



CZECH REPUBLIC
DEVELOPMENT COOPERATION

DEVELOPMENT COOPERATION PROGRAMME

MONGOLIA

2011-2017



**Ministry of Foreign Affairs
of the Czech Republic**

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1. Introduction

Development cooperation constitutes an integral part of the Czech Republic's foreign policy. It is through this development cooperation that the Czech Republic endorses international development commitments as well as the Millennium Development Goals. Via its development activities, the Czech Republic "contributes to eradication of poverty as well as to economic and social development and environmental protection, while supporting democracy, observance of human rights and good governance in partner countries".¹

Cross-cutting commitments, basic principles as well as priority territories and sectors subject to Czech Republic's development cooperation are anchored in the Development Cooperation Strategy of the Czech Republic 2010-2017 (hereinafter the "Strategy") that was approved by the Czech government in May 2010. As its priority areas in development cooperation, the Strategy focuses on cooperation programmes between the Czech Republic and priority countries that are to be implemented particularly via bilateral development projects.

In accordance with the Strategy, Mongolia is among priority partner countries of the Czech Republic subject to a cooperation programme. Mongolia enjoys this position due to the historically friendly relations and the development cooperation results to date as well as the existing development needs of the partner country. Development cooperation in the next period will focus predominantly on the sector of energy generation and supply and sector of business and other services (with these categories formerly included under "economic development"), water supply and sanitation (formerly under environment) as well as on agriculture, forestry. Attention will equally centre on Mongolian development needs in education, social infrastructure and services, including health (formerly under social development). In terms of geographical focus, cooperation will be aimed at the poorest rural areas in the southern and western parts of Mongolia, with some activities also carried out in the capital city of Ulaanbaatar and the Central Province as a continuation of the successful development activities to date.

Mongolia belongs among lower middle income countries (LMIC); in 2009 the country ranked no. 100 out of 169 states in the Human Development Index (HDI of 0.622, i.e. medium level of development).²

Development cooperation among both countries will be based on the fulfilment of the Millennium Development Goals (MDGs), with the basic strategic documents drafted by the Mongolian government and the Development Cooperation Strategy of the Czech Republic for the period of 2010-2017 serving as the point of departure. In order to pursue the goal of economic growth and reduction of poverty in Mongolia, both countries will continue the tradition of long-term cooperation that creates potential for the development of mutually beneficial economic relations.

¹ Act no. 151/2010 of 21 April 2010 on development cooperation and humanitarian assistance provided to foreign countries and on amending related legislation, effective 1 July 2010

² [Http://hdrstats.undp.org/en/indicators/87.html](http://hdrstats.undp.org/en/indicators/87.html) In 1985 to 2010, the value of HDI for Mongolia went from 0.515 to 0.622, i.e. was up by 21%, with the average annual increase standing at 0.8%. Over the same period, Mongolian GDP *per capita* increased by 60%. With average gross domestic product *per capita* at 1,630 USD (2009), Mongolia belongs among lower middle income countries. (<http://data.worldbank.org/indicator/NY.GNP.PCAP.CD>) However, 35% of Mongolians continue living under the poverty level.

In light of the development cooperation results to date and considering the existing development needs of Mongolia, the following Development Cooperation Programme has been drafted for the period of 2011-2017. The achievements within the programme will be subject to mid-term assessment in 2014.

2. Development priorities of Mongolia

In 2003 the Mongolian government defined its development priorities in the Economic Growth Support and Poverty Reduction Strategy (EGSPRS), thus endorsing the Millennium Development Goals that the country had committed to. The first Cooperation Development Programme between the Czech Republic and Mongolia (2006-2010) was equally based on the EGSPRS.

Economic growth is one of the priorities envisaged by the EGSPRS. The processing industry based on local raw materials as well as mining, tourism, information technologies and infrastructure development are considered the main drivers of economic growth in the mid-term horizon.

The National Development Strategy 2008-2021 (NDS) is currently the key document for the country's national development. Defining the main and auxiliary areas of development, obligatory participation of institutions at the national as well as provincial level in development activities and providing for improved donor coordination, this ambitious development programme, which has incorporated the goals defined in the National Indicative Programme 2011-2013 (NIP), focuses on six priority sectors:

- Meeting the Millennium Development Goals, development of knowledge-based export and economy;
- Exploiting strategic minerals;
- Developing rural areas in order to reduce the gap between rural and urban areas;
- Dealing with environmental imbalances;
- Consolidating democracy and uprooting corruption.

