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FIRST COUNTRY COOPERATION FRAMEWORK FOR MONGOLIA (1997-2001)

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
INTRODUCTION	1 - 2	2
I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE	3 - 11	2
II. RESULTS AND LESSONS OF PAST COOPERATION	12	4
III. PROPOSED STRATEGY AND THEMATIC AREAS	13 - 25	4
A. Management Development and Governance Programme.....	18 - 19	6
B. Poverty alleviation	20	6
C. Environment and natural resource management	21 - 22	7
D. Aid coordination and management	23	8
E. Interlinkages and performance measures	24 - 25	8
IV. MANAGEMENT ARRANGEMENTS	26 - 30	9
<u>Annex.</u> Resource mobilization target table for Mongolia (1997-2001)		10

INTRODUCTION

1. The present document constitutes the first country cooperation framework (CCF) for Mongolia, covering the period 1997-2001. The first CCF was based mainly on the UNDP advisory note, which, in turn, was based on the mid-term review of the fifth country programme. The document also reflects negotiations with the new Government, elected on 30 June 1996. The Cabinet of Government Ministers gave its final approval to the first CCF for Mongolia on 31 October 1996.

2. The UNDP advisory note was formulated on the basis of extensive consultations with pertinent government parties, representatives of the legislative and judiciary branches and various United Nations agencies, as well as members of civil society organizations (CSOs). The preparation of the advisory note also coincided with and benefited from the work carried out for the formulation of the 1997-2001 United Nations Children's Fund (UNICEF) and United Nations Population Fund (UNFPA) programmes of cooperation. The results of other ongoing activities, such as United Nations support for the National Poverty Alleviation Programme and preparations for Mongolia's first human development report were also taken into consideration.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

3. With an area of 1.5 million square kilometres and a population of 2.3 million, 50 per cent of whom are below the age of 21 years, Mongolia is one of the most sparsely populated countries in the world. Nearly one half of the population lives in rural areas, with a livestock population of 28 million. Mongolia's severe climate, geographical spread and limited physical infrastructure make delivery of basic social services a daunting task. In 1990, within the context of transition from a centrally planned system to a market economy, Mongolia initiated far-reaching economic reforms, linked to its overall political and social transformation. While the Government has focused on stabilization of the economy, control of inflation, administrative reform and economic restructuring, the social costs have been high. Efforts to alleviate poverty are necessary to ensure macroeconomic stability and sustained growth with equity.

4. The political reform process has brought in a democratic Government for the first time in 75 years. A complex array of immediate challenges are at hand: the transportation and energy infrastructures are inadequate and/or obsolete; the Government's regulatory and implementing capacity are limited; the commercial banking system has not been reformed; social services have been seriously eroded; the legal framework is not adequately enforced; civil society is weak; and the previous command-based system of economic regulation has left rigid institutional hierarchies and generated forms of social behavior not immediately conducive to community-based initiatives. The new Government's programme of action commits the State to restructuring the economy and to reliance on market forces and private sector development. The overall strategy is to complete the dual aspects of the transition to a fully functioning democracy and a free-market economy.

5. In the area of economic reform, the Government's emphasis will be on the implementation of a medium-term stabilization and adjustment programme supported by a three-year arrangement under the International Monetary Fund Expanded Structural Adjustment Facility. These measures, however, entail further hardship for a significant portion of the population, especially in the short and medium term. Additional lay-offs will result from the restructuring and/or closing of state-owned enterprises and the streamlining of government structures, increasing an already high unemployment rate. Since the economy is growing from a low base, it may take several years before the benefits of the economic reform process become apparent. Only then will the private sector be able to absorb the labour force.

6. The majority of unemployed are women, a particularly vulnerable group. Although the registered unemployed amount to only an estimated 7.5 per cent of the active labour force, this number seriously understates the gravity of the problem. Many first-time job seekers do not register with employment offices, since they are not entitled to benefits. It is estimated that at the end of 1995, the real unemployment rate was more than 20 per cent. With a population growth rate of 1.6 per cent and a labour force growth rate of some 3.5 per cent, approximately 50,000 people will enter the labour market every year for the foreseeable future. Consequently, unless the economy grows by more than 5 per cent annually in the coming years, unemployment and poverty are likely to increase.

