

Mongolia

FY 2021 Ex-Post Evaluation Report of Japanese ODA Loan Project

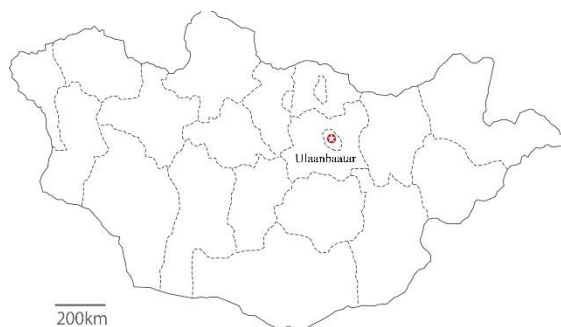
“Fiscal, Social and Economic Reform Development Policy Loan”

External Evaluator: Tomoyuki Sho, IC Net Limited

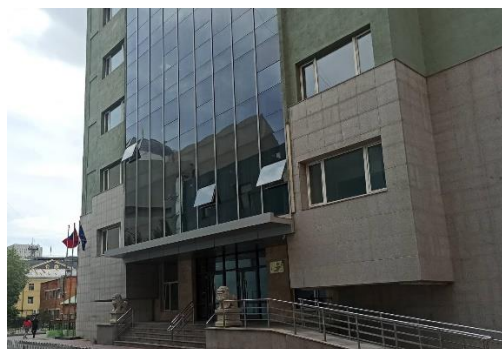
0. Summary

The Project has been implemented to support the Mongolian government’s policy reform efforts in fiscal, social, and economic areas through financial support and policy dialogue. It aimed to achieve stable macroeconomic management, promotion of helping the socially vulnerable, and enhancing economic growth, so as to enable fiscal, social, and economic stabilization in Mongolia. Through co-financing with other development partners, the Project supported reforms in the areas above, such as fiscal and financial policy, social protection, and industrial development, and thus has been consistent with the development policy and needs of Mongolia. The Project’s plan and approach were also appropriate. Moreover, the Project has been consistent with Japan’s ODA policy and internally coherent with JICA’s other related projects. Furthermore, external coherence is recognized through close coordination and complementarity with other development partners. Therefore, its relevance and coherence are very high. The Project contributed greatly to helping Mongolia avert a debt default. In addition, with the implementation of the Project, such undertakings as reducing expenditures, mobilizing revenues, consolidating state budgets, as well as enhancing fiscal discipline, have all gained ground, which in turn helped advance fiscal stabilization, public debt reduction, and foreign exchange reserve accumulation. Although part of the reforms has been since suspended or reversed for the sake of combating COVID-19, the Project has helped promote Mongolia’s macroeconomic stability significantly. During the reform period, poverty decreased modestly as sufficient funding had been allocated for social protection, including that for the Food Stamp Program, for protecting the vulnerable from the adverse effects of fiscal and monetary policy tightening. Whereas continuous support based on a long-term perspective will be essential for improving the investment climate and diversifying the economy, certain positive outcomes can be observed in the development of industrial human resources and infrastructure. Therefore, the effectiveness and impacts of the Project are high.

1. Project Description



Project Location (Mongolia as a Whole)



Ministry of Finance Building

1.1 Background

The Mongolian economy is heavily dependent on exports of mining resources such as coal and copper. Exports to China account for 90% of those exports. As a result, the Mongolian economy tends to be greatly affected by external factors, such as the fluctuation of mineral commodity prices and China's economic cycle. Thus, when the Chinese economy slowed down and mineral commodity prices fell sharply in 2015 and 2016, Mongolia's real economic growth rate dropped, and the country's fiscal balance deteriorated, resulting in a budget deficit of 15.3% of nominal GDP in 2016. In addition, a worsened balance of payments due to sluggish exports, as well as reduced inflows of foreign direct investment into mining development, led to a fall in foreign exchange reserves. Consequently, the Mongolian government had become unable to redeem a huge amount of government bonds and government-guaranteed notes, whose maturities were approaching in 2017 and 2018,¹ and faced the prospect of default.

Under these circumstances, the Executive Board of the International Monetary Fund (IMF) approved the Extended Fund Facility (hereinafter referred to as "EFF") of approximately 430 million US dollars (USD) in May 2017 for the purposes of not only avoiding Mongolia's default but also implementing fiscal reform, bolstering foreign exchange reserves, restoring debt sustainability, and restructuring the financial sector, whereas also having assembled an international aid package of a total of approximately USD 5.6 billion anchored to the EFF, together with the World Bank, Asian Development Bank (ADB), Japan, China, and South Korea. Japan pledged up to USD 850 million to support Mongolia to strengthen its response to the financial and economic crisis, and JICA had initially planned to implement one third each of that support through three different project phases. This Project corresponds to the first phase.

¹ Since 2012, the Mongolian government had issued a large amount of US-dollar-denominated government bonds, as well as government-guaranteed Development Bank bonds, in international markets to raise funds for infrastructure development projects.

1.2 Project Outline

The objective of the Project is to achieve stable macroeconomic management, promotion of helping the socially vulnerable, and enhancing economic growth by supporting the Mongolian government's policy reforms in the fiscal, social, and economic fields through financial support and policy dialogue, thereby contributing to fiscal, social, and economic stabilization in Mongolia.

Loan Approved Amount/ Disbursed Amount	32,000 million yen/32,000 million yen
Exchange of Notes Date/ Loan Agreement Signing Date	December 2017/December 2017
Terms and Conditions	Interest Rate 0.8% Repayment Period 20 years (Grace Period 6 years) Conditions for Procurement General Untied
Borrower/Executing Agency	Government of Mongolia/Ministry of Finance
Project Completion	December 2017
Target Area	Throughout Mongolia
Main Contractor(s) (Over 1 billion yen)	None
Main Consultant(s) (Over 100 million yen)	-
Related Studies (Feasibility Studies, etc.)	None
Related Projects	<u>Technical Cooperation:</u> <ul style="list-style-type: none"> • Data Collection Survey on the Development Policy and Public Investment (Oct. 2016–Feb. 2017) • Project for Enhancing Tax Collection Operation and International Tax Issues of Mongolian Tax Administration (Phase 1: Nov. 2013–Oct. 2016, Phase 2: Jan. 2017–Jan. 2020) • Capacity Development Project for Internal Audit (Phase 1: Jan. 2012–Jul. 2014, Phase 2: Sep. 2014–Aug. 2017) • Project for Strengthening Post-graduate Training for Health Professionals in Primary and Secondary Level Health Facilities (May 2015–May 2020) • Project for the Establishment of Hospital

	<p>Management and Medical Services at the Mongolia-Japan Teaching Hospital (Mar. 2017–Mar. 2022)</p> <ul style="list-style-type: none"> • Project for Improvement of Capacity for Implementation of Ulaanbaatar Master Plan (Sep. 2014–Dec. 2018) • Capacity Development Project for Air Pollution Control in Ulaanbaatar City (Phase 1: Mar. 2010–Mar. 2013, Phase 2: Dec. 2013–Jun. 2017) • Project for Capacity Building of Capital Market in Mongolia (Phase 1: Jul. 2014–Jun. 2017, Phase 2: Mar. 2019–Feb. 2022) • Project for Enhancement of the Fair Competition Environment in Mongolia (Phase 1: Sep. 2015–Sep. 2018, Phase 2: Jan. 2020–Dec. 2022) • Project for Enhanced Function of Mongolia-Japan Center for Human Resources Development for Capacity Development and Networking of Business Persons (Apr. 2015–Apr. 2020) • Data Collection Survey on Business Environment and Investment Promotion (Nov. 2015–Mar. 2017) • Data Collection Survey on Agriculture and Livestock sector (Dec. 2016–Jun. 2017) • Project for Strengthening the Government Capacity of Public Investment Plan (Feb. 2019–Feb. 2023) <p><u>ODA Loan:</u></p> <ul style="list-style-type: none"> • New Ulaanbaatar International Airport Construction Project (Phase 1: May 2008 L/A, Phase 2: Apr. 2015 L/A) • Higher Engineering Education Development Project (Mar. 2014 L/A) • Social Sectors Support Program (Phase 1: Jun. 2009 L/A, Phase 2: Mar. 2012 L/A) <p><u>Grant Aid:</u></p> <ul style="list-style-type: none"> • Project for Construction of Mongolia-Japan Teaching Hospital (May 2015 G/A) <p><u>Other Donors:</u></p> <ul style="list-style-type: none"> • International Monetary Fund (IMF), Extended Fund Facility (EFF) (May 2017, board approval) • World Bank, Economic Management Support Operation, (Nov. 2017, board approval) • Asian Development Bank (ADB), Banking Sector Rehabilitation and Financial Stability Strengthening Program (May 2017, board approval), Social Welfare Support Program (Oct. 2015, board approval), Social Welfare Support Program Phase 2 (May 2017, board approval) • People's Bank of China, three-year extension of the deadline (Aug. 2017) of the currency swap agreement with the Bank of Mongolia (Jul. 2017, official agreement)
--	---

2. Outline of the Evaluation Study

2.1 External Evaluator

Tomoyuki Sho, IC Net Limited

2.2 Duration of Evaluation Study

This ex-post evaluation study was conducted with the following schedule.

Duration of the Study: December 2021–December 2022

Duration of the Field Study: February 20–March 4, 2022 and May 15–27, 2022

2.3 Constraints during the Evaluation Study

As the Project is a program loan, the main evaluation criteria examined are Relevance, Coherence, Effectiveness, and Impact. Efficiency was neither analyzed nor evaluated because it is difficult to make a quantitative comparison between inputs (costs) and outputs (results). As for Sustainability, analysis was done only for the sub-sections of “Policy and Systems,” “Institutional/Organizational Aspect,” and “Preventative Measures to Risk,” where meaningful evaluation was possible. This is because the development policy loan (hereinafter referred to as “DPL”), which consists of a wide range of policy actions, does not necessarily fit into the evaluation framework that was created on the assumption of being applied to the implementation of a specific project. Sub-ratings are given only for “Relevance/Coherence” and “Effectiveness and Impacts,” and no overall rating has been given.

In relation to the Project, Phase 2 and Phase 3 were originally planned to be implemented in 2018 and in 2019, respectively, but they were not implemented. For details, see “(4) Why IMF Review Went Off-Track and Its Consequences” (p. 20). Whereas the policy matrix² set out “Main Actions to be monitored (Triggers for Next DPL2)” (hereinafter referred to as “Policy Actions (Triggers for DPL2, narrative summary)”) and their indicators, the targets of these indicators had been set on the premise that the subsequent phases of the Project would be implemented. Moreover, due to the spread of coronavirus disease 2019 (COVID-19), the conditions have changed significantly since 2020 from the assumptions at the time when the targets were set. Thus, to analyze whether the indicators are achieved, it is necessary to consider that no subsequent phases have been implemented, as well as the influence of COVID-19. In evaluating the Effectiveness and Impact of the Project, therefore, it was avoided to evaluate the Project outcomes based solely on whether the targets had been met. Instead, the outcomes were comprehensively examined primarily on the basis of the achievement status of the Policy Actions (Triggers for DPL2, narrative summary), whereas the analysis of the achievement/progress on the targets of the indicators was also added to the judgement.

² The policy matrix summarizes all the conditions, triggers, indicators, and targets that constitute the reform program supported by the DPL.

3. Results of the Evaluation

3.1 Relevance/Coherence (Rating: ④³)

3.1.1 Relevance (Rating: ④)

3.1.1.1 Consistency with the Development Plan of Mongolia

At the time of the appraisal, *Mongolia Sustainable Development Vision 2030* (February 2016), the government's long-term development policy document, set economic policy objectives such as reducing the state budget deficit and debt, accumulating foreign exchange reserves, and establishing a favorable business and investment environment. It also set social development goals of providing social welfare services for vulnerable households and ensuring state budget expenditures for the social services in accordance with the needs of the target population. In line with that long-term development policy, the *Action Program of the Government of Mongolia for 2016–2020* (September 2016) listed measures to overcome economic difficulties within a short period of time, such as stopping off-budget spending and limiting unnecessary spending, implementing the reform on the Development Bank and the tax reform, and improving the balance of payments. On top of these, to push forward with these measures, the *Economic Recovery Program* (November 2016), which specifically mentions “the borrowing of low-interest, long-term funds from partner countries and international financial institutions,” had been formulated.

At the time of the ex-post evaluation, *Vision 2050* (June 2020) set out the objectives of promoting macroeconomic stability through reducing the debt burden, increasing the foreign exchange reserves, and creating a favorable environment for foreign investment. It also set the objectives of social welfare reform, such as providing adequate social welfare assistance to targeted vulnerable households and citizens. The *Action Program of the Government of Mongolia for 2020–2024* (August 2020) follows the basic policies of the *Action Program of the Government of Mongolia for 2016–2020*, although it put in front special measures to overcome the challenges caused by the COVID-19 pandemic. The *New Revival Policy* (December 2021) aims to remove impeding factors for economic growth to overcome the negative social and economic impacts caused by the pandemic and to ensure and develop conditions necessary for the achievement of *Vision 2050*.

As seen above, from the time of the appraisal to the time of the ex-post evaluation, the Mongolian government has consistently held policy objectives on macroeconomic management, such as reducing fiscal deficit, proper debt management, building foreign exchange reserves, and improving the balance of payments, as well as improving the investment climate and enhancing social welfare services. Therefore, the Project is consistent with the development policy of the Mongolian government.