The Millennium Development Goals (MDGs) are the point of departure across Mongolian development documents. According to the UNDP Third National Report (2009), Mongolia is expected to have met six out of its nine MDGs-inspired goals³ that the country has committed to achieving by 2015.

Good governance, sustainable economic growth, integration of developing countries in global trade, social development and environmental protection are the key development stimuli. In order to meet the MDGs, the Mongolian government has defined priority measures that aim to remove imbalances in regional development, improve productivity in agricultural sector, increase management effectiveness, support thorough financial coordination in education and health, mobilise local resources and achieve transparency and accountability in public services, while also improving public-private partnership.

³ The MDGs that Mongolia is unlikely to have met by 2015 include: no. 1 Eradicate extreme poverty and hunger; no. 3 Promote gender equality and empower women; and no. 7 Ensure environmental sustainability.

The key priorities of the Mongolian government for the upcoming years include most notably the sectors of industry, exploitation of raw materials and the construction industry (mining; building of railroad infrastructure to link all mineral prospecting sites across Mongolia – as well as almost a thousand kilometres of roads and the Ulaanbaatar road network; housing construction), energy generation and supply, business, trade policies and regulation (standardisation and regulations), agriculture (renewed cooperation among shepherds, the processing industry and businesses; vegetable production; tree nurseries), general environmental protection (soil decontamination and recovery; desertification prevention), water supply and sanitation (water supply and quality assessment), SME development based on Mining sector (cluster development), Proper Information database system (for better coordination of strategy and improvement of government services), education (education of the poorest and disabled; vocational and apprenticeship training) social infrastructure and services as well as the sector of health (improved healthcare in rural areas, mother and child care).

3. Donor community in Mongolia

In 2008, Mongolia accepted official development assistance totalling 246.46 million USD, with the share of bilateral donors at 77%. Official development assistance represented 4.8% of Mongolian gross national income, while GNI per capita in 2008 amounted to 1,680 USD (www.oecd.org). Economic infrastructure and services attracted the highest share of funding.

Donors in Mongolia benefit from the successful democratic reforms undertaken by the Mongolian government. The adverse effect of the relatively intensive engagement of donors (given the size of the Mongolian population) is the risk of growing dependency of Mongolia on external support.

The donor structure in Mongolia is greatly varied. In 2007-2008 the most important donors included Japan (with annual average assistance of 69 million USD), Germany (33 million USD), the Asian Development Bank (26 million USD), the United States (24 million USD), the World Bank (22 million USD), South Korea (15 million USD), the Netherlands (9 million USD), Turkey (8 million USD), Spain (7 million USD) and Switzerland (7 million USD). During the period in question, the Czech Republic contributed 3.7 million USD a year on average.

The regular OECD/DAC review performed in the autumn of 2009 pointed out the excessive fragmentation of development assistance in Mongolia that had resulted in a great number of small projects carried out by a great number of donors.

3.1. Coordination mechanisms

In 2010 cooperation among donors, including project coordination, started to develop. The World Bank is the principal actor in the dialogue with the Mongolian government that also involves technical meetings. Within these meetings, working groups have been established consisting of donors and the relevant sectors and covering the following areas: environment, transport, private sector, energy and urban development and planning. Representatives of the Czech Republic (the Embassy and the Czech Development Agency) will soon get involved in the working groups dealing with environment, energy and the private sector in order to target development cooperation in the most efficient manner possible.