7. According to 1996 World Bank figures, based on a weighted national poverty line of about \$17 per month, nearly 36 per cent of the population are poor. The causes of poverty in the transition process can be attributed to: (a) the severe fiscal contraction that has reduced the ability of the State to finance and sustain social programmes; (b) the sizable lay-offs in the public sector; and (c) the privatization of livestock, resulting in an unequal distribution of ownership. From 1990 to 1995, government expenditures within the social sector have declined by 47 per cent in real terms. Of particular concern is the impact in the health and education sectors. Mongolia now spends an estimated 16 per cent of its gross domestic product (some 45 per cent of government expenditures) in the social sectors. This is a relatively high level of expenditure for a low-income country, however, it is insufficient, owing to the country's vast territory, sparse and widely scattered population, and harsh climate, all of which make the delivery of basic services very expensive.

8. In 1994, the Government formulated a comprehensive National Poverty Alleviation Programme (NPAP), to reverse the trend of increasing deprivation and the erosion of human capital. Over a six-year period, using minimum income levels, NPAP proposes to reduce the number of poor to 10 per cent or less of the population. A United Nations Action Plan for NPAP has been formulated to: (a) assist the Government in mobilizing resources to fill funding gaps; (b) facilitate coordination between the Government and donors; and (c) identify high-leverage intervention points where United Nations system capacity and resources can best meet human needs.

9. In terms of impact on living standards, the transition process has had a disproportionate effect on women. Women are losing more jobs than men and they

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have been especially hard hit by reduced access to social services. The 1996 poverty assessment concluded that nearly 60 per cent of those living in female-headed households are poor, compared to a poverty rate of 31 per cent for those living in male-headed households. Following the Fourth World Conference on Women, Mongolia drafted a policy document, endorsed by the National Forum on Women in Development in March 1996, which defines the national agenda for enhancing the status of women in Mongolia and how to ensure their active participation in the development process.

10. With regard to the environment, Mongolia has uniquely diverse and relatively untouched ecosystems. Thus, it is important to guard against the uncontrolled exploitation of natural resources often associated with economic transition. Other concerns are inappropriate grazing patterns and agricultural practices, which place extreme pressure on the land. Close to 90 per cent of Mongolian territory is vulnerable to desertification and land degradation.

11. The Government of Mongolia participated in the United Nations Conference on Environment and Development and endorsed its commitments to sustainable development. The Mongolian Action Programme for the 21st Century (MAP-21) constitutes Mongolia's national Agenda 21 to promote sustainable development. The MAP-21 approach is becoming firmly established in the Government and with local authorities as an effective process to define sustainable choices, goals, targets and standards for Mongolia. The Government signed the United Nations Convention to Combat Desertification in Those Countries Experiencing Drought and/or Desertification, Particularly in Africa, and established a Desertification Action Plan. Likewise, a Biodiversity Action Plan has been prepared.

II. RESULTS AND LESSONS OF PAST COOPERATION

12. The mid-term review of the fifth country programme revealed that the impact of UNDP assistance has been especially significant in areas where it has been used to prepare and implement multisectoral strategic frameworks, such as NEAP and the Management Development and Governance Programme (MDGP). It is also clear that future UNDP support should focus on building capacity at the local level to support national initiatives. Such capacity-building should concentrate particularly on the area of implementation systems and concomitant training of personnel, including key staff of CSOs. Simultaneously, it is necessary to strengthen operational skills and inter-programme coordination, to reinforce links between policy and operational activities. Capacities and policies that were developed during the fifth country programme should now be utilized for downstream and community-level applications. Such work will provide empirical data for the ongoing refinement of national policies.

III. PROPOSED STRATEGY AND THEMATIC AREAS

13. Economic growth is a precondition for effective efforts to address Mongolia's economic and social problems, especially those related to poverty. With considerable natural resources, a solid government commitment to a

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market-oriented policy environment and a well-developed human resource base, there is good potential for economic development. To support growth with equity, activities under the first CCF will bring together a multitude of partners in support of people-centred sustainable development: government authorities at the local and central levels; civil society; UNDP and other United Nations system partners; academia and the private sector; and bilateral and multilateral donors. Thus, the objective of UNDP development cooperation in the country is the formation of a "partnership for progress", comprising a global perspective, backed by local actions, to improve the well-being of the poor.

