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MULTILATERAL INVESTMENT GUARANTEE AGENCY

**PERFORMANCE AND LEARNING REVIEW
OF THE COUNTRY PARTNERSHIP STRATEGY**

FOR

MONGOLIA

FOR THE PERIOD FY2013-2017

December 16, 2016

**Mongolia Country Management Unit
East Asia and Pacific Region**

**The International Finance Corporation
East Asia and Pacific Department**

The Multilateral Investment Guarantee Agency

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FISCAL YEAR

Calendar Year (January 1 – December 31)

CURRENCY EQUIVALENTS

US\$1=MNT 2,468 (December 1, 2016)

ABBREVIATIONS AND ACRONYMS

AS	Advisory Services	IDA	International Development Association
BoP	Balance of Payments	IEG	Independent Evaluation Group
CA	Current Account	IFC	International Finance Corporation
CLR	Completion and Learning Review	MED	Ministry of Economic Development
CPE	Country Program Evaluation	MIGA	Multilateral Investment Guarantee Agency
CPF	Country Partnerships Framework	MOF	Ministry of Finance
CPS	Country Partnership Strategy	MPP	Mongolian People's Party
DBM	Development Bank of Mongolia	MSME	Micro, small and medium-sized enterprises
DP	Democratic Party	PBOC	People's Bank of China
DPF	Development Policy Financing	OT	Oyu Tolgoi
EITI	Extractive Industries Transparency Initiative	PLR	Performance and Learning Review
FDI	Foreign Direct Investment	SCD	Systematic Country Diagnostic
FSL	Fiscal Stability Law	SLP	Sustainable Livelihoods Project
GDP	Gross Domestic Product	SME	Small and Medium Enterprise
GIS	Geographic Information System	SORT	Systematic Operations Risk-rating Tool
IBRD	International Bank for Reconstruction and Development	WBG	World Bank Group

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**PERFORMANCE AND LEARNING REVIEW OF THE
COUNTRY PARTNERSHIP STRATEGY FOR MONGOLIA**

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**PERFORMANCE AND LEARNING REVIEW
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I. INTRODUCTION

1. **This Performance and Learning Review (PLR) takes stock of progress of the World Bank Group (WBG) Country Partnership Strategy (CPS; FY13-17) for Mongolia, discussed by the Board in April 2012.** The CPS is aligned with the two phases of Mongolia’s Comprehensive National Development Strategy, which are aimed at: (i) first phase (2007-2015) – achieving the MDGs and actively developing the country’s economy; and (ii) second phase (2016-2020) – transitioning to a knowledge-based economy.

2. **While there has been good progress in implementing CPS objectives, and poverty has declined considerably, there have also been considerable changes in the external environment and economic policies.** Those changes include: (i) a slowing economy resulting from lower commodity prices and delayed investments; (ii) policy uncertainty, including enactment (and subsequent amendment) of a restrictive investment law that curtailed foreign direct investment (FDI); and (iii) changes in the organization of the capital budget, which affected selection and execution of public investment projects, including Bank-financed ones.

3. **The CPS was discussed at the Board at a time when Mongolia was the fastest growing economy in the world and only two months before parliamentary elections, which ushered in a political change.** As the CPS acknowledged, its timing required the Bank to maintain flexibility to adjust to changes in government priorities as well as to changes in the economy. This PLR reviews Mongolia’s changing realities and takes stock of CPS implementation thus far. It makes adjustments to the CPS results framework, and highlights some achievements and lessons, which a Completion and Learning Review (CLR), to be prepared in FY18, will document in more detail. This PLR extends the CPS period by six months to December 31, 2017. A Systematic Country Diagnostic (SCD) will be prepared in FY17-18 to inform a new Country Partnership Framework (CPF) to be presented to the Board in FY18.

II. MAIN CHANGES IN COUNTRY CONTEXT

Changes in Poverty Reduction and Shared Prosperity

4. **Mongolia continued to make good progress in reducing poverty during most of the CPS period.** The 2010-14 period saw a 17 percent reduction in poverty—one of the fastest in the world. Poverty declined by 11 percentage points in 2010-2012 and by 5.8 percentage points in 2012-2014 (from 27.4 percent to 21.6 percent at Mongolia’s poverty line of MNT 147,000 per month).¹ Poverty is now only 0.2 percent at the international poverty line of US\$1.90/day.² The 2012-2014 reduction in poverty was highest in the countryside, with the highland region, at 13.2 percentage points, experiencing the sharpest decline. The slowest decline was in urban areas, especially Ulaanbaatar, with only a 3.5 percent reduction, albeit from a lower level. Annex 7 shows key tables and figures on Mongolia’s progress in reducing poverty and boosting shared prosperity.

¹ About US\$73 per month as of July 18, 2016.

² In 2011 purchasing power parity (PPP) prices.

5. **Mongolia also made good progress in increasing shared prosperity with the bottom 40 percent benefitting from economic growth, especially during the beginning of the CPS period.** Mean consumption grew by 6.3 percent per year for the entire population during 2010-14. For the bottom 40 percent it grew by 1 percentage point faster at 7.3 percent. A large share of that growth occurred during the high GDP growth days in 2010-12. Government social transfers between 2011 and 2012 added to high growth in consumption,³ but also contributed to a distribution-neutral pattern of consumption growth. Inequality declined nationwide and in rural areas, but remained unchanged in urban areas (see Annex 7 for more details).

