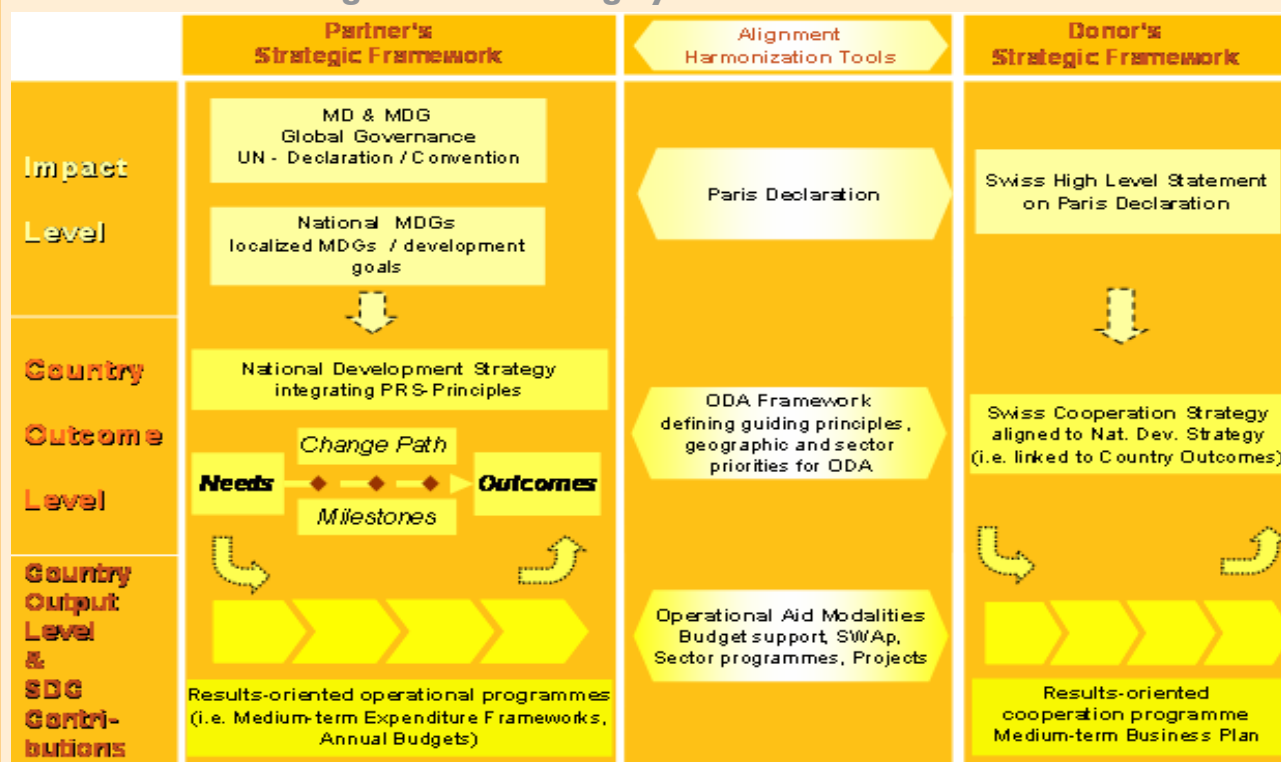
⁶Social accountability (SAc) entails efforts to foster accountability, transparency and responsiveness of public institutions through civic engagement. These efforts focus largely on improving public governance, notably in the formulation a monitoring of public policies and budgets, and delivery of public services. Social accountability can also empower citizens, especially poor citizens, and help to promote inclusive and accountable institutions. In turn, this can enhance the political legitimacy and stability of a government, and strengthen social cohesion.

C. Strategic Program Framework

The Swiss Cooperation Strategy is aligned with the Government of Mongolia’s development goals, i.e. poverty reduction and achievement of minimum living standards, private-sector-led growth, good governance, sustainable use of natural resources, and a regional development policy aimed at spreading the benefits of development more equitably across the country⁷.

Planning and monitoring of the Swiss Cooperation Strategy (SCS) is based on the **concept of alignment** and on the principles of result-based management. It is coherent with the Paris Declaration and the OECD-DAC initiative on ‘Managing for Development Results’. The **Results Framework** is the main tool for planning and monitoring of the Swiss Cooperation Strategy and summarizes the key objectives in terms of program and office performance. **The concept of alignment** (see figure) foresees partner Governments defining a strategic framework on how they want to tackle the development challenges (left column), which serves donors as a reference for designing their strategies (right column) on how and where to support the implementation of partner strategies and programs. The tools for aligning and harmonizing donor strategies (middle column) range from the Paris Declaration, as the overarching consensus, to new aid modalities at the operational level. Ideally each partner country would also define an ODA framework as a strategic tool to direct ODA towards the right priorities.

Overview of Planning and Monitoring System



According to this concept the partner framework on the **impact level** defines the development goals of the combined government, civil society, private sector & donor efforts, ideally in the form of localized MD/MDG goals.

On the **country outcome level**, the needs for social and economic development and the outcomes required for fulfilling these needs are identified, preferably in a single National Development Strategy which integrates PRS-requirements, supported by sector-specific strategies. Ideally the national strategies should spell out a ‘change path’, i.e. the milestones of the reform process that should lead to the intended outcomes.

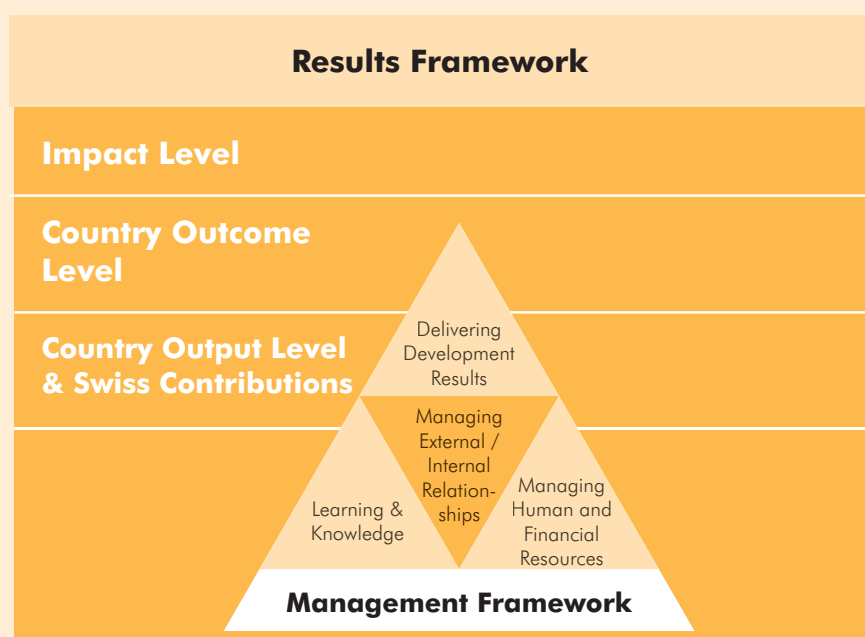
⁷ Expressed in the Government Action Plan (GAP) 2004-2008, the Economic Growth Support and Poverty Reduction Strategy (EGSPRS – 2003 – 2006), the Medium Term Budgetary Framework (MTBF) 2005-2007, the Socio-Economic Guidelines (SEG) 2006-2008, the Government Policy on Food and Agriculture (2003-2008) and the commitment to achieve of the Mongolian Development Goals (MDGs) based on the Millennium Declaration by 2015.

On the **country output level** the national strategies should be translated into operational programs, i.e. medium-term expenditure frameworks and annual budgets, which define the outputs needed to achieve the milestones and ultimately the intended outcomes.

In practice the partner framework usually exists on impact and outcome levels. Most Governments have adopted the MD/MDG and localized them. National development strategies are increasingly integrated into one national poverty strategy, developed on PRS-principles and supported by sector strategies, whereby often full coherence between the different strategies is not yet achieved.

Currently the ‘missing link’ for a proper alignment of donor strategies is the lack of result-oriented operational programs on the partner’s side, in the form of expenditure frameworks and annual budgets linked to the strategies, which would allow identifying the required outputs and accordingly the relevant donor-contributions.

The **Results Framework** defines on three levels (impact, outcome, output) the objectives and milestones that shall be supported by the Swiss program and the related Swiss contributions for achieving them. On a fourth level key objectives for the office performance are defined which is the (operational) basis for achieving the intended results at program level, i.e. for the program performance. Thereby, the performance area ‘Delivering Development Results’ establishes the link between the program performance and the office performance, reflecting the importance of the organizational capacity of the Swiss Cooperation **for enhancing development effectiveness**.



For the planning of the Swiss Cooperation Strategy, alignment means that the Swiss programs and projects in a thematic area are designed in such a way that their combined outputs, i.e. the **Swiss contributions**, support the achievement of **selected country level outcomes** respectively milestones (see table P2) and by that contribute to **selected MDGs** at the level of impact (see table P1). The medium-term objectives for the office performance, required to implement the program effectively, are given in table P3.

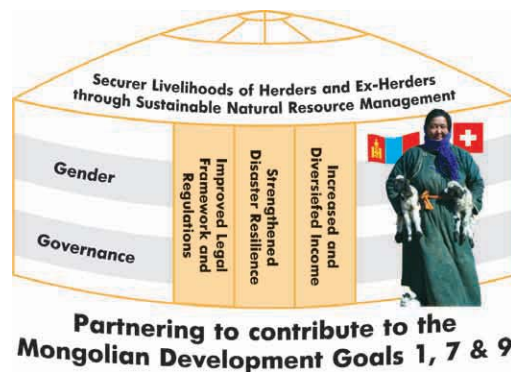
For the monitoring of the Swiss Cooperation Strategy a **business plan** establishes the link between the medium-term objectives on all levels and the yearly results necessary to achieve them. This business plan comprises **monitoring tables** for all levels. On impact level (table M1) achievements in the relevant MDGs / localized MDGs are observed. On outcome level (table M2), key outcomes and milestones that should be reached with support from the Swiss program in a given year, are reflected. On output level (table M3), key outputs/results of the various Swiss projects and programs, relevant for achieving the identified outcomes are defined and monitored. Ultimately, table M4 defines the yearly results in terms of office performance.