14. The partnership for progress will focus on three areas of sustainable human development (SHD): governance, poverty alleviation, and environment and natural resource management. Resources will also be allocated to the strengthening of aid management and coordination, and all activities will be designed to ensure their mutual reinforcement within the context of the pertinent national programmes. Assistance in the area of governance will address issues of decentralized participatory development directly relevant to both effective national poverty alleviation efforts and sustainable development measures at the local level. Similarly, by introducing mechanisms for proper sustainable management of fragile natural resources, local governments will build additional capacities to contribute to national poverty alleviation efforts.

15. In the three SHD areas of focus, the national programmes already developed will form the main programming frameworks for UNDP. Resources will be used to leverage a maximum of additional external financing. Also, UNDP will help to coordinate external inputs, to ensure the optimum use of resources. In principle, a multiplier of three will be the objective, i.e., each United States dollar of UNDP resources would attract another three United States dollars, two of which would be from direct cost-sharing. This approach demands that programming concentrate on those initiatives where cross-sectoral, multi-donor cooperation is most feasible and effective. A balance of upstream and downstream interventions will be sought, with upstream interventions focusing on policy formulation, programme management and capacity-building. Downstream interventions will concentrate on grass-roots participatory activities, including readily replicable pilot projects in selected areas. Disaster preparedness, mitigation and management activities will stress community-based approaches as well.

16. In terms of the general public, information will be provided and advocacy will take place in a systematic way. Advocacy will increase public awareness on SHD issues, hence maximizing community support for and participation in the programmes and associated projects. Furthermore, in the partnership for progress of the first CCF, an important feature will be to use appropriate science and technology to enable and empower poor people. Modern information tools such as the Internet will help to connect Mongolians with the latest development issues and with other development practitioners. The Internet will be extended to the province and community levels, wherever the telecommunications allow.

17. Taking into consideration the UNDP areas of comparative advantage and past experience, the overall UNDP contribution is envisaged as: (a) providing impartial advice in sensitive areas; (b) establishing linkages with relevant global and regional initiatives; (c) strengthening the role of the UNDP country office as a service centre for all donors; (d) supporting systematic follow-up to the national processes arising from the major global conferences; and (e) facilitating United Nations system efforts in the area of SHD, as reflected in the United Nations Action Plan for NPAP.

A. Management Development and Governance Programme

18. The current period of political and economic transition entails a difficult and complex process of fundamental change in the structure and culture of governance. In Mongolia, the process has been supported by UNDP and other donors and is now well established. Governance will remain one of the UNDP thematic areas during period of the first CCF, in the form support for the Management Development and Governance Programme (MDGP). Along with the broad issue of governance, concerns such as the legislative system (the Parliament, regional and local legislative bodies) and the judiciary (including administrative law and regional needs) will be addressed. Effective responses to communities by regional and local governance structures will be stressed.

19. UNDP support for MDGP will focus on three areas:

(a) Support for decentralization and effective local governance, whereby UNDP, in coordination with other donors, will concentrate on the formulation and implementation of effective decentralization policies, systems and procedures to increase local-level capacities as required, fostering links with other local development programmes that provide direct assistance to the poor, such as NPAP;

(b) Support for the implementation of the public administration reform, including activities aimed at guiding the process of government restructuring, together with specific measures to introduce operational efficiency and effectiveness;

(c) Support for programme oversight activities, including further development of strategies and policies as required for maximum programme coherence, promoting synergies among the various programme components.