³ ④: Very High, ③: High, ②: Moderately Low, ①: Low

3.1.1.2 Consistency with the Development Needs of Mongolia

At the time of the appraisal, the Mongolian government had extremely high financing needs. At the end of 2016, its public debt reached an equivalent of 102% of GDP (including a swap line between the Bank of Mongolia (hereinafter referred to as “BOM”) and the People’s Bank of China, which was an equivalent of 16% of GDP), of which external debt amounted to an equivalent of 62% of GDP. As foreign exchange reserves plummeted to the level that was sufficient to cover less than 2.4 months of imports, the maturities of the government-guaranteed notes of USD 580 million issued by the Development Bank of Mongolia (hereinafter referred to as “DBM”) and the government notes of USD 500 million (Chinggis bonds) were approaching in March 2017 and January 2018, respectively. It was estimated that the financing needs for the public sector would reach USD 2,320 million (23% of GDP) in 2017 and USD 2,260 million (21.8% of GDP) in 2018.⁴ Thus, there was a serious concern that, without the timely formulation of an international aid package anchored to the IMF’s EFF, the default would lead to devastating economic difficulties. However, it would not have been possible to put up an international aid package of this size without the participation of Japan. Therefore, the Project was vital in helping Mongolia fill its financing gap on the verge of the crisis.

Even after avoiding default, the Mongolian government has continued to have high financing needs for financing state budget sustainably, improving fiscal space and foreign exchange reserves, and building adequate buffers against external shocks. Yet, thanks to its efforts for fiscal consolidation and debt reduction, as well as a recovery in mineral commodity prices, the country’s fiscal balance and the balance of payments had improved, and its foreign exchange reserves have recovered to healthy levels. Therefore, despite that the IMF’s EFF review became off-track after November 2018 and its funds were not disbursed, and the subsequent phases of the Project were not implemented, the Mongolian government still could successfully maintain its international credibility and has thus prevented pressure on the cost of serving its external debt from building up. However, as shown in Table 1, the maturities of large amount of debt are approaching once again in 2022 and 2023. At the time of the ex-post evaluation, foreign investors’ willingness to hold Mongolian government bonds has not changed; therefore, there is no major concern regarding the rollover of the maturing bonds.⁵ Still, if China’s zero-COVID policy and/or the war in Ukraine continue(s), the adverse effects on the Mongolian economy will be of major concern. As the importance of building resilience to external shocks has been getting increasingly elevated, the financing needs for the Mongolian government remain high at the time of the ex-post evaluation.

⁴ Mongolian Ministry of Finance, JICA-provided materials.

⁵ Interview with the IMF Mongolia Office (June 2022).

Table 1: Bonds Issued by the Government of Mongolia

Issuer	Year of Issuance	Maturity	Period	Coupon Rate	Currency	Amount (Balance*)	Note
Government	Dec. 2012	Dec. 2022	10 years	5.125%	USD	1 billion (137 million)	Chinggis bond
Government	Nov. 2017	May 2023	5.5 years	5.625%	USD	800 million (533 million)	Gerege bond
DBM	Oct. 2018	Oct. 2023	5 years	7.25%	USD	500 million	Rollover of a USD 580 million-government bonds that matured in March 2017
DBM	Dec. 2013	Dec. 2023	10 years	1.52%	JPY	30 billion	Samurai bond
Government	Mar. 2017	Mar. 2024	7 years	8.75%	USD	600 million	Khuraldai bond

Sources: Mongolian Ministry of Finance, JICA-provided materials

Note: Balance (*) is the amount of maturity that has not been rolled over. The Government of Mongolia issued Nomad bonds (USD 6 billion) in 2020 and Century bonds (USD 500 million for 6-year bond and USD 500 million for 10-year bond) in 2021 in order to roll over parts of the Chinggis bonds and others. The maturity balance due in 2022 is planned to be repaid from the government budget. The maturity balance due in 2023 is expected to be repaid from the rollover or government budget, in accordance with the *Government Debt Management Strategy 2023–2025*.⁶

Moreover, as demonstrated in *Sustainable Development Vision 2030*, the *Action Plan of the Government of Mongolia for 2016–2020*, and the *Economic Recovery Program*, the Mongolian government, at the time of the appraisal, had a strong mandate to implement continuous reform in the fiscal and banking sectors so as to restore and maintain the confidence of the international society. At the same time, to mitigate the adverse effects of these fiscal and financial sector reforms on the socially vulnerable, it had become necessary to ensure sufficient welfare benefits and improve the living environment for the socially vulnerable, while also enhancing the efficiency of the social protection system. Furthermore, to address the vulnerable economic structure that is strongly affected by the fluctuation of mineral commodity prices from a long-term perspective, there had been strong needs for developing human resources and improving technical capacities for the diversification of industry, as well as developing legal systems and infrastructure for the improvement of the investment climate.

After the implementation of the Project, all the Policy Actions (Triggers for DPL2, narrative summary) regarding the reforms in the fiscal/financial, social, and industry sectors had been once evaluated in early 2019 and judged to have been all achieved. The Mongolian government, however, continues to have needs for steadily implementing the financial, social, and economic reforms to build adequate buffers against external shocks and thus maintain the confidence of the

⁶ Interview with the Mongolian Ministry of Finance (May 2022).

international community. Therefore, the Project has consistently met the development needs of Mongolia.

3.1.1.3 Appropriateness of the Project Plan and Approach

(1) Parallel Co-Financing

The Project was implemented as parallel co-financing, in which each development partner coordinated complementarily under the shared goal of supporting policy reform in Mongolia. As shown in Table 2, it was believed at the time of the appraisal that a total loan of more than USD 5.6 billion would be required to rescue Mongolia from the default crisis. As it would not have been possible to put up an international aid package of this size without the cooperation of JICA and other development partners, it was logical that the Project had been conducted through co-financing. Moreover, each development partner had a wealth of experience in providing technical advice and assistance in Mongolia. Therefore, it was also appropriate that the Project adopted the parallel co-financing, through which the development partners supported the reform by leveraging the strengths in their respective policy areas of priority – contrary to the joint co-financing, in which development partners jointly manage a common policy matrix.

Table 2: International Aid Package

Unit: million USD

Donor	Initially Planned Amount	Final Agreed Amount	Actual
JICA	850	850	283.3
IMF	430	430	221.4
World Bank	600	440	220
ADB	900	600	540
China (Extension of currency swap)	Approximately 2,200 (CNY 15,000 million)	Approximately 2,200	Approximately 2,200
South Korea	700*	60	60
Total	5,680	4,580	3,524.7

Sources: Mongolian Ministry of Finance, JICA-provided materials

Note: South Korea's initially planned amount (*) includes project financing.

(2) Formulation Process and the Logic of the Policy Matrix

As the Project was a parallel co-financing scheme, all the development partners except JICA formulated and managed the policy matrices in accordance with the principle of avoiding duplication of policy actions across different development partners. JICA, on the other hand, created a comprehensive policy matrix by adopting policy actions in the fiscal, semi-fiscal, and fiscal discipline areas from those of the IMF and the World Bank, policy actions in the banking sector from those of the IMF and ADB, and a policy action on the targeted social welfare to the socially vulnerable from that of the World Bank, respectively (for details, see *Appendix. Status of*

Achievement of Policy Matrix). This is probably because JICA had pledged financial support of up to USD 850 million, which was larger than that of the IMF or the World Bank. Thus, JICA apparently preferred to monitor the policy actions regarding the fiscal, quasi-fiscal, and fiscal discipline, as well as those regarding the banking sector and the targeted social welfare to the vulnerable, on its own, by incorporating these policy actions into JICA's policy matrix, as these actions constitute the core of the reform program. Given the size of JICA's ODA loan amount, this decision was reasonable especially considering it from an accountability point of view. Regarding the monitoring of these policy actions on the fiscal/financial sector reform and the targeted social welfare, it was also realistic and appropriate that JICA planned to make use of reporting from other development partners, who have in-depth knowledge and extensive expertise in the relevant fields.

(3) Coordination with Other JICA Projects

The Project tried to link the policy-level reforms with the project outcomes of field-level activities, by incorporating the activities of ongoing related JICA projects in Mongolia into the policy matrix. As it takes considerable time and work to diversify industry and improve the investment climate under the "Enhancing economic growth" pillar, taking the approach of ensuring continuous support to reform and its monitoring through day-to-day activities of related projects, such as technical cooperation on the developments of industrial human resources and legal systems, is reasonable and appropriate, as JICA has strengths in these areas. By integrating related JICA projects into the policy matrix, it was also expected that incentives for related JICA projects to achieve their project goals would be enhanced and their activities would be promoted. Although this approach has room for improvement regarding design and implementation,⁷ making a linkage with related JICA projects has achieved certain positive outcomes in the development of human resources and infrastructure.

(4) Logic of the Project Design

JICA's comprehensive policy matrix comprises the three pillars of 1) direct measures against the financial and economic crisis (Stable macroeconomic management), 2) measures to mitigate the adverse effects of the measures against the financial and economic crisis on the vulnerable (Promotion of helping the socially vulnerable), and 3) mid- to long-term measures to improve the structural vulnerability of the Mongolian economy that was the root cause of the financial and

⁷ JICA's policy matrix is not fully in accordance with the approach, as it includes some policy actions that have no related JICA projects at all even in its own part of the matrix (such as Tax Treaty and Economic Partnership Agreement). In addition, some of the related projects included are not directly relevant to the policy reforms in the policy matrix (such as project for strengthening post-graduate training for health professionals, land readjustment and air pollution control projects in the ger area). Moreover, although it is inevitable, many of the related projects had not been ongoing continuously from the policy matrix formulation stage at the time of the appraisal to the policy action monitoring stage at the time of the ex-post evaluation. The related projects often had been completed halfway through the DPL, or there had been significant time lags before the next phases started.

economic difficulties (Enhancing economic growth). The overall logic of its results chain is appropriate, and the policy matrix is consistent with Mongolia's long-term development policy. Furthermore, the results chain of each policy action to a higher outcome is logical and basically appropriate, although there is a commonly observed problem of a mismatch between the time frame required for policy reform and the Project monitoring period, which all DPL projects inevitably face.

Therefore, the plan and approach of the Project are appropriate.

As seen above, the implementation of the Project has been highly relevant to the development policy and needs of Mongolia, and its plan and approach have also been appropriate. In addition, the linkage with related JICA projects gives suggestions for similar DPL projects.

3.1.2 Coherence (Rating: ③)

3.1.2.1 Consistency with Japan's ODA Policy

The Project falls into the Japanese government's following two priority areas of the assistance, which were identified in the *Country Development Cooperation Policy for Mongolia* (May 2012): One is "provide assistance directed toward engraining the administration system, drafting the relevant law, improving its implementation capability, educating high skilled professionals, strengthening the financial management and capability and improving the transparency of administrative potentiality" and the other is "provide support for increasing employment based on small and medium enterprises by diversifying industries to create employment." The Project was also in accordance with the *Japan-Mongolia Mid-term Action Plan for a Strategic Partnership*, which specifically states that "The Government of Japan appreciates the international aid package formulated under the International Monetary Fund (IMF) and will cooperate with the Government of Mongolia to help it overcome economic and financial difficulties and achieve medium- to long-term economic growth and stabilization." Furthermore, JICA's *Country Analysis Paper for Mongolia* (September 2017) has set the "strengthening of sound macroeconomic management and governance," "development of the environment friendly and balanced economic growth," and "development of the inclusive society" as priority issues. Therefore, the Project is consistent with Japan's ODA policy at the time of the appraisal.

3.1.2.2 Internal Coherence

As mentioned above, the Project adopted the approach of linking the policy-level reforms with the project outcomes of field-level activities. As a result, technical cooperation projects, such as the *Project for Enhancing Tax Collection Operation and International Tax Issues of Mongolian Tax Administration*, the *Project for Capacity Building of Capital Market in Mongolia*, and the

Project for Enhancement of the Fair Competition Environment in Mongolia, have enabled the continuous support to reform efforts through the developments of human resources and legal systems. Furthermore, loan and grant projects, such as the *New Ulaanbaatar International Airport Construction Project*, have contributed to the improvement of the investment climate, and created, to a certain extent, a synergy effect with the Project. Thus, the Project is internally coherent.

3.1.2.3 External Coherence

The Project was a parallel co-financing scheme, under which development partners coordinated closely, and formulated complementary and mutually coherent policy matrices. JICA created a comprehensive policy matrix by adopting policy actions on the fiscal, quasi-fiscal, fiscal discipline areas, as well as those on the banking sector and the targeted social welfare to the socially vulnerable, from other development partners' matrices. For diversifying industry and improving the investment climate, on the other hand, JICA incorporated a number of policy actions on the developments of human resources and legal systems, in which JICA has strengths, in the "Enhancing economic growth" pillar. The World Bank and ADB acknowledge that close coordination among the development partners, including JICA, have ensured complementarity and coherence in their policy matrices.⁸

In summary, the implementation of the Project is consistent with Japan's ODA policy and internally coherent with related JICA projects. Moreover, external coherence is recognized through close coordination and complementarity with other development partners.

In light of the above, the relevance and coherence of the Project are very high.