6. **Three major factors explain the drop in poverty during the 2012-2014 period: overall economic growth, agriculture growth, and growing wages.** First, despite the slowdown in 2014, the economy still grew by about 20 percentage points during 2012-14. Since many people in 2012 were just below the poverty line, even moderate growth in income or consumption pushed them above the poverty line. Second, agriculture grew by 36 percent during 2012-14 and was the fastest growing non-minerals sector with the exception of financial services and insurance. Given the higher poverty incidence in rural areas, the pattern of growth was more favorable to the poor. Third, even though non-agriculture employment and real wages stagnated in 2014, they remained above their levels in 2012. Wage income on average remained higher than in 2012 for most people.

7. **Although poverty reduction has been admirable, there remain reasons for concern.** Poverty rates declined between 2010 and 2014, but the trends since that time will not be known until the 2016 household survey results are published in early 2017. As many households were vulnerable, living near the poverty line,⁴ and as the economy has weakened, World Bank simulations currently show that poverty likely increased or at best stopped to decrease.

Changes in the Economic Context

8. **Mongolia's economy has been facing numerous challenges since the beginning of the CPS period with key economic indicators performing below expectations.** The country, which was growing at double-digit rates a few years ago, now faces low growth, looming large repayments of sovereign borrowings, substantial balance of payments (BoP) pressures, and an improving but still unstable investment climate. The sharp slowdown and increasing external and fiscal risks largely reflect external shocks from an unexpected downswing of the commodity market, which has been exacerbated by a sharp collapse in FDI. FDI is expected to pick up again in 2017 due to a planned large mining investment.

9. **Economic growth has slowed sharply to levels well below CPS projections.** The CPS expected Mongolia's economy to grow at double digit rates in line with other projections at the time.⁵ While this was true at the beginning of the CPS period with growth at 12.4 percent in 2012 and 11.7 percent in 2013, growth in 2014 was only half the level anticipated at 7.8 percent instead of 15.7 percent, and further dropped to 2.3 percent for 2015. The economy contracted by 1.6 percent in the first nine months of 2016 and will likely remain weak in the last quarter. With declining mineral exports amid a price drop, the current account deficit persisted, even though the current account deficit

³ Government social transfers in 2011 and 2012 amounted to 7.9 and 6.7 percent of GDP, respectively.

⁴ According to the 2014 poverty data, 10.9 percent of the population had a monthly consumption between 1 to 1.2 times the official poverty line meaning a 20 percent shock in consumption would increase poverty from 21.6 percent to 32.5 percent.

⁵ For example, the IMF's Article IV reports in 2012 and 2013 all predicted growth at or close to double digits.

substantially narrowed in 2015, reflecting tighter economic policies and slower growth. Inflation was also higher than expected and averaged about 11 percent in 2012-2015 instead of the 5 percent forecast due to strong monetary expansion and a sharp exchange rate depreciation. See table 1 for a comparison between the CPS forecasts and actual outturns.

Table 1 Mongolia: CPS medium term forecasts versus actuals*

		2012	2013	2014	2015	2016	2017
Real GDP (% yoy change)	CPS forecasts	15.2	20.5	15.7	9.0	15.5	n/a
	Actual outturns and current forecasts	12.4	11.7	7.8	2.3	0.1	2.0
CPI (% yoy change, eop)	CPS forecasts	12.0	7.0	5.0	5.0	5.0	n/a
	Actual outturns and current forecasts	14.2	12.3	11.0	1.9	3.8	5.0
Fiscal balance (% of GDP)	CPS forecasts	-1.0*	0.5	3.2	1.1	-0.2	n/a
	Actual outturns and current forecasts	-9.1	-10.9	-10.9	-8.0	-19.8	-14.6
Current account balance (% of GDP)	CPS forecasts	-13.6	1.9	6.0	12.0	12.2	
	Actual outturns and current forecasts	-27.4	-25.1	-11.5	-4.8	-6.3	-10.4
Copper prices (2012=100)	CPS forecasts	100	100	100	100	100	n/a
	Actual outturns and current forecasts	100	92	86	69	63	65

*Assumptions include real exchange depreciation of 2% in 2016 and 3% in 2017.

Sources: NSO, IMF, World Bank.

10. **Reasons for the slowdown include a significant decline in commodity prices...** Coal exports, in particular, saw a drastic drop during the CPS period on account of low prices—which more than halved from US\$91 per ton in 2012 to less than \$40 per ton in 2015-16—and subdued demand in China. As a result, coal exports continued to decline by over 30 percent on average in 2013-15. Growth in copper exports also went negative in 2012. They recovered in 2014—thanks to a new copper mine—but declined again in 2015 due to lower prices. The copper price has fallen by 38 percent in 2012-15, and is presently 37 percent below the level anticipated by the CPS. Sharper-than-expected commodity market downswings have translated into consecutive contractions in exports since 2012 except for a brief rebound in 2014 on account of increased copper production from a new mine.