B. Poverty alleviation

20. Mongolia's comprehensive NPAP provides an excellent means for the Government to follow-up the World Summit for Social Development, the Fourth World Conference on Women and other recent global conferences on SHD issues. The institutional framework set up for the programme and the United Nations Action Plan for NPAP make it the logical entry point for SHD activities focused on issues of poverty eradication, gender equality, sustainable livelihoods, employment creation, grass-roots development and long-term human capital formation. UNDP support in the area of poverty alleviation will be targeted at the poorest of the poor and disadvantaged women. Support will build on earlier,

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successful UNDP-assisted interventions, concentrating on the following activities:

(a) Support for the development and strengthening of CSOs and social mobilization at the grass-roots level. UNDP will develop a mix of projects to support direct action at the community level, combined with policy support at the centre, so that successful experiences can be replicated. Establishment of feedback and adjustment mechanisms based on experience will be a key feature;

(b) Continued upstream support for NPAP, with emphasis on strengthening the National Poverty Alleviation Committee and pertinent line ministries in the effective coordination, management and implementation of programme components. Special attention will be given to improving national capacity for poverty analysis and monitoring, with a focus on gender issues, as a means to promote timely policy adjustments. The aim is to ensure that poverty will be addressed as an explicit dimension of all macroeconomic or sectoral policies, at both the central and local levels;

(c) Continued support for the NPAP Women's Development Fund, which was financed by UNDP. The experience gained by the Fund in its first year of operation will be the basis for the definition of follow-up activities. Lessons learned on gender issues will be applied throughout NPAP, and special activities to promote the participation of women in CSOs will be funded. Support for women will aim at improving their access to potable water, basic health services, schooling for children and small credit schemes for productive activities. Links with the UNFPA programme in reproductive health will be established. Likewise, links with UNICEF activities for women and children and World Health Organization work in primary health care will be critical;

(d) Assistance for national experts to work with grass-roots organizations on needs identification and community activism, which will provide field-level links between related activities in poverty, governance and the environment. National professional, volunteer, and, possibly, university student human development workers will be teamed in the field with international United Nations Volunteers (UNVs), for an integrated, area-based approach to poverty in pilot provinces.

C. Environment and natural resource management

21. Special efforts are required to strengthen government capacity to ensure the sustainable use of natural resources and to manage, and, where necessary, protect the environment, in order to minimize the detrimental effects of rapid socio-economic transformation on fragile ecosystems. Simultaneously, initiatives are needed to provide local communities with the knowledge and capacity to both address and anticipate problems that could damage their environment. UNDP will work to build national capacity in environmental legislation and public awareness. UNDP will also support the creation of financial instruments to fund priority environment-related actions, as well as the development of mechanisms to enforce environmental laws. In addition, as a part of MAP-21, UNDP will promote community-based initiatives to demonstrate the viability of sustainable use concepts in addressing environmental issues. These

initiatives will be undertaken in the framework of the Biodiversity and Desertification Action Plans and MAP-21, in cooperation with donors.

22. Specific UNDP-supported activities are summarized below:

(a) Policy support to the Ministry of Nature and Environment and other pertinent government institutions in the development of financial instruments and legal mechanisms aimed at sustainable development at the central and local levels, using MAP-21 as an overall strategic framework;

(b) Policy development and support for the implementation of the Biodiversity and Desertification Action Plans. UNDP core resources will be programmed so as to maximize resource mobilization from the Global Environment Facility (GEF) and other external sources;

(c) Community-based schemes for the introduction of sustainable renewable energy sources in rural areas, with special emphasis on supply to social service facilities. Appropriate technology will be a feature of support.

D. Aid coordination and management

23. External assistance is needed for Mongolia to effectively complete its social, political and economic transition, pointing to the importance of a strong government capacity in aid coordination. Consequently, UNDP will continue its direct support for government aid coordination efforts and related activities, along the following lines:

(a) Strengthening the aid coordination system in terms of management and information systems and in the operationalization of pertinent policies, including specific coordination policies for technical assistance. It is anticipated that the Government will have this capability by the end of the CCF period and that only limited UNDP assistance will be required thereafter;

(b) Supporting the Government in preparing for key donor consultative meetings, which are generally held in Tokyo, under the auspices of the Government of Japan and the World Bank, as well as for sectoral or thematic meetings held within the country;

(c) Helping the Government manage national execution (NEX) by promoting the creation of a NEX Unit, completing the NEX manual and training government staff in procedures;

(d) Supporting the Government in developing a resource mobilization strategy, with special emphasis on resource mobilization for priority national programmes, including MDGP, NPAP and MAP-21.