In the absence of clearly defined ‘change paths’ (milestones on outcome level) and of concrete national medium-term expenditure frameworks on the partner’s side, the Results Framework builds on tangible outcomes as specified in the available National Development and Sector Strategies, but limits the outlook in the business plan to 2 years.

The strategic objective of the Swiss Cooperation Strategy is to contribute to improved and securer livelihoods of herders and ex-herders in rural areas focusing on improving sustainable use and rehabilitation of natural resources and supporting ecologically-oriented social and economic development⁸. (Government Action Plan, Section 5: Environmental Policy)

Creating sustainable livelihoods and reducing poverty while maintaining its natural resource basis and natural heritage are major challenges for Mongolia as outlined in the EGSPRS. By working towards the above strategic objective the outputs of the Swiss Cooperation Strategy 2007-2012 shall contribute in particular to the following outcomes as defined in the strategies of the Mongolian Government (Figure 1).

Figure 1: Strategic Orientation of SCS for Mongolia



Country Outcome 1: Improved legal framework and implementation capacities for management and monitoring of natural resources at the herders and national level (Government Action Plan, Section 3.4: Economic Policy, SEG Development Matrix 14, 30, SEG List of Activities 29, 33)

The Government is committed to create a favorable legal environment for land tenure and sustainable management of pastureland⁹. The government has to improve the responsibility and duties of citizens regarding the protection,

exploitation and possession of natural resources, and to create a natural resource management system in which the local communities have clearly defined rights and duties for its utilization, care and monitoring¹⁰.

Country Outcome 2: Strengthened resilience of herders to vulnerabilities in the livestock sector and improved disaster preparedness and environmental stewardship (SEG Development Matrix 14, 30, 32; SEG List of Activities 33, Government Action Plan, Section 3.4)

Livestock is the main source of income for one third of the Mongolians and the GoM is aiming at reducing the risks from natural disasters, increasing the animal's productivity and reducing economic losses to the herders and the economy as a whole¹¹. Critical vulnerabilities for herders are their high dependence on pasture (little fodder production, moving to areas with forage and water), low

value of the livestock, limited in-country markets, strict export regulations and frequent outbreaks of infectious diseases. Resilience can be gained by stewardship for pasture and water use, the rehabilitation of degraded pastures, animal health, fodder production and the growing of crops and vegetables¹².

Country Outcome 3: Increased income of herders and ex-herders in targeted areas based on improved productivity of their livestock and income diversification (SEG Development Matrix 13, 14, 16, 30, Government Action Plan, Section 2.6: Social Policy, SEG List of Activities 2, 13)

Mongolia is committed to follow the path of a free market economy, supported by pro-poor and equity-based policies, and stresses the acceleration of economic growth in regional centers¹³. The government supports the introduction and marketing of new, improved and competitive products in compliance with international standards. The

Government Action Plan 2004-08 calls for the creation of 145,000 jobs¹⁴ by 2008, of which 10,000 should be in the agriculture sector¹⁵. SDC's contribution to the promotion of employment and the generation of income will be continued based on geographical and local economic development opportunities.

⁸Government Action Plan, Section 5: Environmental Policy

⁹Government Action Plan, Section 3.4: Economic Policy

¹⁰Socio-Economic Guidelines, Paragraph 4.33; approved in Nov. 2005

¹¹Socio-Economic Guidelines Matrix, Feb. 2006, No. 14,32

¹²Government Action Plan, Section 3.4

¹³Socio Economic Guidelines, Paragraph 3:30

¹⁴Government Action Plan, Section 2.6: Social Policy

¹⁵Socio-Economic Guidelines, Paragraph 2:13



Partnership Outcome 4: Deepened Swiss Mongolian Relations

A partnership outcome has been formulated in analogy to the MDG 8 (i.e. develop a global partnership for development), for which the industrialized countries bear the responsibility in assuming their role in global governance. Mongolia and Switzerland share common concerns for good governance and capacity development of civil society and government organizations. Being neutral yet closely linked with influential neighbors, Switzerland and Mongolia have to find their place

in a globalized world without losing their identities. Therefore, SDC will support actions to strengthen Swiss Mongolian relations, democratic development and cultural exchange to promote social accountability, peace building, democratic decision making, responsible social behavior and the strengthening of human rights. This result is not aligned with the GoM's policy documents, yet it is in full harmony with bilateral agreements and the expressed will of both governments.

Table P1: Impact and Alignment

Millennium Declaration & MDGs	Localised MD/MDGs, PRS Targets
MDG # 1: Eradicate extreme poverty and hunger.	Local MDG # 1, Target # 2: Reduce by half the proportion of people who suffer from hunger
MDG # 7: Sustainable natural resource management	Local MDG # 7, Target # 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.
MD key issues (Mong. Dev. Goal #9: Strengthen Human Rights and Foster Democratic Governance	Local MDG # 9: Target # 20: Fully respect and uphold the Declaration on Human Rights and ensure freedom of media and access to information Target # 21: Foster democratic values and culture of democracy Target # 22: Promote zero-tolerance of corruption

¹⁶ Especially the Land Relations, Geodesy and Topography Authority (LRGTA) and the Mineral and Petroleum Resource Authority of Mongolia (MPRAM)

Table P2: Key SDC Contributions aligned to Country Outcomes

Country Outcome 1 Improved legal framework and implementation capacities for management and monitoring of natural resources at herders and national level	SDC Contribution 1.1 Three key gender-responsive and equitable legislations developed. Legislations are pro-poor, thoroughly discussed at grass-root level and contribute to sustainable development.
	SDC Contribution 1.2 Herders and ex-herders empowered to gain secure land tenure and to manage natural resources in a sustainable and profitable way
	SDC Contribution 1.3 National ¹⁶ and local government as well as civil society organizations develop the needed capacity to effectively and efficiently implement policies and procedures and mediate between different stakeholders.
Country Outcome 2 Strengthened resilience of herders to vulnerabilities in the livestock sector and improved disaster preparedness and environmental stewardship	SDC Contribution 2.1 Quality seeds available and appropriate planting technologies introduced for pasture land improvement, mining site rehabilitation and agriculture production.
	SDC Contribution 2.2 Plans, strategies and sustainable natural resource management practices introduced to herders in target areas that stop and reverse the desertification of rangeland and guarantee a long-term use of the fragile ecosystems.
	SDC Contribution 2.3 Afflicted herders and ex-herders secure their livelihoods during and after natural disasters.
Country Outcome 3 Increased income of herders and ex-herders based on improved productivity of their live-stock and income diversification	SDC Contribution 3.1 Quality of local resources, services, skills and technologies to produce, add value and market quality goods with comparative advantages improved
	SDC Contribution 3.2 Regional and local economic development initiatives and awareness in key development issues raised
	SDC Contribution 3.3 Livestock management, production systems and support services for herders strengthened.
Partnership Outcome 4 Deepened 'third neighbor' relations	SDC Contribution 4.1 Swiss Mongolian relations, democratic development and cultural exchange strengthened

4. Program Management

In 2004, SDC opened a Swiss Cooperation Office (SCO) in Mongolia. A small team of dynamic, skilled experienced and versatile professionals has gradually been built up. All team members have a profound knowledge of the country and the local development context.

To a large extent the contribution of SDC to development effectiveness will depend on the **organizational effectiveness** of the program management. Therefore, explicit efforts are made to define and monitor performance of the program management (Table 2, Part IV and Table 6, Part V). Management outputs contributing to the ultimate purpose of **delivering development results** are defined in four critical performance areas (Figure 2).



Figure 2: Office Performance Areas contributing to Delivering of Development

Table P3: Program Management Performance (Organizational Effectiveness)

Performance Area	Management Outputs (medium-term)
Delivering Development Results	Country strategy specific outputs are reached
	SCS outputs adjusted in areas where actual progress is significantly off-track and/or where significant changes in the context occurred
	Tangible results related to gender and governance demonstrated
Relationships (external / internal)	SDC recognized as co-leading agency in the coordination of outcome related issues
	Assessment missions jointly with other donors
	Analytical work undertaken jointly done with other donors and national agencies
	Routines for communication and exchange of information between SCO and relevant CH-actors effective and efficient (East Asia Division, HA, NRE, Embassy, PDII/IV)
Learning & Knowledge	Every year at least one significant achievement (result, best practice, tool) of SDC in Mongolia is shared within SDC and other interested stakeholders
	Information available from SDC offices and development partners in other countries effectively processed and used in Mongolia (South-South Exchange)
	National Forums on key development issues organized
	Best practices, lessons learnt and other relevant topics regularly shared and discussed within the team
Managing Human & Financial Resources	Staff competent to advocate and integrate principles and state of the art of SCS (e.g. harmonization & alignment, natural resource management, governance, gender) in their field of responsibility
	Necessary capacity and competence of staff is assured by OD process keeping motivation and staff satisfaction high, and by well planned rotation and recruitment processes.
	Work-life balance and continued learning are an integral part of staff development
	Increasing budget for SCS absorbed effectively
	Pooling increases from 0% to 40% of total program budget (excl. SCO)
	At least 60% of the projects follow a Program Based Approach

Managing Human & Financial Resources: Competent professionals with good English skills, loyalty and integrity are a key to achieving good development results. Training in task-related topical and methodological skills combined with competitive salaries are high priorities for the SCO to attract and retain key staff. The capacity of staff shall be enhanced to meet the institutional requirements of SDC, the anticipated expansion, increased aid effectiveness, along with the enhanced harmonization and partnership relations with Government and development partners. Implementation through local partner organizations requires adequate staffing of SCO with staff capable of providing training and support.