11. **...and a drastic drop in investments.** FDI was low before the discovery of large deposits of minerals, and spiked upwards from the end of the financial crisis in 2009 until 2012. Economic growth during this time was driven by large investments in the mining sector, spearheaded by substantial FDI, particularly in the Oyu Tolgoi (OT) copper and gold mine (Annex 9). FDI plummeted from 45 percent of GDP in 2011 to 1.6 percent of GDP in 2015. The sharp slowdown in FDI was due both to the completion of the first phase of OT, and to prolonged negotiations between the government and Rio Tinto, which controls and manages OT, over OT's second (underground) phase. In addition, FDI slowed due to the enactment of a new foreign investment law, the Strategic Entities Foreign Investment Law, in May 2012.⁶ Finally, the decline in some FDI may have followed the cyclical pattern observed

⁶ The new law required parliamentary approval of investments with majority foreign ownership across many key sectors, which led to a sharp drop in new FDI. A new investment law approved in October 2013 removed the requirement.

in other extractives-intensive countries, as investors consolidated operations to manage the decline in commodities prices. FDI—and with it GDP growth—are likely to gradually rebound in 2017 with the start of OT’s underground mine investment, which is expected to bring about US\$1 billion annually in 2017-20, almost equivalent to 8-9 percent of annual GDP. Accordingly business sentiment while relatively muted for 2015 showed improvements for 2016.⁷ Despite the expected increase in investment, mining earnings are projected to decline in 2016-17 due to weaker demand for commodities, lower prices, and lower grade ores produced by the OT mine.

12. **The government relied on fiscal and monetary stimuli to counter the external shocks from the commodity market downturn and the decline in investment.** Government expenditures in 2013-2014 were significantly higher than expected, at about 40 to 38 percent of GDP, versus a forecast of 32 and 28 percent, respectively. Increased expenditures, along with weaker budget revenues below 30 percent of GDP increased the consolidated fiscal deficit close to 11 percent of GDP in 2014. The deficit was mainly caused by Development Bank of Mongolia (DBM) lending for public investment programs that were not anticipated at the time of CPS preparation. In addition, several generous social welfare programs, including a universal transfer, were implemented but later reduced to the still-expansive Child Money Program providing monthly transfers to all children regardless of family income. Fiscal policy was especially loosened in the run up to the June 2016 election, with the consolidated budget deficit (including DBM) reaching almost 20 percent in 2016.⁸ In 2013-14, Mongolia’s central bank undertook substantial monetary easing via quasi-fiscal lending programs—including a subsidized housing mortgage program—to prop up growth. Such monetary stimuli amid a weaker external environment contributed to maintaining growth in 2012-13, but also exacerbated economic imbalances by raising inflation and causing excessive credit expansion.

13. **As the weak commodity market and low FDI continued due to the weaker-than-expected recovery of the global economy, expansionary policies translated into growing BoP pressures.** According to the CPS forecasts, at the time of higher commodity prices, the current account (CA) was expected to turn into a surplus thanks to increased mineral exports. Due to weaker commodity market conditions, however, the CA remained in large deficit. In 2015-16, the CA deficit substantially narrowed to around 5 percent of GDP on account of subdued domestic demand and lower oil prices. The CA deficit is expected to widen again to 9-10 percent of GDP in 2017 on account of declining mineral exports and a gradual recovery in import demand largely due to a new mining investment in the OT mine.

14. **While Mongolia’s prospects remain positive in the long term, in the short run it faces growing fiscal and external vulnerabilities due to increasing debt.** As a result of the expansionary approach to fiscal management and efforts to shore up international reserves, government debt sharply increased from 43 percent of GDP in 2012 to over 90 percent of GDP in 2016. An April 2015 IMF and World Bank debt sustainability analysis rated Mongolia at high probability of debt distress. Remaining gross international reserves and an available credit from the bilateral currency swap facility with the People’s Bank of China (PBoC) have provided external buffers through 2016. In 2017-18, however, external liquidity risk will remain high due to a repayment of US\$1.08 billion external sovereign and

⁷ An October 2015 report (the latest available) surveyed members of the Business Council of Mongolia, which represents the majority of foreign and national investors, and constructed an index for the “temperature” of business sentiment in Mongolia ranging from +50° C to -50° C. According to the report, the temperature for 2015 was -15° C but expected to improve to +6° C in 2016. Mongolia’s overall risk assessment by the Economist Intelligence Unit stayed constant at 56 (100=most risky) between November 2015 and November 2016.

⁸ This increase was also due to the inclusion of previously off-budget lending programs into the budget.

sovereign-guaranteed bonds that were issued in 2012-2013 on the international capital markets at market rates.⁹ The proceeds of the bonds were planned to be repaid with the increasing mineral export earnings that were anticipated in 2012. This repayment, however, has become challenging due to a sharp deterioration in the external environment since 2013. To ease immediate BoP pressure, the government mobilized additional external financing in March 2016, including a US\$250 million syndicated loan and a US\$500 million sovereign bond.¹⁰ The new external finance helped mitigate the immediate BoP pressures in 2016. However, Mongolia is expected to face further substantial external financing needs in 2017-18 due to the large external debt repayment, equivalent to over 100 percent of remaining gross international reserves.