3.2 Effectiveness and Impacts⁹ (Rating: ③)

3.2.1 Effectiveness

3.2.1.1 Policy Matrix and Evaluation Framework

The Project was to support the implementation of policy reforms in the fiscal, social, and economic areas. As shown in Table 3, for monitoring the progress of the reforms effectively, the policy matrix, which includes 10 policy actions for the "Stable macroeconomic management" pillar, five actions for the "Promotion of helping the socially vulnerable" pillar, and nine actions for the "Enhancing economic growth" pillar (with a total of 24 policy actions), has been created. The policy matrix is composed of the "Policy Actions (Triggers for DPL2, narrative summary)"

⁸ *Program Document for Economic Management Support Operation/Mongolia Development Policy Loan*, World Bank, October 2017, Washington (pp.35-36); *Completion Report--Mongolia: Banking Sector Rehabilitation and Financial Stability Strengthening Program*, ADB, July 2020, Manila, (p.4, p.8); *Completion Report--Mongolia: Social Welfare Support Program Phase 2*, ADB, August 2020, Manila (p.3, p.5, p.11)

⁹ When providing the sub-rating, Effectiveness and Impacts are to be considered together.

part and their indicators, as well as the “Main Prior Actions (already taken)” (hereinafter referred to as “prior actions”) part. And both Japanese and Mongolian sides agreed at the time of the appraisal that all the Policy Actions (Triggers for DPL2, narrative summary) should be achieved by the end of March 2018. The target achievement of the indicators was originally planned to be assessed two years after the completion of the Project (December 2019). The achievement of the prior actions, which had been pre-conditions for this loan, were all confirmed by the time of the appraisal.¹⁰

Table 3: Policy Matrix of the Project (Excerpts)

Policy Cluster	Main Prior Action (already taken)	Main Action to be Monitored (Trigger for next DPL2)/ Status of Achievement*	Indicator/ Status of Achievement*	Baseline (Dec. 2016)	Target (Dec. 2019)
Stable Macroeconomic Management					
Medium-term fiscal framework	Passage of a 2017 supplementary budget and a medium-term budget framework	Passage of a 2018 budget in line with the program’s fiscal path/ Achieved	Fiscal Deficit to GDP/ Partially Achieved	17.0%	6.9%
Expenditure review	Termination of the Promissory Note Program, to prevent using deferred payments to finance capital expenditure	Cabinet approval of the Public Investment Rationalization Guideline/ Achieved	Capital expenditure to settle the Promissory Note Program/ Achieved	MNT 672 billion	MNT 0 billion in 2017-19
Revenue mobilization	Increase the personal income tax rates on high income groups and the excise taxes on alcohol and tobacco	Streamline tax exemptions/ Achieved	Aggregate tax revenues from Personal Income Tax and excise tax on alcohol and tobacco to GDP/ Partially Achieved	3.3%	3.7%
Reform of the Development Bank of Mongolia	Termination of DBM’s financing to capital expenditure	Implement a comprehensive external special review on the DBM and its disclosure/ Achieved	DBM’s financing to capital expenditure/ Achieved	MNT 252 billion	MNT 0 billion
Reform of the Central Bank of Mongolia	Discontinue net financing to the Housing Mortgage	Reconstruct Housing Mortgage Program in a	Net financing to the Housing Mortgage Program by the	MNT 404 billion	MNT 0 billion

¹⁰ As DPLs provide funds subject to the ex-ante evaluation of prior actions, the ex-post evaluations of similar DPL projects often put greater emphasis on the achievement of prior actions when analyzing and evaluating the Effectiveness of the project. However, the policy matrix of the Project, and the prior actions in particular, had been set under the circumstances where an international aid package had to be formulated urgently to avoid default. Thus, the assessment of the achievement of prior actions has been for reference purposes in this evaluation.

Policy Cluster	Main Prior Action (already taken)	Main Action to be Monitored (Trigger for next DPL2)/ Status of Achievement*	Indicator/ Status of Achievement*	Baseline (Dec. 2016)	Target (Dec. 2019)
	Program by the BOM	more cost-effective way/ Achieved	BOM/ Partially Achieved		
Establishment of the Fiscal Council		Revise the relevant budget laws to establish the Fiscal Council/ Achieved	Establishment of the Fiscal Council/ Achieved	Not established	Established
Strengthening budget control by Ministry of Finance		Revise the Integrated Budget Law to prevent from expenditure expansion pressure by the Parliament/ Achieved	Revision of the Integrated Budget Law to prevent from expenditure expansion pressure by the Parliament/ Partially Achieved	Not revised	Revised, and fiscal deficit is decreased
Addressing Non-Performing Loan	Establish the interagency working group to support creation of the legal and institutional framework of an Asset Management Company	Transparent NPL resolution progress/ Achieved	Establishment of the Asset Management Company/ Not Achieved	Not established	Established
Strengthening of bank supervision and regulatory framework	BOM proposes steps to rehabilitate the banking sector	BOM implements rules for capital regulation and early intervention and bank resolution in line with international best practices/ Achieved	Implementation of rules for capital regulation and early intervention and bank resolution in line with international best practices/ Partially Achieved	Not introduced	Introduced, and unachieved banks are consolidated
Strengthening banks' governance	The Parliament approves the Economic Recovery Program that will outline steps to improve the financial sector's governance	Adopt the Mongolian financial market development - 2025 program / Achieved	Adoption of the Mongolian financial market development - 2025 program / Partially Achieved	Not adopted	Adopted, and foreign banks enter into market
Promotion of Helping the Socially Vulnerable					
Targeted social welfare to the vulnerable people	Maintain budget allocation for the poverty-targeted Food Stamp Program	Increase the budget provisions for the poverty-targeted Food	- Number of Household to receive Food Stamp Program - Amount of	- 26,000 households - MNT 45,500 per household	Expansion in both the coverage and monthly benefit from baseline

Policy Cluster	Main Prior Action (already taken)	Main Action to be Monitored (Trigger for next DPL2)/ Status of Achievement*	Indicator/ Status of Achievement*	Baseline (Dec. 2016)	Target (Dec. 2019)
	in the 2017 Supplementary budget	Stamp Program in line with MTFF (Medium-term fiscal framework) allocations / Achieved	Food Stamp Program per household / Achieved		
Strengthening of the social service delivery system	Confirm the necessary governmental procedures for policy and guiding principal on health facilities, workshop on training of trainer for medical educator	Authorize the policy and guiding principle on workshop on training of trainer for medical educator / Achieved	Workshop on training of trainers for medical educators / Achieved	The draft proposal for the policy and guiding principal is discussed by the working group	Workshop on training of trainer for medical educators is continuously implemented
	Share the necessity of the collaboration work for the future post-graduate training at Mongolian National University of Medical Sciences	Confirm the process for their collaboration to strengthen the implementation framework of post-graduate training program for professionals working in health facilities / Achieved	Framework of post-graduate training program for professionals working in health facilities / Achieved	Not existed	Establish framework to implement
Enhancing the quality of life of the vulnerable people	Approve the action plan of Master Plan including ger area development	Select a model site for a land readjustment project/ Achieved	Selection and development of a model site for a land readjustment project/ Achieved	Not selected	Selected, and its infrastructure is developed
	Approve National Environment and Air Pollution Program	Transfer energy from inefficient coal firing in ger area/ Achieved	Air quality/ Partially Achieved	PM2.5 – 256µg/m3 PM10 – 279µg/m3 SO2 - 89µg/m3	Improved from baseline
Enhancing Economic Growth					
Promoting FDI	Agree to achieve the conclusion of the tax treaty for the elimination of double taxation and the prevention of tax evasion and avoidance	Progress is made towards the conclusion of the tax treaty for the elimination of double taxation and the prevention of tax evasion and	Conclusion of Tax Treaty between Japan and Mongolia/ Not Achieved	Not concluded	Concluded (in 2021)

Policy Cluster	Main Prior Action (already taken)	Main Action to be Monitored (Trigger for next DPL2)/ Status of Achievement*	Indicator/ Status of Achievement*	Baseline (Dec. 2016)	Target (Dec. 2019)
	which enhances the robust investment and economic exchanges between the two countries	avoidance which enhances the robust investment and economic exchanges between the two countries while recognizing the importance of the international standards on tax transparency/ Achieved			
	Effectuate Economic Partnership Agreement between Japan and Mongolia	Increase of FDI through improving investment issues/ Achieved	Number of Japanese companies registered in Mongolia/ Achieved	557 companies (as of 2015 August)	More than 557 companies
Improving the investment climate and diversifying the economy	Start concession contract negotiation for New Ulaanbaatar International Airport operation	Provide support for successful negotiation of the concession contract for New Ulaanbaatar International Airport operation and expedite the completion of related facilities / Achieved	- New Ulaanbaatar International Airport - Number of annual passenger - Contribution to the GDP by tourism / Partially Achieved	- Not opened - 1.0 million people - 1% (in 2015)	- Opened - 1.2 million people - 1.2%
	Approve a revised Guideline for Risk-Based Supervision of Securities Companies	Renovate a capacity development system of the capital market / Achieved	Number of Certified Securities Broker Representatives / Achieved	0 people	100 people
	Hold seminars leading to the drafting of Competition Law amendment and establish a working group	Submit the amendment of Competition Law for parliament discussion and start preparation of related regulations and guidelines / Not Achieved	Amendment of Competition Law / Not Achieved	Not drafted	Execute amended laws, related regulations, and guidelines
	Dispatch foreign (Mongolian) students to National Institutes of	Develop engineering human resources for economic diversification /	Number of Foreign (Mongolian) students dispatched to National	24 people	70 people

Policy Cluster	Main Prior Action (already taken)	Main Action to be Monitored (Trigger for next DPL2)/ Status of Achievement*	Indicator/ Status of Achievement*	Baseline (Dec. 2016)	Target (Dec. 2019)
	Technology in Japan	Achieved	Institutes of Technology in Japan / Achieved		
	Develop Mid-Term Operation Plan of Mongolia-Japan Center for Human Resources Development including projects strengthening business human resources	Increase SMEs which take business courses at Mongolia-Japan Center for Human Resources Development / Achieved	Number of SMEs which take business courses at Mongolia-Japan Center for Human Resources Development / Achieved	468 companies by 2015	600 companies by 2019
	Hold business environment seminars for Japanese companies in Japan and Mongolia. Issue Mongolia Business Guidebook and Yellow-Page	Hold a follow-up seminar in Mongolia and strengthen business matching activity/ Achieved	Number of companies which attend seminars in Mongolia/ Not Achieved	30 companies	100 companies by 2019
	Mongolian Government delegation visits Japan to discuss future cooperation project in agricultural sector	Establish a working group to formulate Technical Assistance project in agricultural sector/ Achieved	New Project in agricultural sector/ Achieved	Not formulated	Approved and started

Source: *JICA Ex-Ante Evaluation*

Note: The status of achievement (*) has been added by the evaluator.

Note that, in analyzing and evaluating Effectiveness and Impacts, the policy actions of the “Stable macroeconomic management” pillar, which are the measures taken against the fiscal and debt difficulties, have been regarded as direct outcomes related to Effectiveness. On the other hand, the policy actions of the “Promotion of helping the socially vulnerable” pillar, which are to alleviate the adverse effects of the fiscal and financial sector reforms on the vulnerable, and those of the “Enhancing economic growth” pillar, which are to address the root cause of the Mongolian economy’s vulnerability, have been both treated as indirect outcomes related to Impacts.

(1) Status of Achievement of the Policy Actions (Triggers for DPL2, Narrative Summary)

At the time of the ex-post evaluation, it was confirmed that 23 out of the 24 Policy Actions

(Triggers for DPL2, narrative summary) have been achieved (for details, see *Appendix. Status of Achievement of Policy Matrix*). As mentioned above, because these policy actions had been pre-conditions for the phase 2 loan, both the Japanese and Mongolian sides had agreed at the time of the appraisal that all these actions should be achieved by the end of March 2018. The appraisal mission for Phase 2 of this Project, which took place in January 2019, then confirmed that all the 24 policy actions (triggers for DPL2, narrative summary) had been met. However, the policy action regarding the submission of the amended Competition Law to the Parliament under the “Enhancing economic growth” pillar later turned out not to have been achieved as the amendment was reverted. At the time of the ex-post evaluation, the amendment of the Competition Law has not been re-submitted to the Parliament.

(2) Status of Achievement of the Indicators of the Policy Actions

At the time of the ex-post evaluation, 20 out of the 24 policy actions (83.3%) achieved or partially achieved the targets of the indicators (see Table 4). However, the establishment of an Asset Management Company in the “Stable macroeconomic management” pillar (Addressing non-performing loans), the conclusion of a Tax Treaty in the “Enhancing economic growth” pillar (Promoting FDI), and the amendment of the Competition Law in the “Enhancing economic growth” pillar (Improving the investment climate and the diversification of the economy) have not achieved their targets.

Table 4: Status of Achievement of Policy Action Indicators

Pillar	Unit: Number of Cases			
	Achieved	Partially Achieved	Not Achieved	Total
Stable Macroeconomic Management	3	6	1	10
Promotion of Helping the Socially Vulnerable	4	1	0	5
Enhancing Economic Growth	5	1	3	9
Total	12	8	4	24

(3) Status of Achievement of the “Stable Macroeconomic Management” Pillar

Out of the 10 policy actions, nine achieved or partially achieved the targets of their indicators. In the fiscal area, the fiscal balance, which was a deficit of 15.3% of GDP in 2016, turned into a surplus in 2018, and the size of the deficit became 2.0% of GDP in 2019, which accomplished the target deficit of 6.9% easily. Regarding expenditure review, thanks to the termination of the Promissory Note Program, the capital expenditure for settling the Promissory Note Program, which reached about 260 billion Mongolian tugrik (MNT) in 2016, has been reduced to zero since 2017. On revenue mobilization, tax reforms had been implemented, and the revenues from the

personal income tax and the alcohol and tobacco tax in 2019 exceeded the target of 3.7% of GDP.¹¹ In the quasi-fiscal area, in addition to the termination of the capital expenditure by the DBM, the financing to the Housing Mortgage Program by the BOM has been brought under a range of the past mortgage repayment amount, and thus the consolidation of state budgets has advanced. Furthermore, in fiscal discipline, the Fiscal Council was established, and the Integrated Budget Law was amended to reduce pressure from the Parliament for increasing spending. As for the banking sector, there has been a certain progress toward the introduction of early intervention and bank resolution measures, which are in line with international best practices. Moreover, a long-term financial market development program was adopted, and the regulatory framework for strengthening bank supervision and governance has been developed. Therefore, at the time of the ex-post evaluation, it is fair to say that the indicators in the “Stable macroeconomic management” pillar have largely achieved the targets.