For the period 2007-2012 a significant growth of the Mongolia program is planned (Annex 1). Funding from the East Asia Division will increase to CHF 6.0 million in 2009. Funding from the SDC Global Environment Program (GEP) is expected to increase to CHF 3 million in 2009. Contributions from Humanitarian Aid (HA) are planned only until 2008, with CHF 0.5 million. Additional funds from HA are available in case of an acute disaster situation. The three sources of funding contribute to a single and coherent program. The aim of SDC is to follow the program-based approach for at least 60% of its funding to Mongolia by 2012.

Managing External and Internal Relations: SDC is committed to the targets of the Paris Declaration on aid effectiveness. In artisanal mining, rangeland management and

livestock sector development, SDC will remain a co-leading agency together with like-minded donors and in partnership with relevant government institutions. Whenever possible, SDC will go for joint assessments and reviews to learn from other agencies, take advantage of synergies, and operate in a manner which is action and result oriented. SDC will continue to work with existing partners where performance is satisfactory and explore new ones to support the delivery of tangible development results. Effective and efficient routines for communication and exchange of information between relevant Swiss actors and the Swiss Cooperation Office (SCO) are maintained. The SCO will internally be organized into three departments: the development cooperation, the finance and administration, and the consular department, working together to implement the strategy. An open and free office atmosphere will be preserved, fostering creativity, innovativeness, efficient work and a stimulating learning environment.

Learning & Knowledge Management: Experience gained by SDC in other places is capitalized and disseminated in an effective South-South exchange with the Mongolian program, e.g. artisanal mining, governance (One-Stop-Shop (OSS) from Vietnam), gender, and the potato sector. Likewise, experiences in Mongolia, e.g. the use of cash for effective disaster relief and preparedness and as a social security element, are documented and shared with interested national and international stakeholders.

5. Monitoring System

The following tables 3, 4, 5, and 6 show the monitoring system with contents for the first year of the SCS implementation, 2007. These Tables will be updated yearly in the annual planning process for the SDC Mongolia Program.

Table M1: Impact and Alignment

Note: Only elements which are relevant for SDC's Cooperation in Mongolia

Millennium Declaration & MDGs	Localised MD/MDGs, PRS Targets	2005 – 06		
		Achievements	Observations by SDC	Critical issues for next years
MDG # 1: Eradicate extreme poverty and hunger.	Local MDG # 1, Target # 2: Reduce by half the proportion of people who suffer from hunger	Accelerating the rate of economic pro poor growth => Growth rates exceeded critical level of 5% in 3 consecutive years (2004: 11%; 2005: 6%, 2006: ~6%) Ensuring adequate social protection => Approved child benefits, wedding and birth one-time gifts New tax law approved (to be enforced starting 1.1.07), => Reducing tax burden and expecting less tax evasion	Growth is based on strong prices for minerals and on favourable natural conditions The social protection measures are more 'political promises' than economic sound decisions A flat income tax and non-discriminatory child benefits may not have a pro-poor effect	Need to have a new report on the progress of reaching the MDG (last government report 2004)
MDG # 7: Sustainable natural resource management	Local MDG # 7, Target # 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.	A 1998 survey concluded that around 98.0 per cent of pastureland was degraded to some extent, 20.0 per cent of it severely. A more recent survey found around 80.0 per cent of pastureland to be degraded. Environmental Protection Law amended => better engagement of community groups, => provides legal framework, => challenge of implementation, enforcement remains	Community-based pasture management recognized as an important challenge by Government (NMDGR 04) Likewise promotion of renewable energy in rural areas is considered a priority	Need to develop more specific and extensive set of indicators and targets (donor statement, Technical Meetings October 2006)
MD key issues (Mong. Dev. Goal #9): Strengthen Human Rights and Foster Democratic Governance	Local MDG # 9: Target # 20: Fully respect and uphold the Declaration on Human Rights and ensure freedom of media and access to information Target # 21: Foster democratic values and culture of democracy Target # 22: Promote zero-tolerance to corruption	Mongolia has officially adopted National MDG-9 and has declared its commitment to establish a reporting mechanism Law on corruption passed => Basis for improved transparency	The implementation of the law will show how effective anti-corruption measures will be	A step-by-step review of key laws and regulations in tax, customs, environment, and other inspections is under way with the aim to reduce regulatory burdens and opportunities for corruption. (Closing Statement, WB, Technical Meetings Oct. 06)

Table M2: Country Level Outcome Monitoring

Strategic Objective	Contribute to improved and securer livelihoods of herders and ex-herders in rural areas focusing on improving the sustainable use and rehabilitation of natural resources and supporting ecologically-oriented social and economic development (Government Action Plan, Section 5: Environmental Policy)			
Years	2006 Milestones	2006 Status (Progress Review)	2007 Milestones	Assumptions / Risks Comments
Country Outcome 1	Improved legal framework and implementation capacities for management and monitoring of rangeland at the herders and national level (Government Action Plan, Section 3.4: Economic Policy)			
Change Path	Note: No milestones for 2006 are mentioned in this table, because a) the exercise is done retro-spectively, b) Government documents do not provide specific milestones for 2006	<ul style="list-style-type: none"> • Law on artisanal mining approved • Licensing system for artisanal mining formalized • Pasture division at MoFA established • Law on pasture tenure approved • National Committee for Combating Desertification actively coordinating the enforcement of law on desertification • National standards on potato seed quality guidelines approved by State Commission 		<ul style="list-style-type: none"> • Based on coordination unit set up in 2006 (see output 1.3)
Country Outcome 2	Strengthened resilience of herders to vulnerabilities in the livestock sector and improved disaster preparedness and environmental stewardship (Socio-Economic Guidelines Matrix, Feb. 2006, No. 14, 32 & Government Action Plan, Section 3.4)			
Change Path		<ul style="list-style-type: none"> • Standardization of rangeland health monitoring introduced • Strategy of local production towards self-sufficiency promoted • Strategy of reduction of environmental damages implemented • Forage seed production and supply system improved 		<ul style="list-style-type: none"> • Agreement between all stakeholders reached
Country Outcome 3	Increased income of herders and ex-herders based on improved productivity of their livestock and income diversification (SEG, Paragraph 3:30, Government Action Plan, Section 2.6: Social Policy, SEG, Paragraph 2:13)			
Change Path		<ul style="list-style-type: none"> • Rehabilitation of abandoned crop land / degraded pasture land promoted (agricultural policy) • Livestock intensification strategy drafted • Eco-education programme of Government drafted (part of ecological awareness raising programme) 		<ul style="list-style-type: none"> • Responsibility clarified between different ministries • Land tenure secured • Commitment of government expressed clearly

Table M3: SDC Contributions to Country Outcome Monitoring

Country Outcome 1	Improved legal framework and implementation capacities for management and monitoring of rangeland at the herders and national level (Government Action Plan, Section 3.4: Economic Policy)			
SDC Contributions (medium term, taken from Mongolia strategy)	2006 Yearly Outputs	2006 Status (Progress review)	2007 Yearly Outputs	Indicators
SDC Contribution 1.1: Three key gender-responsive and equitable legislations actively developed. Legislations are pro-poor, thoroughly discussed at grass-root level and contribute to sustainable development	Co-management approach for pasture management at soum level developed and tested National potato seed quality standard on potato seed quality updated	Successfully tested and ready for implementation on broad scale achieved	<ul style="list-style-type: none"> • Lessons learned / recommendations on land management planning method at the soum level shared with all stakeholders • Parliamentarians and public recognize potential and economic value of artisanal mining • One concrete gender initiative identified 	Other soums apply method Artisanal mining law passed