Changes in the Political Context

15. **Mongolia's political leadership and government organization changed several times during the CPS period as a result of elections and constitutional processes.** Mongolia adopted a multiparty democratic system in the 1990s and the main parties—Mongolian's People Party (MPP) and Democratic Party (DP)—have ruled since 1991, often in rapid succession and sometimes in a coalition (2008-2011). The CPS was finalized in April 2012, only two months before the June 2012 elections after which the DP took over as the plurality party (leading the ruling coalition) from the MPP, which, however, joined the DP in a grand coalition government in late July 2014. Following the presidential elections in late June 2013 and President Ts. Elbegdorj's victory for a second (and last) term in November 2014, parliament voted to dismiss Prime Minister (PM) N. Altankhuyag. Chimed Saikhanbileg, who also served in the Altankhuyag Cabinet, became the new PM, leading a coalition with his own DP, plus the MPP and the Justice Coalition. The coalition lasted until September 2015, when six new ministers from the DP replaced the MPP ministers, thus ending the grand coalition.

16. **New parliamentary elections on June 29, 2016, resulted in a landslide victory for the MPP.** The MPP won 65 of the 76 seats in parliament, a gain of 39 seats since the 2012 election, while the DP won 9 seats, losing 25 compared to the previous parliament. On July 8, parliament nominated MPP's Jargaltulga Erdenebat as the new PM. Their vast majority provides the MPP with a strong mandate to implement their election platform, which, among other things, included various promises to reduce debt and improve management of the economy and increase education and health services. Consultations with government on this PLR confirmed the alignment between CPS objectives and the new government's program.

17. **The establishment of a new ministry for economic development affected the financing and planning of public investments, including Bank-financed projects.** As part of its coalition agreement, the government, following the 2012 election, established a new Ministry of Economic Development (MED). The MED had the responsibility for planning the capital budget, while recurrent expenditure remained with the Ministry of Finance (MOF). The MED was instrumental in borrowing the US\$1.5 billion in bonds mentioned above. The proceeds of the sovereign commercial borrowing were used to fund public infrastructure investments and private sector projects through the DBM, off the government budget. Many of these projects funded by the DBM did not go through the usual planning, preparation, and implementation, which may have affected project quality. The limited capacity of the new MED posed challenges for the broad economic development mandate of the new organization, which was simultaneously managing the new sovereign borrowings, project management

⁹ A US\$580 million DBM bond is due in March 2017 and a US\$500 million sovereign bond is due in January 2018.

¹⁰ Mongolia's external borrowing costs have sharply increased. While the 2012 bond was issued at 4.125 percent, the recent bond was issued at 10.875 percent and the syndicated loan at 7.5 percent.

and planning, and concessional financing, including from the World Bank. As part of a government re-organization in October 2014, the MED was eliminated, with some functions shifting to the MOF and some to the Ministry of Foreign Affairs.

Emerging Development Issues

18. **The past years have underlined the importance of countercyclical policies.** As described above, Mongolia's economy underwent sharp adjustments during the CPS period. While the country's economic prospects remain promising over the medium to long term, given its natural resource wealth, and recommencement of the OT phase-two, it faces substantial macroeconomic challenges in the near term. As revamped foreign capital inflows and improved investor sentiment is expected to support the gradual recovery of the economy in 2017, it would provide a good opportunity to solidify policy reform efforts, which otherwise would come at higher adjustment costs. Reducing the budget deficit and consolidating off-budget expenditures have to remain a priority in the coming years, particularly in light of growing debt and a volatile external environment.

19. **They also underlined the need to improve management of Mongolia's new found resources.** Mongolia's needs for improving infrastructure and services are huge. It is imperative that the resources flowing to the country from extractive industries are used efficiently and effectively. As mentioned above, during the CPS period there has been a worrying trend toward off-budget capital projects, which were not based on a sound macro-fiscal framework and lacked proper allocation efficiency. In addition, there has been a tendency toward generous social welfare programs that are unsustainable and are not targeted at the poor. Lastly, to enable much needed investments in basic urban infrastructure for water, heating, and power, Mongolia needs to embark on end-user tariff reforms to ensure sufficient revenues.

20. **Sharp fluctuations in the economic forecast showed the importance of economic diversification, especially with respect to agriculture/livestock.** While agriculture and mining are the two most important sectors in Mongolia, contributing equally to GDP (15 to 20 percent), agriculture remains the largest source of employment with 34 percent, of which 86 percent is generated by the livestock sector. Livestock also remains the largest contributor to agricultural GDP (between 85-90 percent) and the main livelihood for rural households (around 63 percent of their assets). Small-sized herds (on average fewer than 100 animals), poor quality standards, lack of locally-sourced winter fodder, and animal genetics and diseases, all constrain competitiveness and commercialization of the supply-chain. Pasture management reform will be vital to ensuring long-term sustainable growth and mitigation of desertification in the livestock sector. However, Mongolia also needs to further explore other potential sectors for economic diversification.

