

Mongolia

11

**Mongolia Cooperation Fund**

Mongolia became a member country of the EBRD in October 2000. In April 2001 Japan, Luxembourg and the Netherlands became founding contributors to the Mongolia Cooperation Fund (MCF). The fund was designed to enable the EBRD to contribute to Mongolia's development through the provision of technical assistance. These three donor countries jointly approved grant contributions to the fund in the amount of €9.3 million for the period 2001-2006. Recently, Taipei China made a pledge to contribute to the fund during the course of 2003.

The work being carried out under the MCF addresses the country's priority needs consistent with the EBRD's comparative advantages. Mongolia is a low income country (per capita GNP of €320) covering an area three times the size of France, with a population of 2.7 million. Since 1990 the Mongolian government has pursued political and economic reforms, which have succeeded in promoting private investment and growth. Since 1995 private sector value-added has grown by around 50 per cent and today the private sector

accounts for three quarters of economic activity. Mining, livestock and cashmere processing are key economic sectors.

**Mongolia Fund Steering Committee**

To effectively address Mongolia's needs, MCF has been structured as a multi-donor technical cooperation (TC) fund that remains open for other donors to join. Only untied funds will be accepted. TC funding decisions are made with the consent of donor representatives who sit on a steering committee that meets twice a year. EBRD staff also sit on the steering committee. On occasions, officials from Mongolia participate in steering committee meetings.

MCF has a local programme management office in Ulaanbataar, Mongolia.

**Fund objectives**

A priority for the fund is to assist Mongolia in implementing economic and legal reforms, particularly those aimed at creating an open, fair and transparent investment climate and at building stronger institutions. The fund aims to support the establishment, improvement



“All the Mongolia Steering Group agree: the trust fund is a major success story.”

Georges Heinen, Alternate Director, Luxembourg, EBRD

and expansion of private sector activity, particularly small and medium-sized enterprises (SMEs). The fund also assists institutional development in key sectors including infrastructure and natural resources. In all areas of technical assistance, the EBRD transfers the lessons it has learned in other countries of transition to benefit Mongolia.

The activities carried out under the fund are closely coordinated with the assistance programmes of the Asian Development Bank (ADB), International Monetary Fund (IMF), the World Bank and bilateral aid agencies.

#### Technical cooperation activities under MCF

As agreed by the MCF Steering Committee, the following projects are presently under implementation:

##### Aviation sector restructuring

The objective of TC in this project is to develop the aviation sector by improving its overall efficiency through the restructuring of Mongolian International Airlines (MIAT). The project will examine the feasibility of MIAT's privatisation within the framework

of the overall sector conditions. Two TC assignments are under way - a MIAT management contract and a Master Plan for the Mongolian Civil Aviation Authority.

##### Ag Bank restructuring

Ag Bank has been turned into a profitable commercial financial institution with support from the United States Agency for International Development (USAID). The bank was privatised in December 2002. The EBRD has made TC funding available for micro credit advisers who will work closely with the current management in designing and implementing a microbusiness finance strategy.

##### Restructuring of Erdenet Mining Company

The State Property Company is committed to a thorough restructuring process for Erdenet, in order to enhance its competitiveness and profitability. The main objective of the TC assignment is to restructure Erdenet through a productivity increase and environmental improvement. It also aims to increase management efficiency by providing a management information system. A TurnAround Management (TAM) project

was launched to establish a sound foundation for increasing the technical and financial performance of the company.

##### Power sector restructuring

The Mongolian government has taken progressive steps towards power sector reform, including: the adoption of the Energy Law in 2001; the unbundling of the state-owned integrated power utility; improvement in heat and power tariff methodology; and the adoption of a resolution to privatise selected power sector entities. The objectives of the EBRD technical assistance are to assist in the design and implementation of a strategy for private sector participation in the power sector.