SDC Contribution 1.2: Herders are empowered to gain secure land tenure and to manage natural resources in a sustainable and profitable way	Land use contracts between the soum government and artisanal miners and between formal mining companies and artisanal miners developed and tested	A special legal provision in Bayankhongor is allowing SAM to test different model agreements	<ul style="list-style-type: none"> Improved methodology for soum land management planning implemented in four soums (incl. training of herders & land managers) 	<ul style="list-style-type: none"> 80 % of herders in four model soums having formalized access to pasture land Reduced conflict among herders
SDC Contribution 1.3: National and local government as well as civil society organizations develop the needed capacity to effectively and efficiently implement policies and procedures and mediate between different stakeholders	New law on artisanal mining drafted and submitted to Parliament A rangeland management coordination unit set up in MoFA	Law will be submitted in November 06 Unit set up with joint support from UNDP, ADB, WB and SDC	<ul style="list-style-type: none"> Options for the institutional strengthening of pasture management issues proposed / submitted to Prime Minister's Office Capacity of informal miners groups to organize themselves increased National Committee for Combating Desertification equipped to monitor the national program on desertification Capacity of potato producers to organize themselves increased One stop shop opened in one district 	<ul style="list-style-type: none"> Indicator is defined in the output statement National Association of artisanal miners formed Individual desertification projects aligned to national program Monitoring & Reporting in selected areas established National Potato Council with regional structures established
Country Outcome 2	Strengthened resilience of herders to vulnerabilities in the livestock sector and improved disaster preparedness and environmental stewardship (Socio-Economic Guidelines Matrix, Feb. 2006, No. 14, 32 & Government Action Plan, Section 3.4)			
SDC Contributions	2006 Yearly Outputs	2006 Status (Progress review)	2007 Yearly Outputs	Indicators
SDC Contribution 2.1: Quality seeds available and appropriate planting technologies introduced for pasture land improvement, mining site rehabilitation and potato production	Options for increasing forage production in different ecological regions / under different conditions demonstrated Capacity for production of nuclear seed stock for potato established Up to 3 new varieties of seed potatoes introduced and seeds produced and marketed by small seed producing farmers	Thirteen forage species tested, analysed and ready for use 600t of seed potatoes of 3 new varieties produced and marketed by seed multipliers Two agriculture research institutes able to produce mini-tubers as nuclear seed stock for quality seed of the new Impala and Vitara varieties & existing varieties	<ul style="list-style-type: none"> Forage seeds marketing and sales network initiated in 1 aimag Forage seed production increased by 10 % of previous year Number of farmers planting quality potato varieties increased by 30 % Appropriate ecological energy options for artisanal miners identified 	<ul style="list-style-type: none"> Indicators are defined in the output statement
SDC Contribution 2.2: Plans, strategies and sustainable natural resource management practices introduced to herders in target areas that stop and reverse the desertification of rangeland and guarantee a long-term use of the fragile ecosystems	Potential of different pasture rehabilitation methods for increasing yield of pastures demonstrated Methods for increasing the capacity of forage growing under different conditions tested	Experimental results showed that a resting time of one-year in slightly degraded pastureland can have a 3-fold yield increase 5000 ha of irrigated land has been rehabilitated in Tsengel soum	<ul style="list-style-type: none"> Rotational grazing is practiced in 3 pilot soums (Internationally recognized) Rangeland Health Assessment methodology is adapted to Mongolian conditions Economic feasibility of different approaches to rehabilitation of abandoned land assessed Hammer-mill technology for reduction of mercury use and fall-out shown 	<ul style="list-style-type: none"> Indicators are defined in the output statement

SDC Contribution 2.3: Afflicted herders and ex-herders secure their livelihoods during and after natural disasters	Cash for Herder project successfully implemented under national leadership	Out of 1600 families in Khovd receiving cash assistance one third each used it to buy animals, to purchase consumables and to invest into vegetable growing and small business respectively	<ul style="list-style-type: none"> • 130 vulnerable families received a ger 	<ul style="list-style-type: none"> • Indicator is defined in the output statement
Country Outcome 3	Increased income of herders and ex-herders based on improved productivity of their livestock and income diversification (SEG, Paragraph 3:30, Government Action Plan, Section 2.6: Social Policy, SEG, Paragraph 2:13)			
SDC Contributions	2006 Yearly Outputs	2006 Status (Progress review)	2007 Yearly Outputs	Indicators
SDC Contribution 3.1: Quality of local resources, services, skills and technologies to produce, add value and market quality goods with comparative advantages improved	Products and methods for diversifying and increasing productivity in agricultural production identified and tested	Improved technology, processing and marketing of camel milk and yak wool significantly increased income of about 200 herders Yield of potato planted with standardized seed quality potatoes is 2.5 times higher than State average and the premium price of high quality seed potatoes of new varieties is 40% higher than traditional varieties	<ul style="list-style-type: none"> • 2-3 local products identified and its supply chain studied • Income of small scale farmers and herders involved in the projects increased by at least 20% 	<ul style="list-style-type: none"> • Indicators are defined in the output statement
SDC Contribution 3.2: Regional and local economic development initiatives and awareness in key development issues raised	Potential for irrigated vegetable production in the river basin of Buyan River assessed	Study report on potential of irrigation, land ownership and water access under way	<ul style="list-style-type: none"> • Eco-education curricula for secondary schools up-dated and tested in rural schools • Regional development program for Gobi-Altai formulated 	<ul style="list-style-type: none"> • Indicators are defined in the output statement
SDC Contribution 3.3: Livestock management, production systems and support services for herders strengthened	State Veterinary Laboratory able to perform quality control checks	Liquid chromatograph operational	<ul style="list-style-type: none"> • Potential for sustainable development of intensive livestock production identified 	Results accepted by MoFA and published
Partnership Outcome 4	Deepened 'third neighbor' relations			
SDC Contributions	2006 Yearly Outputs	2006 Status (Progress review)	2007 Yearly Outputs	Indicators
SDC Contribution 4.1:	Identified Jura-Gobi-Altai partnership program Elaborated a culture program	First mission from Jura to Gobi took place, negotiations underway First concerts took place	Agreement established Visit of Gobi delegation to Switzerland	At least one high-level delegation from Switzerland visiting Mongolia every year

Monitoring Table M4: SCO Management Performance, 2007 (organisational effectiveness / efficiency)

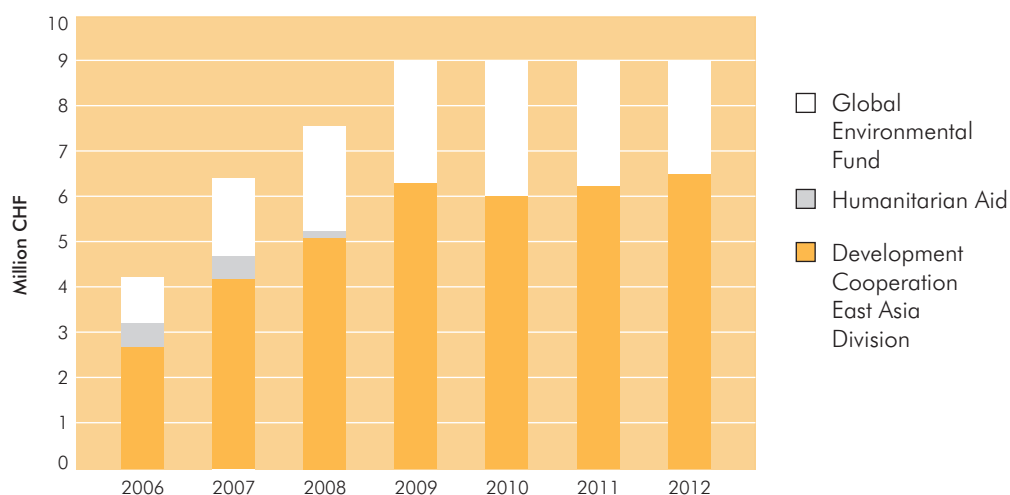
Performance Area	Management Outputs (medium-term)	2006 Outputs	2006 Status (Progress review, based on indicators)	2007 Outputs	2007 Indicators
Delivering Development Results	Country strategy specific outputs are reached			70 %	Monitoring table indicators
	SCS outputs adjusted in areas where actual progress is significantly off-track and/or where significant changes in the context occurred			Strategic program framework updated	Strategy aligned with new NDS
	Tangible results related to gender and governance demonstrated	Focal points established in SDC	Baseline information for SAM and PEM established	Gender training for SCO and project staff conducted Concrete initiative on gender identified	Mission report One concrete action defined
Relationships (external / internal)	SDC recognized as co-leading agency in the coordination of outcome related issues	SDC pasture land issue coordination unit established at MoFA	SDC initiated a pasture land issue coordination unit and is funding the first year's salary for the unit's secretary	SDC recognized as a co-leading agency by the government and other donors in range-land management and artisanal mining issues	
	Assessment missions jointly with other donors	At least one assessment mission done jointly	One joint PEM mission (rehabilitation on degraded pastureland)	20% of the missions joint with other donors or implementing agency	1 mission with experts funded from another agency contributing to more than one project
	Analytical work undertaken jointly done with other donors and national agencies	At least one analysis jointly done	None	Joint livestock intensification analysis with UNDP Participated in one study either gender or governance	
	Routines for communication and exchange of information between SCO and relevant CH-actors effective and efficient (East Asia Division, HA, NRE, Embassy, PDII/IV)	Regular visits of CD to HQ, and vice versa	Respective visits contributed to a smooth and productive work relationship	Onsite-insights newsletter continued No major communication break-downs	10 issues published
Learning & Knowledge	Every year at least one significant achievement (result, best practice, tool) of SDC in Mongolia is shared within SDC and other interested stakeholders	Cash for Herder brief prepared	Cash for Herder video produced	Documentation like briefs, movies, etc.	Workshop on lessons learned from cash programs
	Information available from SDC offices and development partners in other countries effectively processed and used in Mongolia (South-South Exchange)	OSS project received support from SCO Viet Nam	Best practices shared Mongolian delegation visited Viet Nam	CIP backstopping mission for potato project Backstopping mission for artisanal mining Experiences of one-stop-shop (Vietnam) adapted to Mongolian context	At least 1 mission At least 1 mission 1 One-stop-shop established
	National Forums on key development issues organized			International workshop on artisanal mining organized in Mongolia Workshop on lessons learned from cash programs	Endorsement by CASM
	Best practices, lessons learnt and other relevant topics regularly shared and discussed within the team			At least 12 planned events, presentations	Attendance (qualitative and quantitative), policy recommendations and implications