21. **Mongolia also needs new ways to tackle poverty, which has become increasingly urban, including by reducing barriers for employment of women.** Due to rapid urbanization, poverty is becoming an urban phenomenon with 56 percent of the poor living in urban areas. In the coming years, issues of urban poverty, particularly integration of rural-urban migrants, improved access to basic services, and increased housing stock in urban areas, will be increasingly important. In particular, the sprawling and uncoordinated development of Ulaanbaatar has led to major challenges and inefficiencies in urban service delivery as well as urban disaster risk management with respect to earthquakes and floods, particularly in *ger* (peri-urban) areas. In addition, as a greater proportion of

poor households in urban areas depend on some wage income, reducing the barriers for women to enter the labor force will be crucial.¹¹

22. **Better targeting of social welfare programs would help strengthen the social safety net especially during an economic downturn.** In 2015 the World Bank carried out a comprehensive review of social welfare programs in Mongolia.¹² It found that while Mongolia has a good delivery mechanism and spends generously on social welfare, the system is extremely fragmented – with 71 social welfare programs under implementation – and lacks a focus on the poor. To make the social welfare program more efficient, small programs need to be consolidated and prioritized to better focus on the poor. In addition, despite a myriad of social transfers, all but one are either universal or categorically targeted, meaning the country does not actually have an effective social safety net that mitigates against loss of labor during the times of economic crisis.

23. **This CPS period also underlined the importance of good governance.** In the civil service there has been an increase in politically-driven recruitment, contributing to a significant increase in attrition rates from 5.2 percent in 2007 to over 13 percent in 2014. This does not only affect implementation of projects, including the World Bank’s (see below), but has an overall negative impact on public management. In addition, some reform efforts have not been successful underlying the need to strengthen the independence of economic policy making.

III. SUMMARY OF PROGRAM IMPLEMENTATION

24. **The WBG over the CPS period continued to carry out well received knowledge work.** As pointed out in a Country Program Evaluation of the Independent Evaluation Group (IEG), further described below, WBG analytical work in Mongolia is relevant, high quality, and widely disseminated. It is well publicized in the Mongolian press, and the views of staff are frequently sought and quoted in the media. IEG highlighted the good engagement with parliament, which is the most crucial decision-making body in Mongolia to influence public policy. For example, the Bank’s semi-annual economic reports are a key communication tool not just with government but also with parliament and civil society. They provide updates on economic trends, but also discuss openly needed improvements in economic policy, including the need to refrain from pro-cyclical policies. In August 2016, the Bank also presented the new government with a set of well-received policy notes on key topics ranging from macroeconomic and fiscal management to the business environment, and key sector such as agriculture, education, and health. Another important knowledge product during the CPS period was the 2015 Public Financial Management (PFM) Performance Report, the first assessment of Mongolia’s PFM system using the Public Expenditure and Financial Accountability (PEFA) framework. Annex 6 presents the Bank’s analytics and technical assistance program.

25. **The 2015 IEG Country Program Evaluation (CPE) for FY05-13 commended the Mongolia country program for its comprehensive support to Mongolia’s mining economy.** The CPE highlighted the fact that the WBG recognized the centrality of mining to Mongolia’s economy and focused its strategy on addressing mining-related challenges. According to IEG, this proved critical for forging the credibility of the WBG and positioning it as a strategic development partner. IEG considers the Bank’s performance as satisfactory and its program as overall effective. In terms of results on the ground, IEG assessed Bank projects to have a highly satisfactory impact in improving

¹¹ Over 2010-2014, labor force participation for men and women increased to 63 percent while unemployment declined from 10 to 8 percent. But labor force participation among women is still low at just 59 percent in 2014.

¹² *Review of program design and beneficiary profiles of social welfare programs in Mongolia.* World Bank 2015.

rural livelihoods and reducing herders' vulnerability. The CPE also rated as “moderately satisfactory” WBG results for (i) enhancing diversification and private sector development, and (ii) strengthening the financial sector. IFC contributed to these results through investments in the banking sector to help boost access to finance, particularly for micro, small and medium-sized enterprises, and financing for other services sectors (hotels, hospitals, telecom) as well as agribusiness.

26. **Portfolio performance improved over the CPS period, but effectiveness delays, slow implementation start-up, and low disbursements require further attention.** The size of the portfolio decreased over the CPS period from 15 projects in FY12 (US\$231 million commitments) to 9 projects (US\$184 million commitments) today. The highest number of problem projects was during FY13, with 4 out of 13 projects performing unsatisfactorily. As of November 2016, the portfolio has only one problem project. Annex 8 shows the portfolio performance trend over the CPS period. Key performance issues that require further attention are:

- **Effectiveness delays.** Effectiveness takes relatively long due to a requirement for parliamentary review and/or approval. The Sustainable Livelihoods Project 3 (SLP3; US\$23.5million), SMART Government for (US\$19.4 million), eHealth (US\$19.5 million), and Education Quality Reform (US\$30 million) were approved by the Bank's Board in June 2014 but took 13-14 months to become effective. This is not an issue that is particular to the Bank as other development partners' (DPs) lending projects can take even longer to become effective for the same reasons.
- **Slow implementation start-up.** Some projects have encountered problems and delays in setting up project implementation units to start project activities. Some (e.g., SLP3) experienced high turnover and delays in the hiring of key project staff following political changes, while others (e.g., e-Health) faced high turnover in counterpart ministries and thus had to repeatedly rebuild ownership.
- **Low disbursements.** Effectiveness delays and slow implementation start-ups are the key culprits for low disbursements. While the average disbursement ratio over the first half of the CPS period (FY12-15) was 25 percent, the FY15 disbursement ratio dropped to 10 percent on account of the four projects mentioned above that constitute 60 percent of total commitments. However, FY16 disbursements already increased to 13.3 percent.