3.2. Cooperation with the European Commission

Development priorities of the European Commission (EC) in Mongolia are very notable. The activities of the EC are based on the strategic document Mongolia – European Community Strategy Paper 2007-2013. Since 1993 the European Union has been represented in Mongolia via its Delegation in Beijing, with a technical office in Ulaanbaatar. Development cooperation between the EU and Mongolia is implemented via the Multiannual Indicative Programme. Based on the paper, which covers the period of 2011 to 2013, the EU will carry out in Mongolia projects worth a total of 15 million EUR, of which 8 million EUR will be dedicated to governance projects, with the remaining 7 million EUR invested in vocational training. A substantial part of the governance projects will focus on transferring experience with the application of EU standards. Within its projects, the EC focuses most notably on sustainable rural development, with special attention on improving standard of living and increasing employment in order to reduce migration into cities and the negative social impacts it entails. The EC equally focuses on regional and theme projects in vocational training and development of market economy. Upon implementing its projects, the EC requires the Mongolian partner to provide inputs in-kind, focuses on project sustainability, sets clear and terminable goals and strives for a more systematic dialogue with the civil society.

In its programmes of Technical Assistance to the Commonwealth of Independent States (TACIS, already completed) and Asian and Latin American developing countries (ALA), the European Commission has focused on development of market economy and human resources, support of small and medium enterprises (SMEs) and development of institutions and infrastructure with respect to social impacts, human rights and gender issues. The EC has equally been involved in two agricultural projects: the Sustainable Livelihood Programme in cooperation with the World Bank and the Animal Health and Livestock Marketing Programme in cooperation with the Ministry of Food and Agriculture of Mongolia (MoFALI). Additionally, the EC intends to introduce a programme that will be aimed at developing 90% of Mongolian small and medium enterprises and is analogous to the already implemented GTZ.

Of all EU member states, Germany is the most significant donor. The amount of assistance provided by the Czech Republic is the third most substantial and the country has become the “supporting donor”. Bilateral development assistance provided by other EU states is lower compared to that of Germany, the Netherlands and the Czech Republic and, with Mongolia having attained the “lower middle income country” status, some donors even leave the country completely. Other significant bilateral donors include Japan, the United States and Switzerland.

The European Bank for Reconstruction and Development (EBRD) that is involved in debt and equity investments in the private sector of Mongolia (e.g. mining, geological survey etc.) is the one of the key multilateral investors.

The Division of Labour initiative and the anticipated role of the EU member states as the leading donors and supporting facilitators are both described in detail in the “Council Conclusions on an Operational Framework on Aid Effectiveness” of 5 November 2009. In cooperation with partner countries, the coordinators are to actively strive for effective labour division that will involve all actors of the development process, while also promoting the principle of “ownership and leadership” on the part of the partner country, i.e. the country’s active involvement in the formulation of priorities, and while also taking advantage of the

donors' comparative advantages. The **Czech Republic** applied for and was assigned the position of “**supporting facilitator**” for EU external assistance to Mongolia. However, as of January 2011, no country expressed its interest in the position of the leading donor, with the process of labour division among the EU states thus being brought to a standstill.

4. Development cooperation between the Czech Republic and Mongolia

4.1. Cooperation focus and achievements to date

Of all priority countries subject to the Czech Republic's development cooperation, Mongolia is the country with the highest number of implemented development activities. The Development Cooperation Programme between the Czech Republic and Mongolia for the period of 2006-2010 defined economic and industrial development, environment, agriculture and rural and social development as the priority sectors.

Over the period in question, approximately twenty bilateral development projects were implemented each year within development cooperation with the Czech Republic, as were a number of additional small local projects that tackled challenges such as improving crop and livestock production, drought, refurbishment of an electric power plant, technical equipment for hospital, identification and establishing of drinking water sources as well as the improved socioeconomic stability of geographically and socially excluded communities.

While the majority of the projects were implemented in the Central Province and the capital of Ulaanbaatar, the projects in agriculture were aimed at the province of Dornogobi. In 2006-2009, the Czech Republic's bilateral assistance to Mongolia amounted to 19.56 million USD (of which 17.01 million USD was spent on bilateral projects).

4.2. Priority sectors of the future cooperation

Czech development cooperation is based on partnership and follows the needs of the partner country. The selection of priority sectors subject to Czech development cooperation in Mongolia is based on the Strategy (the names of the priority areas have been adjusted to follow the OECD/DAC terminology) and considers comparative advantages of the Czech Republic. In defining specific focus of development cooperation, the facts identified during negotiations with Mongolian partners within a September 2010 programming mission were applied. Development cooperation in the next period will come as a continuation of the previous successful development activities of the Czech Republic.

Considering the available financial and human resources, the Czech Republic focuses on the synergic effects among individual sectors. Sustainability of projects will be central to all efforts.