Managing Human & Financial Resources	Staff competent to advocate and integrate principles and state of the art of SCS (e.g. harmonization & alignment, natural resource management, governance, gender) in their field of responsibility	Westport and Swissportal report up to standard Deadlines as defined in the tasklist between Desk and SCO met to 80%	Reporting ok, CPs not up to standard About 70% of deadlines met	Credit proposals reached quality standard Deadlines as defined in the task-list between Desk and SCO met to 80%	Project documents and reports meet standards of SDC HQ Capacity to manage development programs sufficient SDC able to respond, if needed, fast and effective to a possible humanitarian acute crisis
	Necessary capacity and competence of staff is assured by OD process keeping motivation and staff satisfaction high, and by well planned rotation and recruitment processes.	All staff participated in team building training	completed	All staff formulate and work towards at least one stretch goal	English and professional skills of workers improved
	Work-life balance and continued learning are an integral part of staff development	Workers retained in organization	No permanent worker left	IPP done with all staff	Attrition rate < 10% per year, work attitude of >90% the staff is positive
	Increasing budget for SCS absorbed effectively	Increase absorbed and disbursement rate 100%	Increase of 30%, disbursement rate 105% Value addition Entry Proposal delayed	Disbursement rate 100% Financial and administrative advisor recruited	Budget spent according to AP (15% over-planning) Advisor operational
	Pooling increases from 0% to 40% of total program budget (excl. SCO)	0% pooled	No funding pooled	5% of funds pooled (not including costs for SCO and funds from HA)	Indicator is defined in the output statement
	At least 60% of the projects follow a Program Based Approach	All DC programs are program based	Fulfilled	New GEP programs will be program based	SAM II and new Desertification will be program based

Annex 1: SDC Mongolia Program: Medium-Term Financial Planning [in Million Swiss Francs]

	2006	2007	2008	2009	2010	2011	2012
Development Cooperation East Asia Division	2.7	4.2	5.1	6.3	6.0	6.2	6.5
Global Environmental Fund	1.0	1.7	2.3	2.7	3.0	2.8	2.5
Humanitarian Aid	0.5	0.5	0.1	0.0	0.0	0.0	0.0
Total	4.2	6.4	7.5	9.0	9.0	9.0	9.0

all figures in million CHF



Annex 2: Development Indicators

Development Indicators (latest available)	2002	2004	2006	2008	2010	2012
Population (million)	2.475.4	2.533.1	2.594.8	2.832	2.947.6	3.067.9
GDP per capita (USD)	453	637	1.044	1.003	1.201	1.389
GDP Growth (% in constant prices)	4.0	10.4	8.4	7.3	7.0	6.7
Human Development Index (HDI) value	0.679	0.691				
Life expectancy rate	63.51	64.58	65.85			
Literacy rate (% age 15 and above)	97.8	99.8				
Inflation (% annual average)	3.1	11.0	5.6	4.2	3.4	2.1
Corruption Perceived Index	3.4	3.0	2.8			
Nationally Protected Area (Percentage of total land)			13.4			

Agriculture Indicators	2002	2004	2006	2008	2010	2012
Total livestock (thous.heads)	23.898	28.028	34.802			
Camel	253	257	253			
Horse	1.989	2.005	2.114			
Cattle	1.884	1.842	2.167			
Sheep	10.637	11.686	14.815			
Goat	9.135	12.238	15.451			

Source: National Statistical Yearbook 2002, 2004, 2006
 Transparency International Report 2006

Annex 3: Links to Key Development Strategies

Below we provide a list of relevant government policies, strategies of SDC and other stakeholders. Links between the SDC program in Mongolia and these policies and strategies are described and updated yearly in the Annual Plan.

1. Government policies

- Government Action Plan
- Socio-Economic Guidelines

2. Other strategies of SDC

- Strategy 2010 SDC, <https://inraweb.deza.admin.ch/document.php?itemID=1732&langID=1>
- Himalayan, Southeast- and Northeast-Asian Region - Long Term Strategy 1997 – 2006, <https://inraweb.deza.admin.ch/document.php?itemID=3404&langID=1>

3. Strategies of other stakeholders

Multilateral:

- United Nations: United Nations Development Assistance Framework 2007 – 2011, <http://mirror.undp.org/mongolia/publications/UNDAF2007-2011.pdf>
- United Nations Development Programme: Country Cooperation Framework 2002 – 2006, <http://mirror.undp.org/mongolia/publications/ccf2002-2006.pdf>
- United Nations Development Programme: Mongolian Millennium Development Goals, <http://www.undp.mn/modules.php?name=Content&pa=showpage&pid=40>
- Asian Development Bank: Country Strategy and Program Update 2007–2009, <http://www.adb.org/Documents/CSPs/MON/2006/default.asp>
- World Bank: Country Assistance Strategy 2004 – 2007, http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&siteName=WDS&entityID=000012009_20040409140521
- World Bank: Economic Growth Support and Poverty Reduction Strategy, http://siteresources.worldbank.org/INTMONGOLIA/Resources/Mongolia_PRSP.pdf
- World Bank: Comprehensive Development Framework (CDF), Mongolia is currently not a CDF country, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/MONGOLIAEXTN/menuPK:327724~pagePK:141132~piPK:148686~theSitePK:327708,00.html>

Bilateral:

- Germany: GTZ, <http://www.gtz.de/de/weltweit/asien-pazifik/612.htm>
- USA: USAID, Strategic Plan 2004 – 2008, http://pdf.usaid.gov/pdf_docs/PDABY661.pdf
- Japan: JICA, <http://www.jica.go.jp/mongolia/english/index.html>

Annex 4: Progress Reports on EGSPRS, MDGs

Despite the fact that the EGSPRS as well as the strategy to achieve the MDGs sound very well and promising, an actual list and description of the activities implemented by the Government of Mongolia does not seem to exist. The government action plan mostly shows only general principles and objectives are enumerated, yet concrete indicators are missing. According to ADB, the progress towards achieving the Mongolian MDGs is described as in the following table:

Table 1: Progress towards the Millennium Development Goals and Targets (ADB, 2005)

MDG	Country status
1) Eradicate Extreme Poverty and Hunger	
Target 1:	
Halve poverty.	Poverty remains severe. Poverty incidence was 36% according to the 2002 HIES and LSMS. The proportion of poor people was lower in urban areas (30%) than in rural areas (43%). The depth of poverty and inequality among poor were substantial (poverty gap –11% and severity of poverty –4.7%). The highest poverty incidence, 51%, was in the Western Region. While the goal is achievable if benchmark growth rates are maintained, lower or less equally distributed growth could threaten the target.
Target 2:	
Halve hunger.	Average caloric intake has been on an increasing trend since 1992, when intake was below the minimal requirement of 2,100 kcal per person per day. Daily intake of members of poor households is 1,784 kcal, compared with the 2,900 kcal average. Meeting MDG target will require high economic growth with economic opportunities for the poor, particularly in rural areas and also better targeted social assistance.
MDG	Country status
2) Achieve Universal Primary Education	
Target 3:	
Provide Universal Primary Education to all girls and boys	Primary enrolment rates fell from 91% in 1995 to 87% in 2000 but have been growing at a steady rate since. If the recent trend continues through 2015, the target of universal primary education will be met. However, special attention will be required to ensure achievements in rural areas where the pressure on boys to assist in income activities reduces enrolment and completion rates.
3) Promote Gender Equality and Empower Women	
Target 4:	
Eliminate Gender Disparity in Primary and Secondary Education	No gender disparities exist at the primary level. At the secondary level and above, however, gender discrepancy is in favour of females. In 2004, gross enrolment ratios were 96.7% for girls and 90.1% for boys. But given the rates of annual increases in male enrolment, the MDG target is likely to be attained.
4) Reduce Child Mortality	
Target 5:	
Reduce by two thirds under-5 mortality rate.	Infant and under-5 mortality declined by half during 1992–2000. Infant mortality per 1,000 live births declined from 63.4 (1992) to 32.8 (2000) and further to 30.4 in 2003. Under-5 mortality per 1,000 live births declined from 87.5 (1992) to 42.4 (2000). This trend puts Mongolia on track to achieving the target by 2015. ¹
5) Improve Maternal Health	

Target 6:	
Reduce by three quarters the maternal mortality ratio.	With the decline from 200 in 1992 to 109 in 2003, the target may not be met. In remote western aimags the rates were significantly higher than the national average ranging between 205 and 375 per 100,000 live births in 2000 reflecting the poor quality of health services in rural remote areas. ²
6) Combat HIV/AIDS, Malaria, and Other Diseases	
Target 7:	
Halt the spread of HIV/AIDS and begin to reverse STI's	Mongolia has a low recorded incidence of HIV/AIDS but faces high-risk factors that could threaten achievement of this goal.
Target 8:	
Halt and reverse the spread of TB	There is an increasing trend of registered tuberculosis incidence mainly linked to poverty and employment. The goal is off-track but achievable.
7) Ensure Environmental Sustainability	
Target 9:	
Reverse the loss of environmental resources	Land/pasture degradation, air pollution, low energy efficiency, deforestation, and decreasing biodiversity present most pressing environmental issues. This goal will be difficult to achieve.
Target 10:	
Halve the proportion of persons without access to safe drinking water	Forty percent of the population received water from the unsafe sources such as unprotected wells, rivers, rain and snow and the figure has remained unchanged in recent years made worse by increasing rural-urban migration. Drinking water access is closely related with geographic location and economic status. This goal will be difficult to achieve without a revised approach to urban development.
Target 11:	
Improve the lives of slum dwellers.	Population living in gers typically does not have central heating, portable water supply, and sanitation facilities. The attainment of this goal will depend upon targeted actions in Ulaanbaatar and provincial towns.

HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome; HIES and LSMS = Household Income Expenditure Survey/Living Standard Measurement Survey; MDG= Millennium Development Goals.

Mongolia is trying hard to achieve the MDG's. However as in many other countries it will be difficult to reach the targets by 2015.