27. **The political cycle impacted CPS implementation.** As mentioned above, the CPS was finalized only two months before a change in government following the June 2012 elections, a risk recognized by the CPS. As discussed below, the overall program achieved many of its objectives, although the indicative lending program proved difficult to deliver fully and without delays. One challenge to the Bank's lending program was, as described above, re-orientation of the government's approach to development led by a new MED that needed time to and experience to build capacity. Investment projects that MED planned through the DBM with non-concessional financing—with 10 percent of GDP of commercial debt added in 2012 from zero the year before—occupied much of the ministry's attention.

28. **The indicative CPS IDA/IBRD financing program was only partially delivered as planned.** As shown in Annex 4, out of 12 planned IDA/IBRD projects only 6 (50 percent) were fully delivered. It should be noted, however, that among the “dropped” projects were two additional financings for ongoing projects, one IBRD project, and one project on social protection administration, which is supported through technical assistance instead. Moreover, the follow-up to the Index-Based Livestock Insurance project was only dropped as a Bank project—it has been institutionalized, fully financed by the Government, and no longer requires Bank financing (see further below). Only the

dropping of one project on urban service delivery resulted in the need for an adjustment in the CPS results framework further described below and in Annex 2. In addition, the program brought in two projects not in the CPS' indicative list: the Education Quality Support Project, and Additional Financing for the Mining Infrastructure Investment Support (MINIS) Project.

29. **The weakening economy led to a renewed interest in the possibility of Development Policy Financing (DPF), which at first did not materialize.** In FY15, as Mongolia's macroeconomic situation significantly worsened, the new government, which took power after a no confidence vote on the early government, expressed a strong preference for Bank support to shift to DPF. A January 2015 Bank mission laid out a program of suggested policy actions that could form the basis for a policy-based financing program. The then-government largely implemented those actions, including: (i) inclusion of formerly off-budget expenditures of the DBM in the budget; (ii) a new fiscal stability law, which requires that the budget deficit to GDP ratio be contained within five percent in 2015 and less than two percent by 2018; and (iii) tighter monetary policy. However, the government did not agree to go a step further and to put in place an externally-monitored program of reforms to reduce macroeconomic vulnerabilities. After several large sovereign borrowings, it decided to try to work through the difficulties without support from a coalition of International Financial Institutions (IFIs) that the Bank thought was needed.

30. **Following the elections, the new government requested World Bank DPF in addition to IMF support.** In an August 2016 letter to the Bank, the government requested Bank DPF to address macroeconomic challenges and prepare for the over \$1 billion in repayments due in 2017-18. A first DPF identification mission took place in November 2016. The DPF program will be aligned with an Economic Stabilization Plan (ESP) drafted by government with the key goal to sharply reduce the fiscal deficit over the next few years. An IMF staff visit took place at end-October 2016 to hold a first round of discussions on an IMF program. During that visit, common policy views that could become part of an IMF-supported economic and financial program were developed in many key areas. Requests for budget support were also made to other Development Partners, which indicated they would seek a coalition with the IMF and the World Bank to provide support. IBRD financing, which the CPS had anticipated but Mongolia had not yet been requested, will be available for the DPF.

31. **In early 2016, the government and the Bank agreed on several IDA17 projects which are fully aligned with CPS objectives.** Annex 5 presents the planned FY17 operations, which are: (i) an export development project, approved in early July 2016, to support Mongolian small and medium enterprises (SMEs) in the non-mining sectors in diversification and expansion of their export products; (ii) an energy project to improve reliability of and access to electricity services and revenue collection in select regional distribution utilities; (iii) an employment support project to address urban unemployment; (iv) a follow-up to earlier and ongoing governance and multi-sector technical assistance projects to enhance government capacity for policy making, regulation, and implementation in the fiscal, social, and financial sectors, as well as improved governance; (v) an economic management support operation DPF already discussed above. All operations are aligned with CPS objectives. They do not trigger any CPS adjustments since all, except for the employment support project and the economic management support operation, were part of the indicative financing program of the CPS or are follow-ups to ongoing operations. Discussions on an IDA18 pipeline are ongoing.

32. **During the CPS period (FY13-16), IFC made a total of US\$558 million in long-term finance investments and mobilized US\$1,622 million.**¹³ These investments highlight a significant increase from IFC’s cumulative investment (and mobilization) of around US\$250 million from FY97 (IFC’s first operational year in Mongolia) to FY12. They span 13 projects across diverse sectors such as mining, banking and SME finance, hotel and real estate, hospital, telecom, windfarm, and dairy. The main increase came from IFC’s US\$400 million own account investment in OT committed in December 2015. Also, MIGA provided its largest ever guarantee of US\$1,000 million in support of the OT project during the CPS period.