One of the indicators of the banking sector, the establishment of an Asset Management Company (AMC), has not been achieved partly because no consensus had been formed among major development partners and the BOM about the AMC’s role in the handling of non-performing loans (NPLs). While ADB had pushed for the establishment of the AMC, the IMF had prioritized the recapitalization and restructuring of banks owing to concerns over issues such as (1) the occurrence of moral hazard, (2) funding sources required for the establishment of the AMC, and (3) its governance.¹² ADB’s Independent Evaluation Department concluded in the Validation Report of the *Banking Sector Restructuring and Financial Stability Strengthening Program* that the program was “less than successful” because the AMC had not been established and the resolution of NPLs had not made much progress.¹³

Key macroeconomic indicators related to the “Stable macroeconomic management” pillar show that the Mongolian economy had steadily recovered since 2017 when the Project was implemented. Before the COVID-19 pandemic, the real economic growth rate was 5.6% in 2017, 7.7% in 2018, and 5.5% in 2019, respectively. Meanwhile, the fiscal balance had significantly improved, and fiscal surplus was achieved in 2018. Furthermore, foreign exchange reserves increased from an equivalent of 5.3% of external debt in 2016 to 13.8% in 2019, and buffers against external shocks had been bolstered (see Table 5). Although the COVID-19 pandemic sent the economy back into negative growth, and the fiscal balance turned into a large deficit again, the foreign exchange reserves have been maintained at nearly three times the level when the Project was implemented, thanks to the buffers built between 2017 and 2019, and there has been

¹¹ *Staff Report--Mongolia: 2019 Article IV Consultation*, IMF, September 2019, Washington, D.C.

¹² Interviews with the IMF Mongolia Representative Office, the ADB Mongolia Resident Mission, and the Bank of Mongolia (June 2022, March 2022, and March 2022, respectively).

¹³ *Validation Report--Mongolia: Banking Sector Restructuring and Financial Stability Strengthening Program*, ADB, March 2021, Manila.

no serious concern regarding the ability to serve external debt.¹⁴

Table 5: Data on “Stable Macroeconomic Management” over Time

Indicator	2016	2017	2018	2019	2020	2021
Real GDP Growth (%)	1.5	5.6	7.7	5.5	▲4.4	1.4
Overall Fiscal Balance (% of GDP)	▲15.3	▲6.4	0.1	▲2.0	▲12.0	▲8.8
Current Account (% of GDP)	▲6.3	▲10.1	▲14.4	▲15.2	▲5.1	--
Public Debt (% of GDP)	87.6	84.7	72.6	68.4	77.3	79.5
Total Reserves (Months of imports)	2.38	4.41	4.21	4.67	6.10	--
Total Reserve (% of external debt)	5.3	10.8	11.9	13.8	13.7	--

Source: IMF, World Bank, Mongolian Ministry of Finance

For the status of achievement of the policy action indicators for the “Promotion of helping the socially vulnerable” and “Enhancing economic growth” pillars, see the next section “3.2.2 Impacts.”

(4) Why IMF Review Went Off-Track and Its Consequences

The subsequent phases of the Project have never been implemented. This is because EFF had become off-track and IMF’s support had been discontinued, whereas the policy matrix specifically mentions that “EFF is on-track by IMF’s review” as a precondition for the phase 2 implementation. Regarding the policy actions on the strengthening of bank regulation and supervision, the IMF had been requesting the BOM to conduct an Asset Quality Review (hereinafter referred to as “AQR”), and then recapitalize or nationalize banks that have not met the capital requirements (in the case of five largest systemically important financial institutions) or consolidate and restructure them (in the case of small and medium-sized banks). However, owing to delays in the reforms, the IMF took its EFF review off-track after the fifth one (October 2018). When it comes to the strengthening of bank capital regulation, the IMF seems to have held concerns about the financial sector’s governance.¹⁵ Although the banking sector reform has stagnated since then partly owing to the COVID-19 pandemic, the BOM amended the Banking Law in February 2021 to strengthen bank capital and reduce shareholder concentration, and required the five largest banks to convert their ownership structures to joint stock companies and make initial public offerings (hereinafter referred to as “IPO”) by the end of June 2022. The BOM also announced the restrictions on shareholding that require all commercial banks to limit individual shareholder ownership up to 20% by the end of 2023. While acknowledging the BOM’s reform efforts, the IMF requested the BOM to postpone the deadline for the IPOs during a meeting in May 2022, citing the importance

¹⁴ Interviews with the IMF Mongolia Representative Office and the Mongolian Ministry of Finance (June 2022, February and May 2022, respectively).

¹⁵ Interview with the IMF Mongolia Representative Office (June 2022)

of conducting a new AQR first, and the BOM agreed to delay the deadline for the IPOs by one year.

During the phase 2 appraisal, the Mongolian government repeatedly requested the Japanese side to implement phase 2 of the Project for building buffers against external shocks. However, because the foreign exchange reserves had recovered to healthy levels after the implementation of this Project, the Mongolian government was able to prevent pressure on the cost of serving its external debt from building up, although the IMF's EFF review became off-track and the subsequent phases of the Project were not implemented.

Regarding the monitoring of the policy matrix, however, incentives for checking the status of achievement of the policy actions on a continuous basis have been lost for both the Japanese and Mongolian sides, owing to the calling-off of the subsequent phases. At the time of the ex-post evaluation, there were several ministries and organizations that had absolutely no idea on the status of achievement of the relevant policy action indicators, because of the issues such as personnel changes that took place after the implementation of the Project.

3.2.1.2 Qualitative Effects (Other Effects)

(1) Contribution to Default Avoidance

At the time of the appraisal of the Project (November 2017), the danger of default had already been averted, as the prospects of being able to roll over the government-guaranteed notes and government bonds, whose maturities were approaching in March 2017 and January 2018, respectively, had improved. The objective of the Project, therefore, does not include the avoidance of default. Yet, Mongolia's credibility was restored only after international financial markets had come to expect as a certainty that an international aid framework would be formed around the IMF. Whereas the IMF had considered the participation of Japan as a crucial condition for putting together the aid package of up to USD 5.6 billion, Japan's participation in the international aid framework was made through this Project's implementation. As it would have been impossible to formulate the international aid package without the financial commitment of the Project, it is fair to say that the Project greatly contributed to the avoidance of Mongolia's default and enormous fiscal and economic difficulties. The funds provided by the Project, which amounted to 3.1% of GDP, was transferred to Mongolia's national treasury and used for budget support, and they significantly contributed to fiscal stabilization.

3.2.2 Impacts

3.2.2.1 Intended Impacts

(1) Status of Achievement of the "Promotion of Helping the Socially Vulnerable" Pillar

Out of the five policy actions, all the five achieved or partially achieved the targets of the

indicators (see Tables 3 and 4). As for the targeted social welfare for the socially vulnerable, adequate budgets have been ensured to protect the socially vulnerable from the adverse effects of the fiscal reform, as the number of households that received the Food Stamp Program benefits increased more than 70% over the period of 2016–2019, from 26,076 households in 2016 to 45,458 in 2017, 47,311 in 2018, and 44,801 in 2019. The average (monthly) benefit per household also increased by 23% from MNT 45,500 in 2016 to MNT 56,000 for 2017–2019. As a measure against COVID-19, the average benefit per household was even raised to MNT 112,000 temporarily in 2020. Regarding the strengthening of the social service delivery system, workshops on the training of trainers for medical educators have been conducted continuously, and the curriculum of the post-graduate program for professionals working in health facilities has been updated. Moreover, on enhancing the quality of life of the vulnerable people, two ger districts of Chingeltei and Sukhbaatar had been selected as model districts for a land readjustment project, and the model districts of approximately 420 households in total, which are equipped with water and heating systems, have been developed. Meanwhile, Ulaanbaatar City has, in principle, banned the use of crude coal since May 2019 for reducing air pollution. Consequently, the concentration of particulate matter (PM2.5 and PM10) in the air has been dramatically decreased.¹⁶ Therefore, the indicators in the “Promotion of helping the socially vulnerable” pillar have largely achieved the targets.

Regarding the targeted social welfare to the vulnerable people, ADB’s Independent Evaluation Department rated in the Validation Report of the *Social Welfare Support Program Phase 2* that the program was “successful,” partly because the welfare benefit expenditures to the socially vulnerable had been maintained even during a period of fiscal consolidation.¹⁷ The IMF, on the other hand, evaluates Mongolia’s social safety nets as inefficient, citing a lack of effective targeting toward the poor and the vulnerable.¹⁸ Although the World Bank has not yet released the evaluation report of its *Economic Management Support Operation*, it appreciates that the safety nets for the socially vulnerable had been maintained and even expanded during the fiscal reform. Yet the World Bank is also concerned that targeted social assistance had shrunk during the COVID-19 pandemic and that the accuracy of the proxy means test (PMT¹⁹), which has been used for the targeting of the Food Stamp Program, needs improvement.²⁰

¹⁶ However, the concentration of sulfur dioxide (SO₂) in the air has risen, probably owing to a dramatic increase in traffic volume.

¹⁷ *Validation Report--Mongolia: Social Welfare Support Program Phase 2*, ADB, January 2021, Manilla.

¹⁸ *Staff Report--Mongolia: 2021 Article IV Consultation*, IMF, November 2021, Washington.

¹⁹ Statistical method that estimates household incomes based on household characteristics and the attributes of household members, which are strongly correlated with household incomes (such as household size, type of dwelling, ownership of durable goods and livestock, and age of household head).

²⁰ Interview with the World Bank Mongolia Country Office (March 2022). To improve the accuracy of the PMT, the Ministry of Labor and Social Protection has been updating the household database used for targeting and improving the PMT model.

Mongolia's poverty headcount rate improved by 1.2 percentage points over a period of 2016–2018, during which the fiscal reform reduced government expenditures. Poverty declined particularly in rural areas, and the income share held by the bottom 20% of the population did not decrease significantly, either. From 2018 to 2020, the poverty headcount rate also improved slightly (see Table 6).

Table 6: Data on “Promotion of Helping the Socially Vulnerable” over Time

Indicator	2016	2018	2020
Poverty headcount (%)	29.6	28.4	27.8
Poverty headcount, Urban (%)	27.1	27.2	26.5
Poverty headcount, Rural (%)	34.9	30.8	30.5
Income share held by highest 20% (%)	40.6	40.9	--
Income share held by lowest 20% (%)	8.0	7.9	--
Gini coefficient	33.1	34.0	--

Source: World Bank

(2) Status of Achievement of the “Enhancing Economic Growth” Pillar

Out of the nine policy actions, six achieved or partially achieved the targets of the indicators. On promoting FDI, 84 Japanese companies newly registered in Mongolia from 2017 to 2020. As for improving the investment climate and diversifying the economy, the New Ulaanbaatar International Airport opened in July 2021, thanks to Japan's assistance. In addition, with the support of related JICA projects, 286 new securities broker representatives were certified by 2021, and 177 Mongolian students were sent to the National Institutes of Technology in Japan. The number of small- and medium-sized enterprises that took business courses at the Mongolia-Japan Center for Human Resources Development has reached a cumulative total of 1,098. Meanwhile, several new JICA projects have already been approved and started in the agriculture and livestock sector. In light of the above, there have been certain positive outcomes in the developments of industrial human resources and infrastructure; therefore, it is fair to say that the indicators in the “Enhancing economic growth” pillar have largely achieved the targets at the time of the ex-post evaluation. However, many of these indicators are field-level indicators, and they are more directly to do with related individual projects' activities. As explained later, the achievement of these policy action indicators has not yet been translated into the achievement of sector-level outcomes.

Among the policy actions of the “Enhancing economic growth” pillar, the indicator regarding the conclusion of the Tax Treaty of the promoting FDI policy cluster, as well as those on the amendment of the Competition Law and the number of companies that attend a seminar in Mongolia, which are both in the improving the investment climate and diversifying the economy cluster, have not been achieved. Regarding the Tax Treaty, the Mongolian government revoked some of the treaties it had concluded in the past, claiming that the tax treaties had been abused by international corporations as tax measures and, as a consequence, a huge amount of revenues had

flowed out of the country. Since then, the Mongolian government appears to have been cautious about making new tax treaties and has not concluded new bilateral tax treaties with any countries including Japan.

The draft amendment of the Competition Law was submitted by the Deputy Prime Minister to the Parliament in December 2019. Owing to amendments to the Mongolian Constitution, however, the parliament resolution that requests the revision of the draft amendment according to the amended Constitution was passed, and the amendment of the Competition Law was rejected. After the 2020 parliamentary elections, the Standing Committee on Innovation and e-Policy and the Standing Committee on Industrial Policy in the Parliament, as well as the Ministry of Culture, were established. As a result, it has also become necessary for any draft amendment of the Competition Law to be discussed in these Standing Committees and the new ministry. Although a new draft amendment of the Competition Law was put together in July 2021, the Ministry of Justice and Internal Affairs and the Ministry of Finance both opposed the submission of the draft amendment to a Cabinet meeting on the ground that their comments had not been fully reflected in the final draft. Accordingly, the draft amendment has never been submitted to the Parliament.