ADB sees Target 1 as achievable, the Mongolian government not. The trend over the last 5 years shows, that poverty stayed more or less the same, therefore the judgement of the government is more likely to mirror reality. Target 9 and 10 are also differently judged by the two papers. ADB thinks, that they will most probably not be achieved, the government of Mongolia however sees a potential in achieving it. How it is going to achieve no. 10 without achieving no. 11 is a question not answered. Looking at the continued degradation of grassland, forest destruction, land deterioration through mining activities and the high unawareness of the population about the environment it is unlikely that target 10 will be achieved without any major changes in the use of natural resources.

¹ Infant mortality stood at 20.7 per 1000 live births and under-5 mortality at 52 per 1000 live births in 2005 according to the Mongolian Statistical Yearbook – 2005.

² Maternal mortality stood at 93 per 100'000 births in 2005 according to the Mongolian Statistical Yearbook – 2005.

Annex 5: Official Development Assistance in Mongolia

Official Development Assistance in Mongolia (approximate figures, SDC in Ulaanbaatar)
 Million USD/ year (Figures from the Ministry of Finance, Mongolia)

	2004		2005		Total (2004-2005)		Total ODA 2004-05
	Grants	loan	grants	loan	grants	loan	
Japan	26.7	25.2	24.3	21.7	51.0	46.9	97.9
USA	20.7		12.3		33.0		33.0
Germany	8.2	5.8	14.6	5.1	22.8	10.9	33.7
Korea	1.3		10.0		11.3		11.3
Kuwait		1.8		9.7		11.5	11.5
India				6.9		6.9	6.9
Switzerland	0.9		2.2		3.1		3.1
China	1.4		3.0		4.4		4.4
Sweden	0.9		2.8		3.7		3.7
Spain		2.8				2.8	2.8
France	0.4		1.1		1.5		1.5
Denmark	0.5		0.9		1.4		1.4
Norway	0.1		0.8		0.9		0.9
Canada	0.0		0.2		0.2		0.2
Others	9.1		8.9		18.0		18.0
Multilateral							
WB	2.7	48.9	4.8	13.7	7.5	62.6	70.1
ADB	3.6	39.4	3.3	30.2	6.9	69.6	76.5
UN Agencies	9.9		17.8		27.7		27.7
EU	2.7		3.4		6.1		6.1
WHO	0.7		3.3		4.0		4.0
XAAAC		1.1		2.8		3.9	3.9
NGO's:							
World Vision	18.2		23.2		41.4		41.4
Red Cross	0.5		0.9		1.4		1.4
Nordic Fund		3.6		1.9		5.5	5.5
Grand total	108.5	128.6	137.8	92.0	246.3	220.7	466.9

Sectors: Mainly infrastructure, followed by education, agriculture and health

World Vision in 2006: 18.7 million

Millenium Challenge Account: 285 million USD

Annex 6: Lessons Learnt from Programs and Strategy Reviews

SDC has implemented 22 humanitarian aid (HA)-funded, 8 development cooperation (DC)-funded and 3 Global Environment Fund (GEF) funded projects (completed and on-going) since 2000. In line with the SDC Medium Term Concept (MTC), the EGSPRSP and MDG(M#1), most projects contribute to improved and securer livelihoods. Poverty alleviation remains a high priority of the GoM, with the Prime Minister declaring 'war on poverty' and prioritizing the focus of donor assistance on the implementation of the goals of above two documents. According to the external review of the SDC program in spring 2005, the main lessons learnt are the following:

- SDC should continue to work in rural areas, especially in the western region where the poverty rate is the highest. It has developed a good knowledge of the region along with its needs and specific conditions. It has built good partnership with the relevant stakeholders and empowers the beneficiaries by involving them in all stages of the projects, leading to high ownership of stakeholders.
- The combination of local knowledge and SDC best practices and lessons learnt gives SDC a comparative advantage and increases the efficiency and effectiveness of the program. A good example is the South-to-South knowledge transfer in artisanal mining from Latin America and the contracting of an experienced partner from other SDC programs, supported by local professionals. Similarly, the sharing and transfer of experience and knowledge gained on a study tour on pasture management in Inner Mongolia and Tibet has been facilitated by SDC.
- Institutional capacity building (civil society and government) and clear exit strategies is key to increase know-how and ownership of projects by locals. Facilitating the introduction of an internationally recognized MBA for non-government organization management and leadership from India with the Mongolian Academy of Management is an key element in this to guarantee long-term capacity building.
- The collaboration with volunteer organizations (JCS International, VSO, MRCS) is an excellent way to implement quality programs and build local capacity without increasing the costs. Involving Mongolian counterparts in decision making and implementation creates ownership, but demands significant support from SDC in regards to capacity building at the implementation and administrative level.

The review also noted that going into too detailed and numerous local needs might result in isolated small actions with one off results and lacking an umbrella strategic focus and affirmed the importance that SDC maintains a clear focus throughout all projects and programs so that synergies can be optimized and used. This concern is addressed in the new SCS.

Switzerland has not yet established a formal collaboration agreement with Mongolia, which regulates tax exemption for imported goods. However, because of the high appreciation of SDC's work and the Country Director this has not yet caused major difficulties, but is unsatisfactory. It was also noted that SDC has weak formalized feedback mechanisms from the herders, therefore, it needs to strengthen monitoring systems. Through the strong monitoring system SDC can become a more learning and responsible organization to the local context.

Interviews held among the most important donors and one NGO (WB, ADB, UNDP, JICA, TACIS, GTZ, USAID, WW) in summer 2005 revealed some important experiences from other donors:

- Big donors might provide a significant amount of money to the Mongolian Government and doing a good job on policy level, but they are lacking the access to the grass root level. Therefore the people don't see any result of their intervention. This leads to a certain donor weariness and frustration among the people.
- A bottom-up approach is more sustainable, than a top-down. A top-down approach creates often a passive receiving mentality with the beneficiaries.
- A too high involvement of the government should be avoided as bureaucracy is high and the danger of corruption is clear and present. Although the local NGO's are still weak it should be tried to work with

them. Capacity building therefore is essential. The local government however should never be ignored totally, as they are often in the position to take the last decision.

- Herders are part of the bigger rural community, therefore it is important not to only address their needs, but also include the soum centres in the activities – the herders need the centres, the centres need the herders
- Long term projects are always better than short term ones. Often the short term projects have no measurable outcomes and their sustainability is not guaranteed.
- A thoroughly done land management plan is the key to a successful and sustainable resource management. The donors should pay more attention to this issue.
- Specific indicators have to be set in place when projects are developed and implemented. This provides transparency and the possibility to measure the outcomes and to give a good judgment about the success of a project. ^
- The donors should have a common strategy on how to address the development priorities defined by the GoM. Through this the aid effectiveness can be improved. However this process of harmonisation should be lead by the government.

Annex 7: Income Generation within the “Swiss Cooperation Strategy for Mongolia 2007-2012”:

Guiding Principles

The purpose of these guidelines is threefold:

- to break down the “Swiss Cooperation Strategy for Mongolia, 2007-2012” into more concrete operational terms for preparing and implementing projects which have an income generation component;
- to provide guidance to program officers of SCO Mongolia by taking into account SDC’s experience in other countries and international good practice;
- to build on the regional particularities in terms of potentials/bottlenecks for the development of locally anchored programs.

1. The Strategic Program Framework of SDC 2007-2012

The strategic objective of “The Swiss Cooperation Strategy for Mongolia, 2007-2012” is to:

Contribute to improved and securer livelihoods of herders and ex-herders in rural areas focusing on improving the sustainable use and rehabilitation of natural resources and supporting ecologically-oriented social and economic development.

and specific SDC outcomes with relevance to Income Generation are:

<p>Country Outcome 3 Increased income of herders and ex-herders based on improved productivity of their livestock and income diversification (SEG Development Matrix 13, 14, 16, 30, Government Action Plan, Section 2.6: Social Policy, SEG List of Activities 2, 13)</p>	<p>SDC Outcome 3.1 Quality of local resources, services, skills and technologies to produce, add value and market quality goods with comparative advantages improved</p>
	<p>SDC Outcome 3.2 Regional and local development initiatives for livelihood improvement supported</p>
	<p>SDC Outcome 3.3 Livestock management, production systems and support services for herders strengthened.</p>

2. The Challenges of Mongolia and the Role of the Private Sector as an Engine for Income Generation

According to the SDC strategy “the development challenges of Mongolia are basically three-fold: The country has to achieve a socially balanced, pro-poor economic growth within a society with a widening urban-rural gap embedded between two huge markets in a globalized world. It has to build an open democratic society which poses considerable challenges in terms of governance and poverty reduction. And it has to achieve both on the basis of fragile ecosystems interlinked with climatic changes, which requires particular caution in the management of the natural resources.”

In SDC’s view, herders and enterprises involved in value addition of traditional products have a crucial role to play in the promotion of economic growth. Herders have traditionally a strong feeling of self-responsibility and are likely to respond to opportunities for creating new or additional sources of income in

an entrepreneurial way. But they also live in a system where the public sector and other actors of the “wider environment” (like the climate in Mongolia) play an important and not always supportive role.

Growth is a crucial factor in the fight against poverty. Empirical studies show that if growth takes place, also the poorest fifth of society benefit from it as much as anyone else in society. The same cannot be said of donor programs or of public social spending. The latter – although targeted to the poor – does not always reach them. It goes to those with political influence. Mongolia is no exception to this rule. Private initiative and investment is essential for substantial and sustainable development and for the generation of income. Development cooperation can contribute to intensify this effect by promoting more equitable growth. Therefore donors increasingly concentrate on approaches which are directly poverty related. This, concretely, translates into enhanced emphasis on:

- social (equity, security) aspects in the promotion of economic activity
- area targeting: promotion of geographic areas with lower than average growth within the country.
- rural livelihood improvement programs
- integrating low-income, hard-to-employ people through access to services and jobs
- promotion of subsistence/micro-enterprises rather than small to medium enterprises

3. Development Intervention Types favoured by SDC Mongolia

As a development agency SDC’s concern is not the promotion of the private sector but of improving the livelihood of poorer segments of the society. The SDC outputs 3.1 to 3.3 listed on page 1, however, indicate that the ambition is to contribute to creating a space where local initiatives and entrepreneurial spirit can be identified, formulated into business and action plans and followed-up in a professional way.