33. **IFC also secured donor funding to provide Advisory Services (AS) in Mongolia, with total AS spent over FY13-16 (as of April 30, 2016) totaling US\$5.9 million.** IFC’s AS portfolio in Mongolia during the period grew from US\$5.3 million to US\$8.6 million. Within various business lines it currently comprises: (i) Trade and Competitiveness (Mongolia Business Inspections Reform); (ii) Finance and Markets (Mongolia Secured Transactions Reform); (iii) Sustainability (Sustainable Finance Initiative); (iv) Corporate Governance; (v) Infrastructure and Natural Resources (Multi-stakeholder Water Management in Mining); and (vi) Cross-Industry Advisory Services (2030 Water Resources Group East Asia).

Progress toward CPS Objectives and Outcomes

34. **The FY13-17 CPS has made good progress on its seven CPS outcomes.** Progress toward indicators and milestones is detailed in Annex 3. Out of 19 outcome indicators, 12 (two thirds) are either achieved, partially achieved, or on track; only 1 is labeled “watch”; and 6 will be dropped. The relatively large number of dropped indicators is due the expected contribution to the results framework from projects that were planned but did not materialize. Out of 38 milestones in the CPS Results Framework, 53 percent have been achieved or partially achieved and another 18 percent are on track for achievement by the end of the CPS period. The rest were dropped because no direct contribution of the Bank’s engagement to milestones could be established.

35. **But progress could have been better and more ambitious.** Most of the progress was thanks to projects in the portfolio at the time of CPS design. Most new operations, due to their late effectiveness and implementation issues described above, are yet to achieve strong results. In some areas—for example the CPS ambition to contribute to increased poverty-targeted benefits further described below—had to be scaled down and made less ambitious. In addition, one key milestone on improving management of the economy, i.e., implementation of the Fiscal Stability Law (FSL), was not achieved. A Completion and Learning Review (CLR) in FY18 will provide more details on the Bank’s achievements and shortcomings during the CPS.

Pillar 1: Enhance Mongolia’s Capacity to Manage the Mining Economy Sustainably and Transparently

36. **The WBG during the CPS period supported Mongolia in improving its regulatory environment, institutional capacity, and infrastructure for world class mining.** As mentioned above, the IEG CPE commended the Mongolia country program for its comprehensive support to Mongolia’s mining economy. The Bank’s initial focus on foundational work on the mining sector

¹³ This excludes around US\$60 million in short-term trade finance under IFC’s Global Trade Finance Program, and the US\$1 billion mobilized from MIGA for the OT project.

ultimately allowed IFC and MIGA to successfully complete the OT project financing. Accordingly, the WBG Mongolia program under the CPS focuses on all aspects of mining, including getting mining assets ready for tender but – perhaps most importantly – supporting feasibility studies with a strong focus on the social and environmental aspects of mining. In addition, the WBG has been supporting Mongolia to put in place regulatory and institutional frameworks, benchmarked against good international practices, to manage the country’s mining resources both transparently and sustainably. With support from a Bank-financed project, Mongolia’s first national mining policy was adopted in 2014 and improved systems for managing mineral rights were launched in 2015. With Bank support, Mongolia became fully compliant with the Extractive Industries Transparency Initiative (EITI) in 2010. It is currently working on complying with additional requirements that EITI adopted in 2013.¹⁴ Past Bank studies recommended options to address environmental impacts from mining projects. Following up from these findings, an IDA-financed project supports the preparation of feasibility studies for infrastructure projects, as well as environmental and social impact assessments. It also helps to build local capacity to plan and prepare infrastructure projects.

37. In addition, the WBG continues to support Mongolia in designing and implementing policies and systems for improved management of public revenues and expenditures. As mentioned above, policy dialogue around the planned 2015 DPF led government to implement policy actions in this area. In addition, the Bank’s technical assistance supported Mongolia’s formulation and implementation of economic policies. The dissemination of semi-annual economic updates and well as other high-quality knowledge work stimulated public debate. While their actual impact is difficult to measure, anecdotal evidence from government donors and other counterparts suggest the high value of these reports and thus their impact on public policies.¹⁵ Going forward, the Bank will put more emphasis on capturing its contribution to Mongolia’s macro and fiscal policies.

38. An area with mixed progress was on the improvement of public investments. This area posed a special challenge during the CPS period. As mentioned above, Mongolia raised significant amounts of finance from international markets. The money was channeled into investment projects through the DBM and outside the budget. This approach enabled the projects to avoid government procurement requirements and the restrictions in the FSL. The WBG continuously raised concerns through its policy dialogue, economic reports, and various public events, but it is fair to say that public investment management saw only modest improvements during the CPS period. The policy dialogue surrounding the Economic Management Support mission helped to bring much of the off-budget capital spending on budget, and recent analytical work, requested by the MOF, focused on the risks associated with some forms of PPP spending being undertaken by the government. In addition, the MINIS project helped support proper management of the preparation of large infrastructure projects needed to support the mining economy. These successes notwithstanding, public investment planning often remains weak and inefficient.