Priority sectors in Mongolia based on the Development Cooperation Strategy of the Czech Republic for 2010-2017	Priority sectors based on OECD/DAC terminology
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Social development (including education, social and healthcare services)	Education
	Other social infrastructure and services
Environment	Water supply and sanitation
Economic development (including energy)	Energy generation and supply
	Business and other services
Agriculture	Agriculture, forestry

4.2.1. Education

Mongolia currently suffers from a lack of vocational training, qualified labour and IT specialists. The Czech Republic will focus on supporting the decentralisation of education, with special focus on vocational training aimed at agriculture in rural areas or the processing industry and production. This assistance will be provided as a complimentary activity to the EC planned activities in this area, while taking into consideration and not overlapping with activities that are being carried out in the framework of the projects, supported by the other donors, namely US Government sponsored Millennium Challenge Account.

The Czech government will equally provide regular study opportunities to Mongolian students within its programme of government scholarships.

4.2.2. Water supply and sanitation

The search for new and the recovery of existing sources of drinking water is an urgent priority as is the improvement of water quality and rational exploitation of water resources. Due to the cooperation activities to date, the Czech Republic has the practical knowledge and know-how not only in identifying new water sources of sufficient quality and capacity but also in recovering those that are dated or do not function.

In addition to searching for new (always following a thorough analysis of potential negative impacts) and recovering damaged sources of drinking water, the Czech Republic will focus on improving water quality and waste water treatment and the related recovery of soil adversely affected by the mining and processing industries, including assessment of health and environmental risks, environmental consultancy, preparation of strategies for sustainable use of natural resources and transfer of experience in drafting environmental standards and policies. Within all of these activities, the Czech Republic will also assist in building capacities where the acquired knowledge will be put into practice.

The Czech Republic will continue its activities aimed at improving the availability of quality drinking water to the inhabitants and at supporting rational use of water resources that will subsequently contribute to increasing the standard of living of the most vulnerable groups of people.

4.2.3. Other social infrastructure and services

The goals of the Czech Republic in the social area include support of development of social and health services, decentralisation of social services, introduction of education standards in social services and integration of people with disabilities in the labour market as well as the general development of their economic activities. Mongolia has not so far

introduced a social care system, with the capacity of existing establishments being completely insufficient. Relying on its expertise in this particular field, the Czech Republic will focus on training programs for social workers who are to assist the disabled as well as socially disadvantaged groups of people.

The Czech Republic will strive to improve awareness of the challenges that are linked to integration of disadvantaged groups, also providing relevant training opportunities to social care workers, particularly at the local level.

4.2.4. Energy generation and supply

The prevailing use of dated technologies and facilities and the resulting low productivity and environmental pollution remain serious challenges for the Mongolian energy sector. By supporting the application of modern production procedures and by introducing new technologies, the Czech Republic will contribute to increasing the competitiveness of the Mongolian industry.

The Czech Republic intends to build capacities for modern management of operations through its support of training centres with equipment and staff training that will facilitate knowledge transfer. The Czech Republic will also promote the introduction of new technologies, standards and know-how.

4.2.5. Business and other services

Following 1990, industrial production in Mongolia has decreased although it still represents an important part of the country's GDP, with the Mongolian government setting the development of export-oriented industrial production as one of its priorities. Within its development cooperation, the Czech Republic will focus on support of small and medium enterprises. This will require an increased availability of processing capacities to small entrepreneurs as well as an improved marketability of their products on the market, which will improve their income.

The Czech Republic is aware that the major hindrance to the export of goods and their marketability on foreign (and particularly European) markets is the absence of the required basic working and technological procedures and standards. The Czech Republic will therefore include the transfer of technologies, standards and procedures within its development activities and improve the capacity building of small and medium sized entrepreneurs for marketing their products, for developing proper business planning skills.

The Czech Republic will focus on promoting economic independency of small and medium entities capable of competing on international scale, thus supporting the local market and creating new employment opportunities.

4.2.6. Agriculture

The activities within Czech development cooperation with Mongolia will contribute to the renewal of production of fruits and vegetables in order to improve availability of the produce to the people of Mongolia. Development intervention in semiarid areas will be linked to

identification of suitable water sources for irrigation. The cooperation will also include support of production and subsequent parts of the food-industry chain (sales support).