E. Interlinkages and performance measures

24. The three SHD areas of focus are closely linked with MAP-21 provision of policy advice on a sustainable development structure, MDGP development of operational mechanisms for sound governance, and NPAP provision of direct

support to people in need. In practical terms, all these will come together in the six provinces identified for priority action under the decentralization component of MDGP. The experience gained in integrated area development in six provinces will enable the replication of successful interventions in the remaining 15 provinces of the country.

25. Goals for local area development by the year 2001 in the six pilot provinces are: (a) universal primary education; (b) a reduction of maternal mortality by half, as compared to 1990 figures; (c) 30 per cent female representation in the local hurals (local governments) (10 per cent above the National Programme on Women in Development target); (d) a reduction of poverty to a maximum of 10 per cent below the poverty line (income measure); and (e) environmentally sound management systems in place.

IV. MANAGEMENT ARRANGEMENTS

26. With the experience gained in the fifth country programme, national execution will remain the preferred modality for UNDP-financed projects and programmes. This will allow for the implementation of interventions by private, non-governmental and community organizations, provided that their involvement is in accordance with government policy. A new NEX Unit will progressively build national capacities to achieve close to 100 per cent national execution by the end of the five-year period of the first CCF. At that time, experience with the Mongolian NEX manual will also be reviewed. An overall review of the first CCF is foreseen in mid-1998. In addition, monitoring and evaluation activities will be carried out in each of the areas of focus, throughout the period of the first CCF.

27. Access to appropriate technical expertise and services will be obtained through various implementation modalities, including: United Nations technical agencies; CSOs; academic institutions; the UNV programme (also responsible for administering the United Nations Short-term Advisory Resources programme); and the technical cooperation among developing countries programme. The use of national experts, non-governmental organizations and UNV specialists, including national UNVs, will be the preferred modality for executing community-level activities.

28. For programme planning purposes and in order to ensure that a critical mass of resources will be available to support the objectives indicated above, resource mobilization targets have been established, as a financial management planning tool by which to establish national targets for mobilizing resources from non-core as well as core sources available to the Government (see annex).

29. Keeping an unprogrammed reserve of approximately 5 per cent, it is planned to allocate core resources for new programming as follows: (a) 30 per cent for interventions related to governance and management development, especially in the areas of decentralization and local self-governance, within the context of MDGP; (b) 45 per cent for support activities in the areas of poverty alleviation, non-formal sector employment-generation, the advancement of women, and support for policy analyses, research, monitoring and selected other support interventions, within the context of NPAP; (c) 15 per cent to support environmental and natural resource management activities, within the context of MAP-21 and the Biodiversity and Desertification Action Plans; (d) 5 per cent to support activities for improved aid coordination and management.

30. Core funds are expected to be supplemented by non-core resources, mainly raised through cost-sharing arrangements with various partners. UNDP will continue to support the Government in its efforts to access sustainable development funds within the framework of such multilateral funding mechanisms for the environment as GEF and the Montreal Protocol.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR MONGOLIA (1997-2001)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	(1 633)	
TRAC 1.1.1	7 382	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3	280	Follow up on forest fires/disaster management.
SPPD/STS	654	
Subtotal	6 683 <u>a/</u>	
NON-CORE FUNDS		
Government cost-sharing	500	
Sustainable development funds	7 100	
	of which:	
GEF	6 000	
UNSO	300	
Capacity 21	800	
Third-party cost-sharing	12 000	Based on RMT of \$2.0 to \$2.5 million per year.
Funds, trust funds and other	1 300	
	of which:	
UNV	1 000	
UNIFEM	300	
Subtotal	20 900	
GRAND TOTAL	27 583 <u>a/</u>	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: GEF = Global Environment Facility; IPF = indicative planning figure; RMT = resource mobilization target; SPPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignment from the core; UNIFEM = United Nations Development Fund for Women; UNSO = Office to Combat Desertification and Drought; UNV = United Nations Volunteer programme.