The target number of companies that attend in seminars in Mongolia has not been achieved because no follow-up seminars have been held in Mongolia. However, the Japan-Mongolia Business Forum held in Tokyo in December 2019 was attended by more than 200 delegates from Japanese companies and government agencies, and more than 40 delegates from Mongolia. Moreover, the Mongolia-Japan Business Forum was held online in May 2021, and over 400 Japanese and Mongolian delegates attended the forum.

As mentioned above, the macroeconomic indicators, which are used as a reference, show that the real economic growth rate before the COVID-19 pandemic was 5.6% in 2017, 7.7% in 2018, and 5.5% in 2019. It fell to negative 4.4% in 2020 but recovered to 1.4% in 2021 (see Table 5). The net inflow of foreign direct investment turned from an outflow of 37.2% of GDP in 2016 to an inflow of 13.0% in 2017. It further increased to 14.8% in 2018 and 17.2% in 2019. On improving the investment climate, however, Mongolia's ranking in the World Bank's Doing Business report (Ease of Doing Business rankings) fell by 25 places from 2016 to 2020. Similarly, Mongolia's ranking in the World Economic Forum's Global Competitiveness Index 4.0 slipped gradually over the period of 2017–2019 (see Table 7). Financial system development, in particular, has received low ratings.

Table 7: Data on “Enhancing Economic Growth” over Time

Indicator	2016	2017	2018	2019	2020
Foreign direct investment, net inflows (current million USD)	▲ 4,156	1,494	1,952	2,443	1,719
Foreign direct investment, net inflows (% of GDP)	▲37.2	13.0	14.8	17.2	12.9
World Bank Doing Business Rank	56	64	62	74	81

Indicator	2016	2017	2018	2019	2020
Global Competitiveness Index 4.0 Rank (World median)	--	95 (69)	99 (70)	102 (71)	--
Industrial composition of GDP/value-added by agriculture, forestry, and fishing (% of GDP)	12.5	11.0	11.3	11.5	12.8
Industrial composition of GDP/value-added by mining and quarrying (% of GDP)	20.7	25.8	26.4	25.8	24.1
Industrial composition of GDP/value-added by industry (% of GDP)	15.1	14.6	14.6	15.1	16.1
Industrial composition of GDP/value-added by services (% of GDP)	51.7	48.6	47.7	47.6	47.0

Source: IMF, World Bank, World Economic Forum, National Statistics Office of Mongolia

(3) Achievement of the Qualitative Effect Indicators

At the time of the appraisal, the following two qualitative effect indicators had been selected for the measurement of the Project outcomes.

- Strengthening policy setting and its implementation capacity of the Government of Mongolia
- Promoting private investment

It appears that strengthening the government's policy setting and implementation capacity had been expected to be achieved on the foundation of human resources development and capacity building under the Enhancing economic growth pillar, aiming to address the root cause of the Mongolian economy's vulnerability. Likewise, promoting private investment must have been expected to be accomplished on the foundation of the improved investment climate only after it has been developed under the same pillar, which is classified as Impacts in this evaluation. Thus, these qualitative effect indicators are also treated as indirect outcomes related to relatively long-term Impacts.

With regard to strengthening the government's policy setting and implementation capacity, the *Project for Capacity Building of Capital Market in Mongolia* has helped enhance the supervisory capacity of the Financial Regulatory Commission (hereinafter referred to as "FRC") by supporting the FRC's supervision and regulation of securities companies using the risk-based approach and drafting concept papers on self-regulatory organizations. The *Project for Enhancement of the Fair Competition Environment in Mongolia* has supported the Authority for Fair Competition and Consumer Protection by training its inspectors and providing comments and recommendations on draft amendments of the Competition Law and other relevant regulations.²¹ In the fiscal area, the *Project for Enhancing Tax Collection Operation and International Tax Issues of Mongolian Tax Administration* has trained tax officers who would play

²¹ *Evaluation of Japan's ODA to Mongolia: Third Party Evaluation Report 2020*, Ministry of Foreign Affairs of Japan, March 2021, Tokyo.

key roles in the field of international taxation. Moreover, the project's support for implementing the second taxation reform has been highly appreciated by Ministry of Finance officials. Although the *Project for Strengthening Capacity of Macroeconomic Policy and Planning* is not included in the policy matrix, it has developed and operationalized macroeconomic forecasting/statistical models, and helped make policy discussions between the Ministry of Finance officials and development partners more fruitful by improving the ability to analyze and formulate policies based on rigorous simulations of macroeconomic trends. Although continuous efforts based on a long-term perspective will be essential for improving human resources development and capacity building, the Project, therefore, has made a certain contribution to the strengthening of the capacity of the Government of Mongolia on policy planning and implementation by coordinating closely with other related technical cooperation projects.

Promoting private investment has not yet achieved its outcome as improving the investment climate, which is a prerequisite for the outcome, has not made sufficient progress. Although the Project has helped lay the groundwork for improving the investment climate through developing human resources and legal systems, there has yet been little increase in private sector investment, or those in non-mining sectors owing in part to the COVID-19 pandemic. For promoting private investment, a fair, transparent, and predictable legal system would need to be operated for the creation of an enabling business environment, in addition to continuous reform efforts.²²

Incidentally, the policy matrix includes support for the successful negotiation of a concession contract for the operation of the New Ulaanbaatar International Airport, as well as support to expedite the completion of related facilities. The concession agreement on the operation of the airport was acquired by a Japan-Mongolia joint venture in July 2019. Because the construction of the airport had also been done by a consortium of Japanese companies with financial assistance from a Japanese ODA loan, the airport, which opened in July 2021, has become a case in which a consortium of Japanese companies had implemented all its phases from construction to operation.

3.2.2.2 Other Positive and Negative Impacts

The Project has been categorized as a gender activity integrated case on the ground that “since food stamps are mainly used by women in households, it can be said that the Project supports women's economic activities.” The poverty headcount rate in 2018 shows that poverty was 27.6% among the population with male heads of households, whereas it was 31.7% among those with female heads of households, suggesting that poverty is higher among those with female heads of households. Because 80.7% of the total population lived in male-headed households, however, only 21.5% of the poor lived in female-headed households.²³ Although data on the percentage of

²² Interview with the Mongolia-Japan Center for Human Resources Development (May 2022).

²³ *Mongolia Poverty Update 2018*, National Statistics Office of Mongolia, World Bank, 2020, Ulaanbaatar.

female-headed households among the Food Stamp recipient households could not be obtained, the percentage of women among all individual Food Stamp recipients was 53% (2020),²⁴ which is not significantly different from the male-female ratio of the total population. Interviews with people familiar with the issue confirmed no evidence that the Food Stamp Program had been primarily made use of by women in households.²⁵

Summing up the effectiveness and impacts, 23 Policy Actions (Triggers for DPL2, narrative summary) out of a total of 24 have been achieved at the time of the ex-post evaluation. In addition, 20 policy actions have achieved or partially achieved the targets of the indicators. Thus, it can be said that progress had been made in fiscal balances and foreign exchange reserves under the Stable macroeconomic management before the COVID-19 pandemic. Although the fiscal balance has been negative since then, there has been no serious concern regarding the government's ability to serve external debt, thanks to the buffers built against external shocks. Regarding the "Promotion of helping the socially vulnerable" pillar, adequate budgets have been ensured to protect the socially vulnerable, and certain progress, albeit limited, has been made toward strengthening the social service delivery system and enhancing the quality of life of the vulnerable people. Mongolia's poverty headcount rate improved continuously throughout 2016–2020 while income inequality had not increased. Moreover, even in the Enhancing economic growth pillar, where continuous support based on a long-term perspective is required, certain positive outcomes can be observed in the development of industrial human resources and infrastructure. Furthermore, through the formulation of the international aid package, the Project contributed greatly to the avoidance of Mongolia's default and enormous fiscal and economic difficulties.

In light of the above, the Project has achieved most of its objectives. Therefore, the effectiveness and impacts of the Project are high.

3.3 Sustainability

3.3.1 Policy and System

The Mongolian government had implemented measures for reducing expenditures, mobilizing revenues, consolidating state budgets, and enhancing fiscal discipline, and consequently had made progress in fiscal stabilization, public debt reduction, and foreign exchange reserve accumulation. Since 2020, however, various special measures have been put in place to cope with the COVID-19 pandemic,²⁶ and in 2021 the Fiscal Stabilization Law was temporarily revised. In addition, the

²⁴ *Main Aspects of the Food Stamp Program* (analytical report for ADB research), Bayarkhuu Tsookhuu, 2021, Ulaanbaatar.

²⁵ The Mongolian government is concerned that the expansion of social protection benefits, such as the Food Stamp Program and the Child Money Program, during the COVID-19 pandemic has been reducing the female labor force participation rate. (Interview with the World Bank Mongolia Country Office (March 2022)).

²⁶ The measures include the following: tax exemptions on several imported food and medical items; increase of Child Money allowance and unemployment benefits; increase of Food Stamp benefits; exemptions/reductions on personal income tax, corporate income tax and social security contributions; exemption of rent income tax; and an increase in

complete withdrawal of the BOM from the Housing Mortgage Program has been postponed by the Anti-Pandemic Law (April 2020) until the end of 2023. The targeting of welfare recipients and the efficiency of the social protection system have also receded as all children became eligible for the Child Money Program from 2020 onward, and its (monthly) allowance was raised fivefold from MNT 20,000 to MNT 100,000. Because most of them were enacted as temporary and time-bound measures under the heightened state of readiness, they are not likely to reduce the sustainability of the Project immediately. Still, the impact of China's zero-COVID policy and the Russian invasion of Ukraine should be watched carefully.

3.3.2 Institutional/Organizational Aspect

At the time of the appraisal, the inter-ministerial working group was established at the Ministry of Finance with its Development Financing Department as secretariat. As the Vice-Minister of Finance presided over the working group, the coordination among various executing and related agencies and the development partners was managed effectively. However, since the Project Completion Report (March 2018) and the appraisal mission for Phase 2 of this Project (January 2019), no systematic monitoring of the policy matrix has been implemented. At the time of the appraisal, the appraisal report specifically stated that “to follow up on the effects of the policy reforms, we request the Development Financing Department of the Ministry of Finance to continue policy discussions and establish a forum to sustain the effects of the policy reforms even after the completion of this project.” Yet, because the subsequent phases of the Project have never been implemented, both Japanese and Mongolian officials, when interviewed at the time of the ex-post evaluation, had no recognition that a new forum had been expected to be formed to sustain the effects of the policy reforms after the project completion.

Note that there was an organizational restructuring between the Ministry of Finance and the Ministry of Economic Development in February 2022 during the ex-post evaluation, and the organizational structure of the Ministry of Finance has been changed.²⁷ The Development Financing Department, the focal point for the Project, has been reorganized into the Development Financing and Investment Department.

3.3.3 Preventative Measures to Risks

Amid growing concerns over the impact of China's zero-COVID policy and the war in Ukraine, the Government of Mongolia formulated the *Government Debt Management Strategy 2023–2025*, which consists of the basic policies of maintaining macroeconomic stability, reducing government debt servicing costs, and supporting domestic bond markets; at the time of the ex-post evaluation,

credit guarantees to SMEs and soft loans from the DBM to cashmere producers.

²⁷ *Resolution of the Government of Mongolia Number 76: Organizational Structure and the Limit of the Number of Officials at Ministry of Finance*, February 2022, Ulaanbaatar.

the strategy has been being debated in the Parliament. By setting clear budget priorities and cutting spending, the government has envisioned a scenario of bringing down the fiscal deficit from 8.8% of GDP in 2021 to 3.6% in 2022.

4. Conclusion, Lessons Learned and Recommendations

4.1 Conclusion

The Project has been implemented to support the Mongolian government's policy reform efforts in fiscal, social, and economic areas through financial support and policy dialogue. It aimed to achieve stable macroeconomic management, promotion of helping the socially vulnerable, and enhancing economic growth, so as to enable fiscal, social, and economic stabilization in Mongolia. Through co-financing with other development partners, the Project supported reforms in the areas above, such as fiscal and financial policy, social protection, and industrial development, and thus has been consistent with the development policy and needs of Mongolia. The Project's plan and approach were also appropriate. Moreover, the Project has been consistent with Japan's ODA policy and internally coherent with JICA's other related projects. Furthermore, external coherence is recognized through close coordination and complementarity with other development partners. Therefore, its relevance and coherence are very high. The Project contributed greatly to helping Mongolia avert a debt default. In addition, with the implementation of the Project, such undertakings as reducing expenditures, mobilizing revenues, consolidating state budgets, as well as enhancing fiscal discipline, have all gained ground, which in turn helped advance fiscal stabilization, public debt reduction, and foreign exchange reserve accumulation. Although part of the reforms has been since suspended or reversed for the sake of combating COVID-19, the Project has helped promote Mongolia's macroeconomic stability significantly. During the reform period, poverty decreased modestly as sufficient funding had been allocated for social protection, including that for the Food Stamp Program, for protecting the vulnerable from the adverse effects of fiscal and monetary policy tightening. Whereas continuous support based on a long-term perspective will be essential for improving the investment climate and diversifying the economy, certain positive outcomes can be observed in the development of industrial human resources and infrastructure. Therefore, the effectiveness and impacts of the Project are high.