Livestock breeding is the main constituent part of the Mongolian agricultural production and economy in rural areas. It is a vital contribution to eradication of poverty and to increased employment levels in the rural areas of Mongolia. As a part of development cooperation, the Czech Republic will participate in the introduction of EU standards and will equally support intensification of livestock breeding, sensible landscape exploitation, prevention of overgrazing, services for shepherds as well as freeze protection.

The continuing desertification caused by the harsh climate, lack of water and insensible exploitation of pastures is one of the serious challenges faced by Mongolia. Through its development intervention, the Czech Republic will support vegetation recovery by promoting the planting of resistant species, taking into account the Green Belt strategic plan of the Mongolian government, and will thus contribute to fighting desertification.

The Czech Republic will aim to create processing units and to achieve their self-sufficiency, competitiveness and sustainability at the local level as well as to support creation/renewal of a distribution network that will enable small- and middle-scale agricultural producers to sell their surplus (i.e. support of the distribution and processing chain). In cooperation with regional authorities, the Czech Republic will attempt to apply the same model in other regions.

Over the last decade, the industrial production of Mongolia has not been immune to the adverse impacts of human activity on environmental ecosystems. Besides that, the harsh climate of Mongolia negatively impacts the life of endemic plant and animal species. Given its unique expertise in the breeding of the endangered Przewalski's horse, the Czech Republic will participate in the effort to save the breed in Mongolia.

4.2.7. Cross-cutting topics

Upon implementing activities in all given sectors subject to development cooperation, the following cross-cutting aims will equally be considered:

- Strengthening capacity of the Mongolian government and transferring knowledge concerning the economic, financial and social transition and the rule of law;
- Supporting creation of a functional and stable civil society, promoting civic initiatives and non-governmental organisations;
- Supporting community development in remote regions;
- Actively supporting gender equality among women (girls) and men (boys), empowerment of women and girls;
- Cooperating and coordinating with other donors;
- Transferring technologies, standards and procedures.

4.3. Geographical focus of the programme

Following the joint assessment of evaluative review and the outcomes of the 2010 programming mission, it has been decided that the Czech Republic will implement a

proportion of its projects in the poor rural areas of southern and western Mongolia, particularly in the sectors of agriculture and social services. The Czech Republic will equally continue the tradition of previous successful projects in energy, water supply and sanitation, business and other services in the capital city of Ulaanbaatar and the Central Province.

5. Technical conditions of cooperation

5.1. Principal actors

The Ministry of Foreign Affairs of the Czech Republic administers development cooperation on behalf of the Czech Republic by creating the Development Cooperation Strategy of the Czech Republic, including selection of priority countries and sectors subject to cooperation. The Ministry of Foreign Affairs is also responsible for preparing cooperation programmes and for securing the funds necessary for the financing of development activities as well as for development cooperation assessment and programme and project evaluation.

The Ministry of Foreign Affairs is the founder of the Czech Development Agency that provides for the identification, formulating, implementation and monitoring of development cooperation projects in accordance with the approved development programme, working closely with the partner country.

The Embassy of the Czech Republic in Ulaanbaatar represents the Czech Republic in relevant coordinating bodies within development cooperation at the general level as well as at the level of specific sectors in Mongolia (and its capital Ulaanbaatar), also contributing to project monitoring.

The Ministry of Finance of Mongolia acts as the main partner of the Ministry of Foreign Affairs of the Czech Republic for the purposes of development cooperation and is responsible for the implementation of the basic development goals.

In identifying, drafting, implementing and monitoring bilateral development cooperation projects, the Czech Development Agency works with individual local recipients of assistance. A Memorandum of Understanding is usually entered into with the relevant Mongolian ministries responsible for individual project sectors.

In drafting this programme, the Czech Republic has also considered the 2009 conclusions delivered by the Joint Committee where Mongolia expressed its interest in receiving support in the sectors of energy, small and medium enterprises, drinking water supply, in continuing hydrogeological surveys and mapping as well as in receiving support in agriculture and the building of social capacities, with special focus on employment of persons with disabilities.