Photo: Ohron River, Mongolia

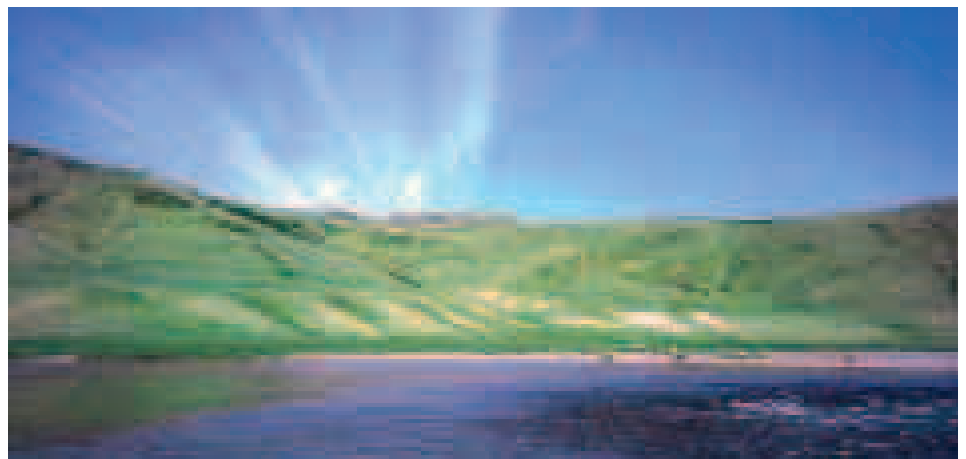
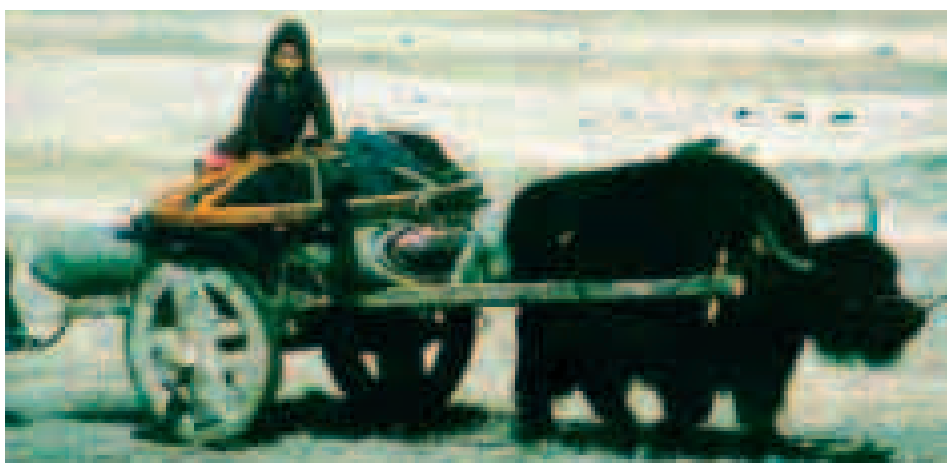


Photo: Rural sector development is a priority in Mongolia



#### Legal Transition

The objective of the TC work in this area is to improve the investment climate in Mongolia by helping to create an investor-friendly, transparent and predictable legal environment. Assistance will be provided to develop legal rules and establish legal institutions, which are essential for a vibrant market-oriented economy. Specifically, the technical assistance will focus on:

- strengthening the legal and regulatory framework for corporate governance and developing a prioritised action plan for the government
- identification and recommendation of legislative, regulatory and practical steps to improve corporate governance.

#### TurnAround Management

The objective of TurnAround Management (TAM) in Mongolia is to restructure enterprises which face difficulties but have good opportunities for improving their technical and financial performance through restructuring. The TAM technical assistance programme is currently providing support to enterprises engaged in industrial bakery and biscuits, tourism, construction material, cement blocks, leather, shoes, tannery, meat processing, animal farming, carpets, electronics and communications (see also Chapter 13).