The following table gives an overview of potential intervention types promoting income generation the types prioritized by SDC Mongolia:

Income Generation in Mongolia			
(Pro-Poor Growth, mainly private sector based)			
→A) Policy (Macro) Level			
Contribute to an Enabling Business Environment			
→B) Operational Level			
Support/facilitate Local Initiatives in selected Geographic Areas and (Sub)Sectors			
→Potential Intervention Types at Operational Level			
(Meso and Micro Level)			
Thematic	Sectoral	Geographic or Spa- tial/ Territorial	Target Group
Specific			
Finance	Subsector	LED	Micro-enterprises
BDS	Value Chain	Urban	SME
Occ.Skill Develop	Cluster	Rural	Women
Entrepreneurship Devel- opment			
...
Prioritized Intervention Types of SDC at Operational Level:			
(Meso Level)			
	Sectoral	Geographic	
	Selected sectors/ prod- ucts with potential for local value addition	Selected aimags with potentials for pro-poor growth	
Target Groups:	Herders, ex-herders, miners, rural/ urban micro to medium enterprises and their employees		
SDC Outcomes 3.1 to 3.3.			

Based on the present analysis of donor activity in Mongolia, SDC does not envisage, at this stage, to get involved in the promotion of thematic or target group specific intervention types. Substantial donor efforts are concentrated on thematic interventions. People in rural areas are slowly getting tired of empowerment and training programs with no real effect on incomes. In individual cases service providers may receive SDC support in institutional/ professional capacity building but there is no reason for SDC to intervene at systems level. A target group specific approach would not make sense for SDC. Its strategy is to improve livelihood for herders and ex-herders, comprising people

- living within or outside of village/town structures,
- running micro or small enterprises,
- employed in the formal or informal economy,
- seeking income or an entrepreneurial start-up activity.

SDC outcomes 3.1 and 3.3 typically refer to sectoral intervention types where value addition occurs through the introduction of new products/processes or identification of new market opportunities. SDC outcome 3.2 refers to geographic intervention where value addition should occur through the elimination of bottlenecks and the promotion of potentials – rendering the specific area more attractive for economic activity and improved livelihood.

SDC will decide at program/project level – after thorough assessment - what intervention types are best suited in the concrete case to have an effect on target group incomes.

4. Intervention Levels

We distinguish 3 intervention levels:

→ **Micro**

The level of the individual herder, farmer, enterprise (whether micro or large!).

→ **Meso**

The level of intermediary institutions promoting, supporting, coordinating entrepreneurial activity, such as service providers, chambers, associations, banks, savings and loan cooperatives etc. Private sector development approaches of donors generally focus on these intermediaries with the ambition to improve their capacity and performance for the benefit of micro and small enterprises and their employees.

→ **Macro**

The level of the wider environment of private sector activity, such as policy and regulatory framework, donor coordination/cooperation etc. At this level, specific action can be taken which has pro-poor effects, e.g. curbing inflation, legislation and budget allocation regarding physical and social infrastructures, land reform etc. If donors want to have an impact at this level, coordination efforts are needed and, ideally, joint strategies are worked out to have a leverage effect. Donor alignment and harmonization of donor processes are crucial elements of a sustaining pro-poor approach.

As SDC's activity shifts from humanitarian aid to development cooperation and the promotion of the private sector, it is essential that support measures do not contribute to aggravate market distortions. In this sense, SDC will refrain from direct operational commitment at micro level, i.e. in private business activity (for which it has neither the capacity nor the know-how) and concentrate on interventions at meso and macro levels.

At meso level, the pro-poor approach addresses the "access to..." dilemma. Interventions emphasize access to knowledge and skills, access to capital, access to markets for specific poor target groups or enterprises providing employment to them. Precondition for effective intervention is the existence of competent service providers. Capacity building and the development of service markets at this level is crucial for the further development of the private sector in Mongolia.

Preconditions for effective macro level intervention are:

- i) intimate knowledge of the region, the sector, the crucial players, their networks and
- ii) mobilization potential to build up awareness/pressure according to need (entrepreneurs, unions, press, public services, civil society, justice...).

5. Partners of SDC

SDC aims at having its programs implemented with local partners, assisted by national and international backstoppers as well as SCO staff. This creates ownership of the programs by the Mongolian people and reduces implementation costs. However, it requires highly capable staff at SCO to provide training and support.

Assessment of partner institutions for program/project implementation will be made on the basis of the following criteria:

- Consistency/coherence of vision-objectives-activities
- Organizational structure and communication between different levels
- Managerial/professional capacity of staff
- Capital/financial basis (if relevant)
- Past performance and reputation.

6. Geographic Area of Intervention

SDC started its humanitarian and development programs in the Western region, as this area was hit severely by the dzuds between 1999 and 2003. Based on the high poverty incidence in the West of 51% (2003, compared with a national average of 36%) and SDC's humanitarian aid experience, SDC will focus its work on the Western region. These aimags have limited access to electricity and good roads. The Mongolian Government intends to increase efforts in decentralization and regionalization, prioritizing the development of selected economically viable areas and regional towns. SDC will assist the national authorities in assessing development potentials of the western region and up-scale its existing or implement new programs. SDC's programs will be closely coordinated with those of other donors in the area and extend thematic products of national interest into other areas to use synergies of harmonization and pooling.

7. Intervention Principles

The primary concern of the Private Sector is not Development

SDC as a development agency is concerned with poverty alleviation. Private actors are interested in (increased) access to markets and return on investment. At some times, interests of both may tally, but it must never be taken for granted. Job creation, more equal distribution of wealth etc. are not primary concerns of the private sector and as such can also not be directly addressed through private sector promotion. They can be indirectly addressed through:

- supporting the creation of new markets and products
- promotion of specific labor intensive sectors or production methods
- promotion of micro/small enterprises in the assumption that they will create additional employment and income.

For development agencies, it is one of the temptations of private sector promotion to combine profit orientation and development goals. But it must be kept in mind that development agencies cannot directly generate sustainable employment and income. They can do it indirectly through promoting respective programs. In this sense, employment and income generation may be an overall goal but cannot be a project objective.

Sustainability and Subsidization are Incompatible

Especially in rural areas it is an illusion to believe that central/provincial governments will – in the short/medium term – fill in the gap left behind if donors withdraw. Consequently, it may be justified to argue that donors, for some time to come, will simply have to substitute local government in taking over public goods expenditure. It may, therefore, be advisable to make a clear distinction between public goods (where a continuous subsidy element is justifiable due to their external benefits)¹ and private goods (where benefits can directly be attributed to individuals and should also be paid for by them).

¹ ADB justifies subsidized interest rates to Mongolian large enterprises in the context of value chain development with the argument that they contribute to an ecologically sound environment and open up new opportunities for market niches, including jobs/income to SME processors down the value chain.

Another factor has to be considered in private sector development programs: If sustainability is at stake, programs should not be burdened with too many built-in barriers (like working in rural areas only, working only with the poor etc).

Subsidization implicitly means that sustainability – if defined in the sense that services and benefits continue in the long run – is not reached. If subsidies are not, eventually, incorporated into the product price, it simply means that the program has failed.

It is often argued that the poor are not able to fully finance services and that from a development perspective it is justified to subsidize. Evidence shows that there must be no trade-off between serving the poor and reaching financial self-sufficiency at meso level. Especially in banking but also in occupational skills training it has been demonstrated that the poor are willing and able to pay the full cost of service provision if the service opens the door to a job and can thus be considered as an investment.

If subsidies are paid it is important to have an explicit strategy in the project document concerning

- the type of subsidy (supply or demand sided)
- the reference criteria on which it is based (cost factors, client segment, sales volume etc)
- the duration
- the exit scenario (time-bound/result-oriented? Alternatives to SDC funding?)

Beware of Labor Market Distortions

Intervention by donors in the private sector always carries the risk that existing (and perhaps fairly well functioning) markets are distorted to the detriment of the weakest market players. Especially donor initiated informal sector programs operating in a stagnant (rural) economy can lead to a "zero sum game": jobs/incomes "created" in one enterprise/geographic area are likely to be destroyed somewhere else (usually in a place not covered by the program) and, ironically, hit the economically marginal people.

In order to minimize such perversions, SDC Mongolia carries out detailed market assessments before intervening, such as:

- sector analysis to identify dynamic (sub)sectors,
- value chain analysis to determine potentials and bottlenecks,
- rapid appraisals combined with concrete action to gain inside experience and to create a climate of trust, etc.

Selective Integration of Transversal Aspects

Development programs – also those in the private sector – must take into account issues such as gender, respect of minimum social standards and ecology.

Care shall, however, be taken not to overload programs in an already difficult surrounding with too many transversal issues. They often remain nothing but paper declarations and, at best, create frustration at the operational level.

It is, therefore, necessary to have a clear understanding of which transversal issues are to be dealt with at what level (country program, sectoral program, individual project) and it should also be clear that – in a market approach – these special requirements have their price tag in terms of program cost and/or in terms of downgraded sustainability, outreach and impact. The rationale for this kind of "additional burdens" must therefore be made explicit in the program/project document. Donors must also accept to provide additional funding and professional inputs for such types of intervention to the concerned local implementing agency.