4.2 Recommendations

4.2.1 Recommendations to the Executing Agency

It is becoming increasingly important to brace for external conditions such as China's zero-COVID policy and the war in Ukraine. To strengthen support for the socially vulnerable while ensuring fiscal discipline, it is desirable to accelerate the efforts to enhance the efficiency of the social protection system by expanding targeting and consolidating programs. It is also necessary

to steadily implement banking sector reforms to address issues such as strengthening bank supervision and regulation and improving banks' governance.

4.2.2 Recommendations to JICA

Since the completion of the Project, no policy discussions or regular meetings on the monitoring of the policy matrix have been held between the Japanese and Mongolian sides, despite the good communication between JICA and Mongolia's Ministry of Finance. At the time of the ex-post evaluation, there were several ministries and organizations that had absolutely no idea on the status of achievement of the relevant policy action indicators. JICA should have played a more active role in the support and monitoring of the policy reforms.

4.3 Lessons Learned

(1) Reconsider whether to specify the precondition for implementing the next phase in the policy matrix

Implementation of Phase 2 of the Project was automatically called off because the EFF being on-track was specified as its precondition in the policy matrix but the EFF became off-track. Although similar specifications can be seen in similar projects, it should have been possible not to include the precondition in the policy matrix so as to leave room for JICA's discretion to make the final decision on the implementation of the subsequent phase on its own. Though this is a co-financing project under the international aid framework anchored to the IMF's EFF, even in 2019, ADB provided general budget support to Mongolia.²⁸ By deliberately not specifying it in the policy matrix, JICA can also avoid giving the impression that it is a junior partner who just follows IMF's decisions.

(2) Improve the leverage of reform implementation by administering loans in multiple disbursements

In DPLs, it is necessary to set policy actions whose status of achievement can be assessed in a relatively short period of time, although it takes time for the effects of policy reforms to materialize. Thus, it is always a challenge to support and monitor reform implementation, which needs continuous efforts. Through administering loans in multiple disbursements; therefore, it is desirable to use leverage to incentivize the recipient country to implement policy actions speedily and properly. For example, an option would be to divide a loan into multiple phases and sign a loan agreement for each phase (Phase type), as originally planned for the Project, or divide a loan into multiple tranches under a single loan agreement (Tranche type).²⁹

²⁸ ADB disbursed general budget support of USD 30 million and USD 100 million in the third and fourth quarters of 2019, respectively. In addition, South Korea provided a project loan of USD 20 million in the third quarter of 2019.

²⁹ Because a policy matrix is stipulated in a loan agreement, the phase type should be adopted if the matrix needs revising.

(3) Enhance project outcomes by further strengthening linkage with related JICA projects

The Project has made a certain contribution to the development of industrial human resources and infrastructure through collaboration with related technical cooperation, grant, and loan projects. Thus, it is fair to say that this approach could be effective in the support of continuous reform efforts. By applying this approach more actively when formulating a policy matrix, and/or clearly stating in the terms of reference of related JICA projects the support and monitoring of policy actions, the outcomes of DPLs must be further enhanced.

5. Non-Score Criteria

5.1. Performance

5.1.1 Objective Perspective

At the time of the appraisal, the Project had to be formulated urgently through discussions and close coordination with a number of executing and related ministries and organizations, as well as development partners. Although it was a challenging project, JICA's regional department and Mongolia Office had played a key role in compiling and getting approval on the policy matrix, and implemented the discussions and information gathering in an agile manner. Other development partners also appreciate the fact that JICA has helped create mutually coherent policy matrices through exchanging information with each other and assessing macroeconomic conditions and policy issues. During the appraisal mission in May 2017, the JICA team made good coordination with the Ministry of Finance and the inter-ministerial working group beforehand, and devised ways to hold as many meetings with government officials as possible within a limited time, by arranging one-to-one meetings with the executing and related ministries and organizations sequentially in the same Ministry of Finance room.

One of the reasons why JICA was able to make the best of an opportunity like this Project is that JICA Office has long established and maintained good communication with the Ministry of Finance and other ministries and organizations. The JICA Mongolia Office has had an experienced national staff member who is highly proficient in Japanese and has thorough knowledge of JICA projects and local affairs. At the time of the appraisal, this national staff member worked closely with the staff in the regional department, while taking advantage of the knowledge and network that she had built with internal and external stakeholders. This staff member contributed extensively to making efficient coordination possible for compiling and gaining approval on the policy matrix.

5.2. Additionality

JICA has formulated a policy matrix that incorporates the policy actions JICA prioritized in its ODA policy for Mongolia, such as the development of human resources and legal systems in the

“Enhancing economic growth” pillar. As a result, the Project has generated certain positive outcomes in its support for the implementation of the policy reform by demonstrating JICA’s strengths and complementing other development partners’ assistance. In the fiscal area, based on Japan’s experience, the *Project for Enhancing Tax Collection Operation and International Tax Issues of Mongolian Tax Administration* provided support and advice for the human resources development of the staff in international taxation and for tax reform, and thus contributed to the strengthening of revenue mobilization, including the introduction of self-enforcement taxes.

Appendix. Status of Achievement of Policy Matrix

Policy Cluster		Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)	Indicator	Baseline (2016/12)	Target (2019/12)	Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)																								
Precondition		Formulation of international financing package based on IMF's EFF	EFF is on-track by IMF's review																													
1. Stable Macroeconomic Management: Policy actions in fiscal, quasi-fiscal, and fiscal disciplines are in line with IMF EFF and World Bank DPL's actions. Those in banking are in line with ADB PBL and IMF EFF's actions																																
Fiscal	1.1	Medium-term fiscal framework	Passage of a 2017 supplementary budget and a medium-term budget framework [IMF]	Passage of a 2018 budget in line with the program's fiscal path [IMF]	2018 budget, which was in line with the program's fiscal path, was approved by the Parliament in November 2017.	○	Fiscal Deficit to GDP	17.0%	6.9%	The fiscal balance, which was a deficit of 15.3% of GDP in 2016, turned into a surplus in 2018, owing to the budget support and the efforts for debt reduction, as well as a recovery in mineral commodity prices. The size of the deficit became 2.0% of GDP in 2019, which accomplished the target deficit of 6.9% by a wide margin. To cope with the COVID-19 pandemic, however, the expenditure has increased since 2020, and the fiscal balance became a deficit of 12.0% and 8.8% in 2020 and 2021, respectively. According to the budget plan, the size of the deficit is expected to decrease to 3.6% in 2022.	△																					
						<table><tr><th>Indicator</th><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th></tr><tr><td>Overall balance (% of GDP)</td><td>▲ 15.3</td><td>▲ 6.4</td><td>0.1</td><td>▲ 2.0</td><td>▲ 12.0</td><td>▲ 8.8</td></tr><tr><td>Primary balance (% of GDP)</td><td>▲ 11.2</td><td>0.4</td><td>5.9</td><td>▲ 3.4</td><td>▲ 6.8</td><td>▲ 2.5</td></tr></table>						Indicator	2016	2017	2018	2019	2020	2021	Overall balance (% of GDP)	▲ 15.3	▲ 6.4	0.1	▲ 2.0	▲ 12.0	▲ 8.8	Primary balance (% of GDP)	▲ 11.2	0.4	5.9	▲ 3.4	▲ 6.8	▲ 2.5
	Indicator	2016	2017	2018	2019	2020	2021																									
	Overall balance (% of GDP)	▲ 15.3	▲ 6.4	0.1	▲ 2.0	▲ 12.0	▲ 8.8																									
	Primary balance (% of GDP)	▲ 11.2	0.4	5.9	▲ 3.4	▲ 6.8	▲ 2.5																									
Source: Ministry of Finance																																
Note: The definition of the indicators varies across IMF and MOF.																																
1.2	Expendit	The Government	Cabinet approval of the	It was agreed that the	○	Capital	MNT 672	MNT 0	According to the	○																						

Policy Cluster		Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)	Indicator	Baseline (2016/12)	Target (2019/12)	Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)				
Precondition		Formulation of international financing package based on IMF' EFF	EFF is on-track by IMF's review									
	ure review	terminates the Promissory Note Program, to prevent using deferred payments to finance capital expenditure [WB]	Public Investment Rationalization Guideline [WB]	Public Investment Rationalization Guideline would be approved by the Cabinet by the end of 2018.		expenditure to settle the Promissory Note Program	billion	billion in 2017-19	Parliament Resolution No. 47 of 2016, the government cleared the balance of promissory notes in 2016 and stopped using promissory notes from 2017 to terminate the program.			
					Related Project(s): Data Collection Survey on the Development Policy and Public Investment (Oct. 2016 - Feb. 2017)							
					Indicator		2016	2017	2018	2019	2020	2021
					Capital expenditure to settle the Promissory Note Program (MNT billion)		659.5	0	0	0	0	0
					Source: Ministry of Finance							
1.3	Revenue mobilizat ion	Increase the personal income tax rates on high income groups and the excise taxes on alcohol and tobacco [WB]	Streamline tax exemptions [IMF][WB]	The Parliament introduced a progressive PIT system in February 2018. The government also increased the excise taxes on alcohol and tobacco by 20% between 2018 and 2020 according to the amendment to the Excise Tax Law, which was made in April 2017. In addition, the government increased taxes on vehicle, while having reduced the tax benefits for hybrid cars, to mobilize the revenue.	○	Aggregate tax revenues from Personal Income Tax and excise tax on alcohol and tobacco to GDP	3.3%	3.7%	According to the MOF- provided data, the tax revenue was 3.35% of nominal GDP in 2019 and 3.45% in 2021, and thus the target had not been achieved. The IMF Article IV consultation report (2021), on the other hand, indicates that the tax revenue from the PIT and the excise taxes on alcohol and tobacco was 4.7% of GDP in 2019 and 4.4% of GDP in 2020, and thus the target had been achieved.			
				The second taxation reform (i.e., amendments to the General Law on Taxation,	Related Project(s): Project for Enhancing Tax Collection Operation and International Tax Issues of Mongolian Tax Administration (Phase1: Nov. 2013 - Oct. 2016, Phase2: Jan. 2017 - Jan. 2020)							

Policy Cluster		Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)	Indicator	Baseline (2016/12)	Target (2019/12)	Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)																															
Precondition		Formulation of international financing package based on IMF' EFF	EFF is on-track by IMF's review																																				
				Corporate Income Tax Law, and Personal Income Tax Law) was approved by the Parliament in March 2019 and came into force as the Amended General Law on Taxation in January 2020. The enforcement of the amended law has strengthened revenue mobilization with the introduction of self- enforcement.	<table><tr><th>Indicator</th><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th></tr><tr><td>Tax revenue from PIT (% of GDP)</td><td>2.19</td><td>2.32</td><td>2.50</td><td>2.37</td><td>2.19</td><td>2.58</td></tr><tr><td>Tax revenue from excise taxes on alcohol and tobacco (% of GDP)</td><td>1.18</td><td>1.09</td><td>1.00</td><td>0.98</td><td>0.93</td><td>0.87</td></tr><tr><td>Total</td><td>3.37</td><td>3.41</td><td>3.5</td><td>3.35</td><td>3.12</td><td>3.45</td></tr></table> <p>Source: Ministry of Finance Note: The definition of the indicators varies across IMF and MOF.</p>							Indicator	2016	2017	2018	2019	2020	2021	Tax revenue from PIT (% of GDP)	2.19	2.32	2.50	2.37	2.19	2.58	Tax revenue from excise taxes on alcohol and tobacco (% of GDP)	1.18	1.09	1.00	0.98	0.93	0.87	Total	3.37	3.41	3.5	3.35	3.12	3.45
Indicator	2016	2017	2018	2019	2020	2021																																	
Tax revenue from PIT (% of GDP)	2.19	2.32	2.50	2.37	2.19	2.58																																	
Tax revenue from excise taxes on alcohol and tobacco (% of GDP)	1.18	1.09	1.00	0.98	0.93	0.87																																	
Total	3.37	3.41	3.5	3.35	3.12	3.45																																	
Quasi-Fiscal	1.4	Reform of the Develop ment Bank of Mongolia	The Government terminates DBM's financing to capital expenditure [WB]	Implement a comprehensive external special review on the DBM and its disclosure [WB]	An audit was completed by Delloite in 2017, and its review and recommendations were made public.	○	DBM's financing to capital expenditure	MNT 252 billion	MNT 0 billion	Based on the Parliament Resolution No. 81 and the Government resolution No. 298 of 2016, the government revised the Development Bank of Mongolia Law in 2017 to end the DBM financing of non-commercial public investment projects.	○																												
							<table><tr><th>Indicator</th><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th></tr><tr><td>DBM's financing to capital expenditure (MNT billion)</td><td>237.2</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr></table> <p>Source: Ministry of Finance</p>					Indicator	2016	2017	2018	2019	2020	2021	DBM's financing to capital expenditure (MNT billion)	237.2	0	0	0	0	0														
	Indicator	2016	2017	2018	2019	2020	2021																																
DBM's financing to capital expenditure (MNT billion)	237.2	0	0	0	0	0																																	
	1.5	Reform of the Central Bank of Mongolia	Discontinue net financing to the Housing Mortgage Program by the BOM [IMF/WB]	Reconstruct Housing Mortgage Program in a more cost-effective way [IMF/WB]	In November 2017, the BOM and the Ministry of Finance renewed the memorandum on the collaboration of setting up an appropriate scheme of the Housing Mortgage Program.	○	Net financing to the Housing Mortgage Program by the BOM	MNT 404 billion	MNT 0 billion	Beginning January 2020, the BOM suspended its financing of the Housing Mortgage Program and transferred the program to the government in accordance with the 2018 Joint decree 285/A-334	△																												