5.2. Implementation conditions

The Ministry of Finance of Mongolia acts as the main partner of the Ministry and the Czech Development Agency for the purposes of development cooperation and is equally Mongolia's main body for the coordination of donors and assessment of bilateral development cooperation.

The Czech Embassy in Ulaanbaatar represents the Czech Republic in relevant coordination bodies of development cooperation at the general level as well as at the level of specific sectors.

The Embassy of the Czech Republic in Ulaanbaatar informs the Ministry of Foreign Affairs of the Czech Republic of the cooperation topics envisaged for the following year as they are suggested by the Ministry of Finance of Mongolia. Following a consultation with the Czech Development Agency, the Ministry of Foreign Affairs of the Czech Republic is to ensure, by the end of the 2nd quarter, the funding necessary for project implementation in the following year.

“The Czech Development Agency carries out identification of topics using the list of topics suggested by the Ministry of Finance of Mongolia. The selected projects (following consultations with the Embassy) are then formulated.” The projects are implemented by administrators (non-governmental organisations, universities, commercial entities, individual experts) identified in cooperation with partner organisations via selection procedures. In order to promote ownership and sustainability of development projects, focus will centre on the involvement of the Mongolian partners in projects, whether via funding, material assistance, sharing of expertise or in any other way.

5.3. Monitoring and evaluation

As a rule the Czech Development Agency, in cooperation with the Embassy, provides twice a year for the monitoring of the projects subject to implementation.

Working closely with the applicable institutions of Mongolia, the Ministry of Foreign Affairs of the Czech Republic carries out evaluation of completed projects (or a group of project from the same sector) and of development programmes. Should the need be, the Ministry of Foreign Affairs of the Czech Republic, in cooperation with the relevant institutions of Mongolia, performs *ex ante* evaluation prior to the commencement of development activities in a new geographical area or priority sector.

The Ministry is also responsible for participating in evaluations performed by other donors as may be reasonably and purposefully required.

The results of evaluations performed by the Ministry in cooperation with the relevant Mongolian institutions will be considered within the subsequent cooperation programmes and within the actual development activities.

This Development Cooperation Programme between the Czech Republic and Mongolia has been designed in 2011 and covers the period of 2011-2017. Half way through the programme period, i.e. in 2014, the programme will be subject to an assessment. The results of the mid-term evaluation will be considered within a document that will adjust and modify the mid-term development cooperation priorities in Mongolia under the current programme until 2017.

6. Summary

The Development Cooperation Strategy of the Czech Republic for the period of 2010-2017 (the Strategy) has put priority countries to the fore of development cooperation. Within the Strategy, the government of the Czech Republic has identified Mongolia as one of the priority countries subject to cooperation programme (thus making it a programme country) due to the existing need for development cooperation and the partner country's ability to pursue it and equally given the achievements of development cooperation to day, the position of the Czech Republic as a coordinator of the donor community as well as due to other aspects of the Czech Republic's foreign policy.

In 2011-2017, development cooperation of the Czech Republic will focus particularly on the following topics of development intervention:

Education

- Supporting decentralisation of education services;
- Linking the education system to the employment policy and vocational training (with respect to agriculture in rural areas);
- Providing regular government scholarships for study programmes in the Czech as well as English language.

Water supply and sanitation

- Cooperating in protection and exploitation of water resources;
- Cooperating in sanitation and waste management.

Social infrastructure and services

- Supporting creation of capacities and standards in social services;
- Providing social and health services to the most vulnerable groups of people, particularly in rural areas;
- Integrating the disabled into the society.

Energy generation and supply

- Introducing new procedures;
- Introducing automatisisation and modern operations management;
- Supporting training facilities;
- Transferring new technologies, standards and know-how.

Business and other services

- Creating new employment opportunities;
- Increasing exports and quality of Mongolian goods;
- Transferring standards and procedures.

Agriculture, forestry, fishing

- Cooperating in livestock and crop production;

- Supporting small- and medium-scale farmers;
- Supporting solutions dealing with imbalanced ecosystem and its adverse effects on agriculture;
- Recovery, reclamation and reforestation.

Cross-cutting topics

- Participating in building capacities of the Mongolian government, stable civil society;
- Promoting gender equality;
- Coordinating activities with other donors;
- Transferring standards and procedures.