Macro Level Activities: Impact through Leverage

Operating in markets can be frustrating if the policy and regulatory framework puts barriers to growth potentials. If donors and governments were able to agree on joint/ coordinated programs which render a country more attractive for private investment, the mass of micro and meso level activities of donors could easily be abandoned. This "good governance" approach remains a vision. In the meantime, SDC lays importance on actively supporting the improvement of the environment for private sector activities through:

- making available to projects the financial means to support macro level activities
- co-ordination with other donors at regional/ national level to enhance standardized donor procedure and leveraged intervention
- supporting efforts for a conducive national policy dialogue through co-operation with government agencies, trade associations, stakeholders etc.

Getting involved in this type of activity requires a long term strategy and patience. SDC's experience in private sector development programs around the world is mixed, but it remains uncontested that active involvement/support at this level is crucial if things are to improve.

Evaluation and Impact Measuring: Know from Start what to Measure

Programs in the private economy have indirect impact on development goals (such as employment and income generation, poverty alleviation, livelihood improvement). It is evident that especially the evaluation should look at indicators which are of major importance to SDC. Such indicators are e.g.:

- outreach of the total program
- gender coverage
- employment, income generation and skill training effects.

It is essential to define at the start of the program/project the type of information required and how this information should be collected (e.g. through interviews, focus group discussions, case studies, random inquiries etc). For this purpose it is advisable

- to incorporate baseline studies at project start
- to draw up the terms of reference for the evaluation at program/project start and to integrate them into the agreement with the partner institutions.

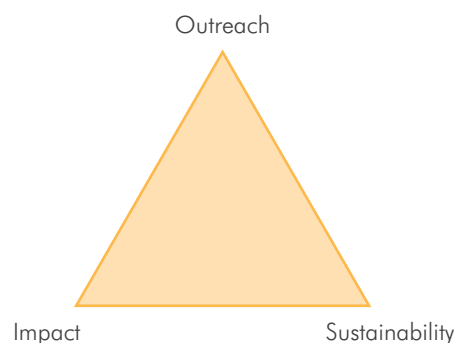
This not only facilitates the introduction of a relevant monitoring system but it is also a fundamental requirement of partnership: to be transparent from the beginning on the terms by which success will be measured.

It must be kept in mind that information which is important to SDC as a donor may not necessarily be of importance and/or value to an implementing agency or the (commercially oriented) service providers and even less to the target groups/clients. It is unrealistic to expect them to undertake costly data collection on issues which are of no relevance to their operation. Measuring impact of a social nature is basically a task of the development program and costs related to it must, consequently, be borne by the donor.

The Magic Triangle of Performance Measuring in Income Generation Programs

The ambition, of course, is not only to help the poor, but also that this be done with a high outreach, high impact, in a sustainable way and within the life cycle of a project.

Performance measuring is easiest in the case of urban SME target groups. The more we move away from the urban economic centers and the more specific target groups and transversal issues are packed into projects, the higher the challenges. Instead of maximization we now strive for optimization. Choices will have to be made on which parameter(s) we wish to concentrate and in what order of priority.



In pro-poor approaches, concessions need to be made in terms of what performance objectives should be reached to what extent and in what time span. In most cases of pro-poor approaches it is unrealistic to ask the project management for maximization of the 3 parameters within a short period of time. As a rule, e.g.

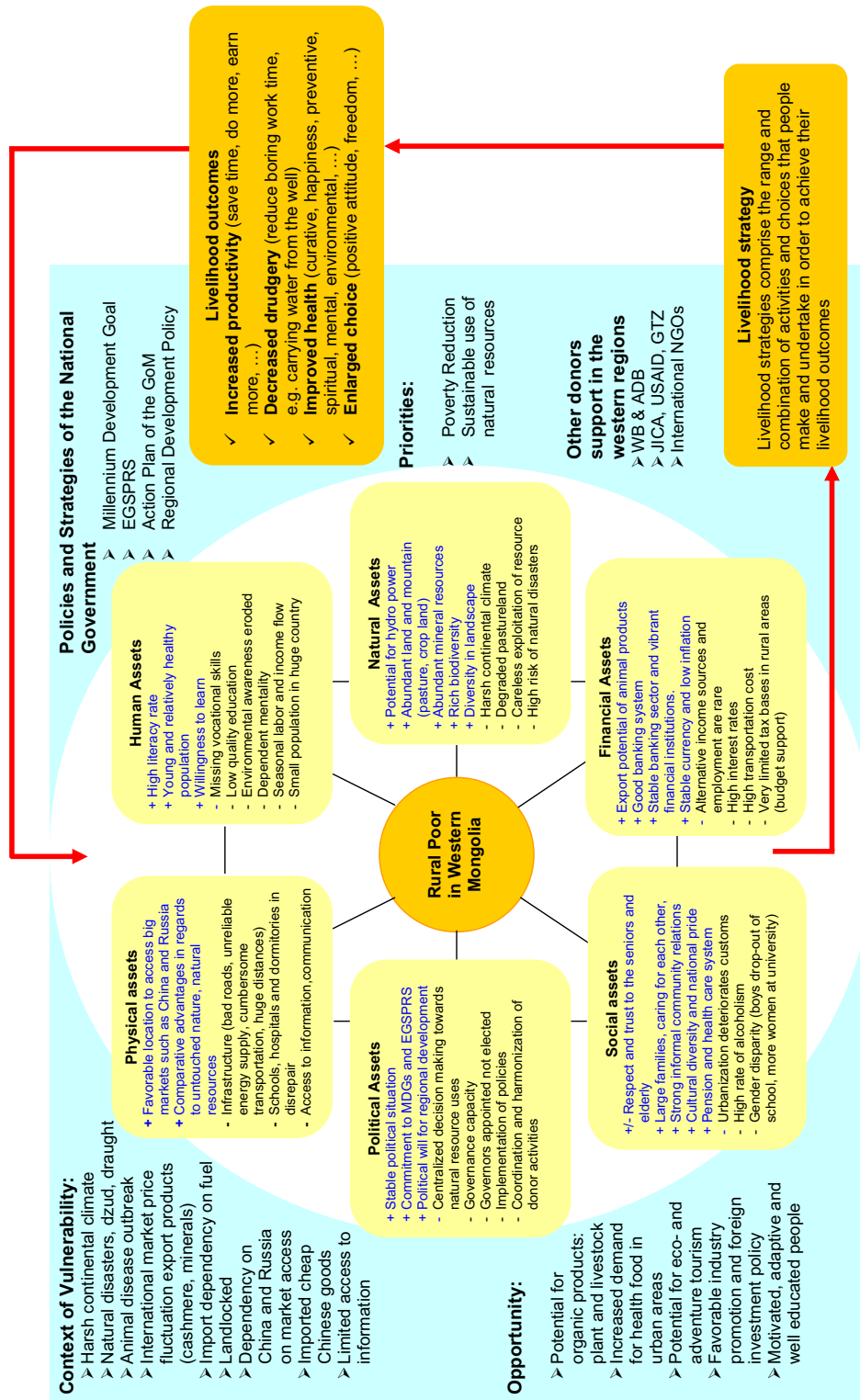
- high impact is at the cost of lower outreach/sustainability
- outreach and impact are easier to reach than sustainability
- without sustainability there is no long term impact.

The question which performance objectives have to be reached in what time and to what degree is an explicit strategic decision to take at the start of the program/project. Too often, it is implicitly taken for granted that somehow the magic can be overcome.

Project Duration and Exit Strategy

Similar to other development programs of SDC, sustainable income generation through PSD requires a long term involvement (8 to 12 years). Nevertheless, the conditions under which programs will be stopped or considered successful should be clear from the start. Withdrawal can be necessary if the macro level climate becomes so bad that all PSD efforts are wasted. Success can mean that a value chain has been successfully introduced/rearranged, or that a town has embarked on an LED process where outside assistance is no more appropriate.

Annex 8: Development Context in Mongolia



Annex 9: List of Abbreviations

ADB	Asian Development Bank
Aimag	Province, Canton
Bag	Subdivision of Soum
CASM	Community and Artisanal Small-scale Mining
CHF	Swiss Franc
CIP	International Potato Center, Peru
DC	Development Cooperation
EGSPRS	Economic Growth Support and Poverty Reduction Strategy
GDP	Gross Domestic Product
GEP	Global Environmental Program
GoM	Government of Mongolia
HA	Humanitarian Aid
ILO	International Labour Organization
LED	Local Economic Development
LRGTA	Land Relations, Geodesy and Topography Authority
MD	Millennium Declaration
MDG	Millennium Development Goals
MoF	Ministry of Finance
MNE	Ministry of Nature and Environment
MNT	Tugrik (Mongolian Currency)
MFA	Ministry of Foreign Affairs
MoFA	Ministry of Food and Agriculture
MPRP	Mongolian Peoples Revolutionary Party
MSEC	Ministry of Science, Technology, Education and Culture
NEMA	National Emergency Management Agency
MPRAM	Mineral and Petroleum Resource Agency, Mongolia
NDS	National Development Strategy
NGO	Non Government Organization
NPO	National Program Officer
NSO	National Statistical Office
ODA	Official Development Assistance
OSS	One Stop Shop
SCO	Swiss Cooperation Office (also abbreviated as Coof)
PEM	Pasture Ecosystem Management Project
RBM	Result Based Management
SAM	Sustainable Artisanal Mining Project
SCS	Swiss Cooperation Strategy
SDC	Swiss Agency for Development and Cooperation
SEG	Socio-Economic Guidelines
Soum	Municipality, subdivision of aimag
TT	Transversal Themes
UNDP	United Nations Development Program
USD	American Dollar
WB	World Bank