Policy Cluster		Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)		Indicator	Baseline (2016/12)		Target (2019/12)		Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)		
Precondition		Formulation of international financing package based on IMF' EFF	EFF is on-track by IMF's review										
											signed between the Ministry of Finance and the BOM. With the passage of the Anti-Pandemic Law in April 2020, however, the BOM resumed the program in May 2020 and postponed the BOM's exit until the end of 2023. Roughly MNT 700 billion has been spent annually for the financing of the program with a 60:40 share from the BOM and commercial banks, respectively. Because the financing has been solely through the repayment of BOM-owned Senior Residential Mortgage- Backed Security, as well as banks' own funds, in accordance with the zero net financing principle, there has been no pressure on the BOM's balance and the government budget.		
		</											

Policy Cluster			Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)	Indicator	Baseline (2016/12)	Target (2019/12)	Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)		
Precondition			Formulation of international financing package based on IMF' EFF	EFF is on-track by IMF's review							
						Source: Bank of Mongolia					
Fiscal Discipline	1.6	Establish ment of the Fiscal Council		Revise the relevant budget laws to establish the Fiscal Council [IMF]	With amendment to the Integrated Budget Law, the “Fiscal Stability Council” was established by a Parliament resolution in December 2017.	○	Establish- ment of the Fiscal Council	Not established	Established	The Fiscal Council was established by the Parliament resolution No. 83 of 2017 and now operates under the auspices of the Standing Committee on Budget.	○
	1.7	Strengthe ning budget control by Ministry of Finance		Revise the Integrated Budget Law to prevent from expenditure expansion pressure by the Parliament [IMF]	The Parliament approved the amendment to the Integrated Budget Law and the Law of Procedures of the Parliament in November 2017. As a result, the PAYGO principle has been established, which restricts the Parliament from increasing an aggregate budget presented by the Cabinet by requiring it to reduce the same amount of budget from other to increase a specific project's budget.	○	Revision of the Integrated Budget Law to prevent from expenditure expansion pressure by the Parliament	Not revised	Revised, and fiscal deficit is decreased	The Integrated Budget Law was revised in November 2017. The fiscal balance, which was a deficit of 15.3% of GDP in 2016, turned into a surplus in 2018. The size of the deficit became 2.0% of GDP in 2019, which accomplished the target deficit of 6.9% by a wide margin. To cope with the COVID-19 pandemic, however, the expenditure has increased since 2020, and the fiscal balance became a deficit of 12.0% and 8.8% in 2020 and 2021, respectively.	△
Related Project(s): Capacity Development Project for Internal Audit (Phase 1: Jan. 2012 - Jul. 2014, Phase 2: Sep. 2014 - Aug. 2017)											
Banking	1.8	Addressi ng Non- Performi ng Loan	Establish the interagency working group to support creation of the legal and institutional framework of an Asset Management Company [ADB/IMF]	Progress on transparent NPL resolution [ADB/IMF]	In accordance with the February 2017 Joint Resolution of the Governor of the Bank of Mongolia, the Minister of Finance, and the Chairman of the Financial Regulatory Commission of Mongolia, a	△	Establish- ment of the Asset Manage- ment Company	Not established	Established	The bill to establish an Asset Management Company (AMC) was submitted to the Parliament in July 2019 but has not been approved. With regard to the AMC's role in the handling of non-performing	×

Policy Cluster		Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)		Indicator	Baseline (2016/12)	Target (2019/12)	Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)	
Precondition		Formulation of international financing package based on IMF' EFF	EFF is on-track by IMF's review							
				working group was established, and the draft bill to create a corporate debt restructuring committee was prepared. By the end of 2017, PriceWaterhouseCoopers completed an Asset Quality Review (AQR), which covered up to 91 percent of all corporate loans in the banking sector.					loans, no consensus has been formed among major development partners and BOM. While ADB had pushed for the establishment of the AMC, the IMF had rather prioritized the recapitalization and restructuring of banks, mainly out of its concerns over the issues such as (1) the occurrence of moral hazard, (2) funding sources required for the establishment of the AMC, and (3) its governance.	
1.9	Strengthening of bank supervision and regulatory framework	BOM proposes steps to rehabilitate the banking sector [ADB]	BOM implements rules for capital regulation and early intervention in line with international best practices [ADB/IMF]	The new Bank of Mongolia Law was approved by the Parliament in January 2018. The changes were made to establish the Monetary Committee and for introducing a new procedure for making decisions through the Supervisory and Monitoring Committee and the Advisory Council under the Governor of the BOM.	○	Implement- ation of rules for capital regulation and early intervention and bank resolution in line with inter- national best practices	Not introduced	Introduced, and unachieved banks are consolidated	From 2018 to 2021, a series of amendments had been made to the Bank of Mongolia Law, and rules for early intervention and bank resolution were introduced and enforced for the strengthening of bank supervision and regulatory framework. Although the IMF has been requesting the BOM to conduct an AQR, and to recapitalize/ nationalize banks that have not met the capital requirements (in the case of five largest systemically important financial institutions) or consolidate/	△

Policy Cluster		Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)		Indicator	Baseline (2016/12)	Target (2019/12)	Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)	
Precondition		Formulation of international financing package based on IMF' EFF	EFF is on-track by IMF's review							
									restructure them (in the case of small and medium-sized banks), the BOM has taken the position that Basel II and III regulations should not apply to Mongolia's underdeveloped capital market immediately in a strict manner. The BOM amended the Banking Law in February 2021 to strengthen bank capital and reduce shareholder concentration, and required the five largest banks to convert their ownership structures to joint stock companies and make initial public offerings (IPOs) by the end of June 2022. The BOM also announced the restrictions on shareholding that require all commercial banks to limit individual shareholder ownership up to 20% by the end of 2023. While commending BOM's reform efforts, the IMF requested the BOM to postpone the deadline for the IPOs during a meeting in May 2022, citing the importance of conducting a new AQR first, and the BOM agreed to extend the deadline for the IPOs for	

Policy Cluster		Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)		Indicator	Baseline (2016/12)		Target (2019/12)		Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)				
Precondition		Formulation of international financing package based on IMF' EFF	EFF is on-track by IMF's review												
											one year. There has been no case of bank consolidation as a result of failing to meet the capital requirements (though the consolidation of Credit Bank and Transport and Development Bank in 2021 was triggered by the BOM's increase in capital requirements).				
						Indicator		2016	2017	2018	2019	2020	2021		
						No. of banks consolidated (as a result of the bank resolution of unachieved banks)		0	0	0	0	0	0		
Source: Bank of Mongolia															
1.10	Strengthening banks' governan ce	The Parliament approves the Economic Recovery Program that will outline steps to improve the financial sector's governance [ADB]	Adopt the Mongolian financial market development 2025 program [ADB]	The Mongolian financial market development 2025 program was approved by the Cabinet in October 2017.	○	Adoption of the Mongolian financial market develop- ment 2025 program	Not adopted	Adopted, and foreign banks enter into market	The government has adopted the financial market development 2025 program and developed a framework to strengthen bank's governance, although the IMF and ADB have recognized some issues in the implementation of the program. By law, it is possible for foreign banks to be deposit taking institutions. However, there have been no cases so far where a 100% foreign-owned bank has entered into the					△	

Policy Cluster		Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)		Indicator	Baseline (2016/12)	Target (2019/12)	Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)				
Precondition		Formulation of international financing package based on IMF' EFF	EFF is on-track by IMF's review						Mongolian market.				
2. Promotion of Helping the Socially Vulnerable													
2.1	Targeted social welfare to the vulnerabl e people	Maintain budget allocation for the poverty- targeted Food Stamp Program in the 2017 Supplementary budget [WB]	Increase the budget provisions for the poverty-targeted Food Stamp Program in line with MTFF (Medium- term fiscal framework) allocations [WB]	The budget amount increased from MNT 2 billion in 2017 to MNT 3.6 billion in 2018.		○	- Number of Households to receive Food Stamp Program - Amount of Food Stamp Program per household	- 26,000 households - MNT 45,500 per household	Expansion in both the coverage and monthly benefit from baseline	The number of households that received the Food Stamp Program benefits increased more than 70% over a period of 2016– 2019. The average (monthly) benefit per household also increased by 23% from MNT 45,500 in 2016 to MNT 56,000 for 2017–2019. As a counter- measure against COVID- 19, the average benefit per household was temporarily raised to MNT 112,000 in 2020. The decrease in the number of households receiving benefits in 2021 was due to a decrease in the number of households that met the eligibility criteria.			
							Indicator	2016	2017	2018	2019	2020	2021
							No. of households to receive Food Stamp Program	26,076	45,458	47,311	44,801	44,348	31,160
							Avg. monthly benefit per household of five (two adults, three children) (MNT)	45,500	56,000	56,000	56,000	112,000	56,000

Policy Cluster		Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)	Indicator	Baseline (2016/12)	Target (2019/12)	Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)		
Precondition		Formulation of international financing package based on IMF' EFF	EFF is on-track by IMF's review							
					Source: Ministry of Finance					
	2.2	Strengthening of the social service delivery system	<u>Ministry of Health confirms the necessary governmental procedures for policy and guiding principle on health facilities, workshop on training of trainers for medical educators [JICA]</u>	<u>Ministry of Health authorizes the policy and guiding principle on workshop on training of trainers for medical educators [JICA]</u>	○	Workshop on training of trainers for medical educators	The draft proposal for the policy and guiding principal is discussed by the working group	Workshop on training of trainers for medical educators is continuously implemented	Workshops on training of trainers for medical educators have been firmly rooted in Mongolia. As of November 2019, more than 20 workshops had been held and more than 500 medical trainers had been trained.	○
			Related Project(s): Project for Strengthening Post-graduate Training for Health Professionals in Primary and Secondary Level Health Facilities (May 2015 -May 2020)							
			<u>Ministry of Health and Ministry of Education, Culture, Sports and Science share the necessity of the collaboration work for the future post-graduate training at Mongolian National University of Medical Sciences [JICA]</u>	<u>Confirm the process for their collaboration to strengthen the implementation framework of post-graduate training program for professionals working in health facilities [JICA]</u>	In October 2017, a coordination meeting was held among the Ministry of Health, JICA, the Mongolian National University of Medical Sciences, and others, for the Project for Strengthening Post-graduate Training for Health Professionals in Primary and Secondary Level Health Facilities.	○	Framework of post-graduate training program for professionals working in health facilities	Not existed	Establish framework to implement	The post-graduate training curriculum for medical doctors has been developed based on Japan's medical internship system, and both facilitators who train trainers and trainers have been trained. In October 2018, postgraduate training was conducted at the Regional Diagnostic and Treatment Center of Orkhon Province. The RDTC Orkhon and four other hospitals, including the Third State Hospital, are registered as designated training hospitals.
					Related Project(s): ditto, Project for the Establishment of Hospital Management and Medical Services at the Mongolia-Japan Teaching Hospital (Mar. 2017 - Mar. 2022), Project for Construction of Mongolia-Japan Teaching Hospital (May 2015 G/A)					
	2.3	Enhancing the	<u>Cabinet approves the action plan of Master</u>	<u>Select a model site for a land readjustment</u>	○	Selection and	Not selected	Selected, and its	Two ger districts of Chingeltei and Sukhbaatar	○

Policy Cluster		Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)		Indicator	Baseline (2016/12)	Target (2019/12)	Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)	
Precondition		Formulation of international financing package based on IMF' EFF	EFF is on-track by IMF's review							
	quality of life of the vulnerable people	<u>Plan including ger area development</u> [JICA]	<u>project</u> [JICA]	March 2018, it was confirmed that analysis and research had been conducted by the Project for Improvement of Capacity for Implementation of Ulaanbaatar Master Plan in selected areas for the land readjustment project.					were selected as model districts for the land readjustment project, and the model districts of approximately 420 households in total, which equipped with water (water supply and sewage for Chingeltei and sewage only for Sukhbaatar) and heating systems, have been developed. Approximately 85% of households in Chingertei and 55% in Sukhbaata were connected to water and heating systems. The development of the model districts, however, has not been implemented since then, because of the lack of budget.	
		<u>Cabinet approves National Environment and Air Pollution Program</u> [JICA]	<u>Transfer energy from inefficient coal firing in ger area</u> [JICA]	In January 2018, the Parliament approved the amendments of the Air Law, the Air Pollution Fee Law, and other related regulations.		○	Air quality PM2.5 - 256µg/m3 PM10 - 279µg/m3 SO2 - 89µg/m3	Improved from baseline	Based on the government resolution adopted in February 2018, Ulaanbaatar City has banned the use of crude coal since May 2019 (excluding some cases where corporations have licenses) and has been promoting the use of more efficient type of coal. According to the data from the National Statistics	

Policy Cluster		Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)		Indicator	Baseline (2016/12)	Target (2019/12)	Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)			
Precondition		Formulation of international financing package based on IMF' EFF	EFF is on-track by IMF's review									
									Office, the annual average concentration of particulate matter, PM2.5 and PM10, in the air has been dramatically decreased since 2019 and 2020. The concentration of sulfur dioxide (SO2) in the air, on the other hand, has risen substantially, probably due to a dramatic increase in traffic volume. (There is another explanation that the quality of gasoline and light oil imported from Russia has deteriorated in recent years.)			
						Related Project(s): Capacity Development Project for Air Pollution Control in Ulaanbaatar City (Phase 1: Mar. 2010 - Mar. 2013, Phase 2: Dec. 2013 - Jun. 2017)						
						Indicator	2016	2017	2018	2019	2020	2021
						PM2.5 (mg/m3)	0.070	0.069	0.062	0.088	0.043	0.042
						PM10 (mg/m3)	0.116	0.123	0.118	0.093	0.089	0.080
						SO2 (mg/m3)	0.026	0.020	0.018	0.026	0.042	0.046
						Source: The evaluator's estimation based on data from the National Statistics Office of Mongolia						
						Note: The measuring point is West 4 Road Cross.						
3. Enhancing Economic Growth												
	3.1	Promotin g FDI	Both Japanese and Mongolian governments agree to achieve the conclusion of the tax treaty for the elimination of double taxation and the prevention of tax evasion and avoidance which enhances the robust	Progress is made towards the conclusion of the tax treaty for the elimination of double taxation and the prevention of tax evasion and avoidance which enhances the robust investment and	In consultation with IMF's tax working group, the legal regulation on transparency and free exchange of the information from the banks and financial institutions had been fully reflected in the draft Amendment to the Tax Laws.	○	Conclusion of Tax Treaty between Japan and Mongolia	Not concluded	Concluded (in 2021)	The Tax Treaty has not been concluded. The Mongolian government revoked some of the treaties it had concluded in the past, claiming that the tax treaties had been abused by international corporations as tax	×	

Policy Cluster		Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)		Indicator	Baseline (2016/12)	Target (2019/12)	Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)						
Precondition		Formulation of international financing package based on IMF' EFF	EFF is on-track by IMF's review												
		investment and economic exchanges between the two countries [JICA]	economic exchanges between the two countries while recognizing the importance of the international standards on tax transparency [JICA]							measures and consequently a huge amount of revenues had been flowed out of the country. Since then, the Mongolian government appears to have been cautious about making new tax treaties and has not concluded new bilateral tax treaties with any countries, not limited to Japan. However, technical-level discussions have been held several times between the two countries.					
		Economic Partnership Agreement between Japan and Mongolia takes into effect [JICA]	Increase of FDI through improving investment issues [JICA]							At the time of the Project Completion Report in March 2018, it was confirmed that National Development Agency had been planning to establish a One-Stop-Service for Foreign Investors to promote investment.	○	Number of Japanese companies registered in Mongolia	557 companies (as of August 2015)	More than 557 companies	Between 2016 and 2020, 99 Japanese companies newly registered in Mongolia. At the end of 2020, the (cumulative) number of registered Japanese companies reached 670. (However, the data on the number of registered companies, including the August 2015 baseline figure, are likely to include the companies that have already deregistered.)
						Indicator		2016	2017	2018	2019	2020	2021		
						No. of Japanese companies registered in Mongolia		15	17	38	20	9	--		
Source: Ministry of Economic Development															

Policy Cluster		Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)	Indicator	Baseline (2016/12)	Target (2019/12)	Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)			
Precondition		Formulation of international financing package based on IMF' EFF	EFF is on-track by IMF's review								
	3.2. Improvin g the investme nt climate and diversifyi ng the economy	<u>Concession contract negotiation for New Ulaanbaatar International Airport operation is started</u> [JICA]	<u>Provide support for successful negotiation of the concession contract for New Ulaanbaatar International Airport operation and expedite the completion of related facilities</u> [JICA]	The cooperation agreement with regard to the concession contract was signed by the Japanese and Mongolian sides in January 2018, and the concession agreement on the operation of the airport was acquired by a Japan-Mongolia joint venture in July 2019.	○ - New Ulaanbaatar Inter- national Airport - Number of annual passengers -Contribu- tion to the GDP by tourism	- Not opened - 1.0 million people - 1% (in 2015)	- Opened - 1.2 million people - 1.2%	The opening of the New Ulaanbaatar International Airport, for which a consortium of Japanese companies had carried out all phases from construction to operation, delayed partly because of the COVID-19 pandemic. However, the airport finally opened in July 2021. The number of passengers had already exceeded 1.25 million in 2017 and reached 1.62 million in 2019. However, due to the COVID-19 pandemic, it decreased to less than 450,000 in 2020. Before the COVID-19 pandemic, tourism accounted for 7.2% of GDP in 2019 (World Bank).			
									Related Project(s): New Ulaanbaatar International Airport Construction Project (Phase 1: May 2008, Phase 2: April 2015 L/A)		
					Indi- cator	2016	2017	2018	2019	2020	2021
					No. of inter- natio- nal flight passe- ngers	790,459	926,951	1,020,891	1,188,204	285,674	--
					No.	232,586	325,055	401,607	433,367	161,804	--

Policy Cluster	Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)	Indicator	Baseline (2016/12)	Target (2019/12)	Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)				
Precondition	Formulation of international financing package based on IMF' EFF	EFF is on-track by IMF's review									
				of dome stic flight pas se ngers							
				Total	1,023,045	1,252,006	1,422,498	1,621,571	447,478	--	
				Source: National Statistics Office of Mongolia							
	<u>Financial Regulatory Commission approved revised Guideline for Risk-Based Supervision of Securities Companies [JICA]</u>	<u>Financial Regulatory Commission renovates capacity development system of the capital market [JICA]</u>	In December 2017, the <i>Capital Market Textbook</i> was developed.	○	Number of Certified Securities Broker Represen- tatives	0 people	100 people	The Mongolian Securities Dealers Association has been providing training for specialists, such as dealers, brokers, and investment advisors, to certify them. In 2021, 286 securities broker representatives were newly certified, and the total number of the representatives trained reached 969. The interest to obtain the professional certification has been growing. Due to the COVID-19 pandemic, all three training sessions, as well as examinations, were conducted online in 2021.			
				Related Project(s): Project for Capacity Building of Capital Market in Mongolia (Phase 1: Jul. 2014 - Jun. 2017, Phase 2: Mar. 2019 - Feb. 2022)							
					Indicator	2016	2017	2018	2019	2020	2021
					No. of Certified Securities Broker Representatives	0	149	180	172	182	286
				Source: Financial Regulatory Commission							
	<u>Authority for Fair</u>	<u>AFCCP submits the</u>	With support of the Fair	△	Amendment	Not drafted	Execute	The amendment of the			×

Policy Cluster		Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)		Indicator	Baseline (2016/12)	Target (2019/12)	Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)
Precondition		Formulation of international financing package based on IMF' EFF	EFF is on-track by IMF's review						
		<u>Competition and Consumer Protection</u> <u>holds seminars leading to</u> <u>the drafting of</u> <u>Competition Law</u> <u>amendment and</u> <u>establishes a working</u> <u>group</u> [JICA]	<u>amendment of</u> <u>Competition Law for</u> <u>parliament discussion</u> <u>and starts preparation of</u> <u>related regulations and</u> <u>guidelines</u> [JICA]	Trade Commission of Japan, advice and assistance had been provided for the draft amendment of the Competition Law. The amendment of the Competition Law was submitted by the AFCCP to Deputy Prime Minister in November 2017, and the Deputy Prime Minister issued a letter to the Ministry of Justice and Internal Affairs and the Ministry of Finance in May 2018 to request the approval of the amendment. However, it had never been discussed and later reverted. Although a new amendment was submitted again in December 2018, the Parliament rejected it by a parliament resolution on the ground that the Constitution of Mongolia had been amended and the amendment to the Competition Law must be revised accordingly.		of Competition Law		amended laws, related regulations, and guidelines	Competition Law has not been re-submitted to the Parliament. After the 2020 Parliamentary elections, the Standing Committee on Innovation and e-Policy and the Standing Committee on Industrial Policy were established in the Parliament, and the Ministry of Culture was established in the Government. As a result, it became necessary for the draft amendment to be discussed again by these standing committees and the ministry. Although a new draft amendment was put together by the AFCCP and submitted to the Ministry of Justice and Internal Affairs and the Ministry of Finance in July 2021 for the approval of having it discussed in a Cabinet meeting, both ministries opposed to the submission of the draft amendment to the Cabinet because their comments had not been fully reflected in the final draft.
Related Project(s): Project for Enhancement of the Fair Competition Environment in Mongolia (Phase 1: Sep. 2015 - Sep. 2018, Phase 2: Jan. 2020 - Dec. 2022)									
		Dispatch foreign	Develop engineering	At the time of the Project	○	Number of	24 people	70 people	The number of foreign

Policy Cluster		Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)		Indicator	Baseline (2016/12)	Target (2019/12)	Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)			
Precondition		Formulation of international financing package based on IMF' EFF	EFF is on-track by IMF's review									
		<u>(Mongolian) students to National Institutes of Technology in Japan</u> [JICA]	<u>human resources for economic diversification</u> [JICA]	Completion Report in March 2018, it was confirmed that a total of 54 students were studying at National Institutes of Technology.		Foreign (Mongolian) students dispatched to National Institutes of Technology in Japan			(Mongolian) students dispatched to National Institutes of Technology reached a cumulative total of 115 in 2019. It reached 177 as of January 2021. The new target is to dispatch 200 foreign students by March 2024.			
					<u>Related Project(s)</u> : Higher Engineering Education Development Project (Mar. 2014 L/A)							
					Indicator		2016	2017	2018	2019	2020	2021
					No. of foreign (Mongolian) students dispatched to NITs in Japan (cumulative)		30	56	85	115	149	177
					Source: Ministry of Education and Science							
		<u>Develop Mid-Term Operation Plan of Mongolia-Japan Center for Human Resources Development including projects strengthening business human resources</u> [JICA]	<u>Increase SMEs which take business courses at Mongolia-Japan Center for Human Resources Development</u> [JICA]	At the time of the Project Completion Report in March 2018, it was confirmed that a total of 527 SMEs had taken business courses at the Mongolia-Japan Center for Human Resources Development by the end of February 2018.	○	Number of SMEs which take business courses at Mongolia- Japan Center for Human Resources Develop- ment	468 companies by 2015	600 companies by 2019	The number of SMEs that have taken the Mongolia- Japan Center's flagship "regular courses" (SME management diagnosis and hands-on guidance) reached a cumulative total of 843 by the end of 2019 and 1,098 by the end of 2021, respectively. As of 2022, the regular courses, which consist of a six-topic senior management class and a four-topic management class, are being offered twice a year in autumn and winter.	○		

Policy Cluster		Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)	Indicator	Baseline (2016/12)	Target (2019/12)	Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)				
Precondition		Formulation of international financing package based on IMF' EFF	EFF is on-track by IMF's review									
					Related Project(s): Project for Enhanced Function of Mongolia-Japan Center for Human Resources Development for Capacity Development and Networking of Business Persons (Apr. 2015 - Apr. 2020)							
					Indicator	2016	2017	2018	2019	2020	2021	
					No. of SMEs which have taken business courses at Mongolia- Japan Center for Human Resources Development (cumulative)	542	624	707	843	958	1098	
					Source: Mongolia-Japan Center for Human Resources Development							
	<u>Business environment seminars for Japanese companies are held in Japan. Mongolia Business Guidebook and Yellow-Page are issued for Japanese companies [JICA]</u>	<u>Hold a follow-up seminar in Mongolia and strengthen business matching activities [JICA]</u>	In November 2017, the Japan-Mongolia Business Forum (Invest Mongolia Tokyo 2017) was held in Tokyo. In addition, a business seminar was held at JETRO Headquarters in February 2018, and Invest Mongolia Tokyo 2018 was held in November 2018.	○	Number of companies which attend seminars in Mongolia	30 companies	100 companies by 2019	The target has not been achieved because no follow-up seminars have been held in Mongolia. However, the Japan-Mongolia Business Forum (Invest Mongolia Tokyo 2019) held in Tokyo in December 2019 was attended by more than 200 delegates from Japanese companies and government agencies, and more than 40 delegates from Mongolia. Also, the Mongolia-Japan Business Forum was held online in May 2021, and over 400 Japanese and Mongolian delegates attended the forum.			×	
					Related Project(s): Data Collection Survey on Business Environment and Investment Promotion (Nov. 2015 - Mar. 2017)							

Policy Cluster		Main Prior Action (Action already taken)	Main Action to be Monitored (Trigger for DPL2)	Status of Achievement on Policy Action (Trigger for next DPL) (○=Achieved, △=Partially Achieved, ×=Not Achieved)		Indicator	Baseline (2016/12)	Target (2019/12)	Status of Achievement on the Target of Policy Action's Indicator (○=Achieved, △=Partially Achieved, ×=Not Achieved)	
Precondition		Formulation of international financing package based on IMF' EFF	EFF is on-track by IMF's review							
		<u>Mongolian Government delegation visits Japan to discuss future cooperation project in agricultural sector</u> [JICA]	<u>Establish a working group to formulate Technical Assistance project in agricultural sector</u> [JICA]	At the time of the Project Completion Report in March 2018, it was confirmed that a request for the <i>Project for Formulation of Master Plan on Agricultural Value Chain</i> had been submitted to JICA by the Mongolian government.	○	New Project in agricultural sector	Not formulated	Approved and started	R/D for the <i>Project for Formulation of Master Plan on Agricultural Value Chain</i> (December 2020- December 2023) was signed in September 2019. Since 2020, six other projects have been implemented in the agricultural and livestock sector.	○
						Related Project(s): Data Collection Survey on Agriculture and Livestock sector (Dec. 2016 - Jun. 2017)				

Note 1: Underlined actions are related to JICA technical cooperation and other projects.

Note 2: [IMF]/[WB]/[ADB] indicate that the policy actions are adopted from the policy matrix of the IMF, World Bank, and ADB, respectively. [JICA] denotes JICA's own policy actions.