Pillar 2: Build a Sustained and Diversified Basis for Economic Growth and Employment in Urban and Rural Areas

39. The WBG provided support to enhancing Mongolia’s investment climate and financial intermediation. IFC made good progress in supporting the banking sector – via investments and AS

¹⁴ The new requirements require disaggregation by company and region, information on social investments, and disclosure of licenses and contracts

¹⁵ For example, following the dissemination of a study on land administration in Ulaanbaatar in 2015, the city government began auctions of publicly held land. An initial auction brought 4.4 billion MNT in revenue.

– to expand access to finance, especially to micro, small and medium-sized enterprises (MSMEs). Moreover, IFC is helping establish a moveable collateral registry that will further improve access to finance for MSMEs. According to *Doing Business*, there has been progress in reducing administrative burden and costs for the private sector, the only indicator along which the CPS measured progress under this outcome. Mongolia is ranked 64 out of 190 in the 2017 *Doing Business* report and its performance improved over the CPS period.¹⁶ Going forward, a new intervention will improve access to export finance products and services for Mongolian exporters, as well as tackle insolvency reform. In addition, the Bank will provide a technical assistance program to support a more diversified financial system, which is as prerequisite for a more diversified economy.

40. **In addition, the WBG continues to support the creation of opportunities in the rural economy for enhanced livelihoods.** As mentioned above, agriculture makes the largest contribution to employment. Analytical work in 2014 and 2015 therefore focused on improving agriculture productivity, and hence incomes, through studies on agriculture productivity and marketing, improving public expenditure in agriculture, assessing agriculture risk, reviewing agricultural subsidies, and agriculture research and extension. Among other things, this work contributed to the 2015 national state policy on food and agriculture. The Bank also contributed to rural incomes more directly by supporting a microfinance development fund at *soum* (district) level and providing direct support to famers to increase productivity of livestock and horticulture.

Pillar 3: Address Vulnerabilities through improved Access to Services and Better Service Delivery

41. **The Bank supported a new social welfare management information system and national database of households for targeting the poor.** The social welfare law was amended in January 2012 to introduce a poverty targeted benefit. However, following the June 2012 elections, the poverty targeted benefit was not implemented. Instead, government resumed a universal Child Money program that was first implemented in 2005-10. But the Bank nevertheless supported putting in place the necessary infrastructure for improving the targeting of welfare benefits. It supported the establishment of an integrated management information system for social welfare benefits (and beneficiaries) as well as the establishment of an integrated household database based on proxy means test.¹⁷ While the usage of the database is still somewhat limited, it is nevertheless expanding.

42. **With universal access to primary education almost achieved, the Bank under the current CPS focuses on teaching quality and learning outcomes.** Early grade reading and math assessments are aimed at reducing learning gaps within the classroom and across regions of Mongolia and to inform interventions to improve teaching quality. School grants seek to strengthen schools' planning capacities, while another project works at strengthening parents' engagement and building the capacity of local stakeholders to monitor school performance and to engage in local education budget processes. In addition, an ongoing sector study confirms large inequities in access and quality of preschool education across Mongolia. A key concern is the low school preparedness of herders' children. The Bank supported a successful pilot in providing home-based schooling for herders' children, which could be scaled up.

¹⁶ Mongolia's "Distance to Frontier" measure in *Doing Business* improved from about 61 to 68 over 2013-2017 (0 represents the lowest performance and 100 represents the "frontier", i.e., the best performance observed on each of the indicators across all economies in the *Doing Business* samples since 2005).

¹⁷ The database later became an inter-sectoral database to be used not only for the targeting of welfare benefits but also for government services in other sectors including health, education, and energy.

43. **Bank activities have also been successful in improving the quality and availability of water services for the *ger* areas around Ulaanbaatar.** In addition, a Bank study assessed the performance, quality, and equity of service delivery in Ulaanbaatar and established benchmarks and identified priorities for improving policy and planning. Also, in 2011-2014, Bank support allowed about 16,900 people in the most vulnerable *ger* areas to earn additional income by constructing community facilities that benefited over 34,660 people.

44. **There has been good progress on the, albeit daunting, challenge to reduce air pollution in Ulaanbaatar.** Following rapid economic and population growth, air pollution in Ulaanbaatar is today among the highest in the world. Over the CPS period, the Bank, together with other donors, has made a significant contribution to reducing fine particulates pollution in *ger* areas. Improved low emission stoves were distributed to 90 percent of households and led to 10-15 percent reduction in peak particulate matters. Nevertheless, air pollution remains a major problem and cause of concern of the population.

45. **Finally, the Bank contributed to reducing Mongolia's vulnerability to natural disasters and helped put in place a highly innovative livestock insurance scheme.** The Bank helped design and implement an index-based livestock insurance program—one of the first in the world—that enables herders to purchase insurance against loss of livestock due to extreme weather events, including *dzud* (extreme winters). The project closed during the CPS period after almost 10 years of implementation and managed to build a crucial market for livestock insurance, attracting the interest of herders and private insurers. Perhaps the biggest success is that the government agreed to institutionalize the program by establishing its own reinsurance agency. In addition, the Bank supported strengthening disaster risk management in Ulaanbaatar, including (i) a flood risk management strategy, investment plan, and GIS-based hazard and vulnerability map, and (ii) a seismic vulnerability assessment of public school buildings including the prioritization and development of options for strengthening and retrofitting.

46. **The FY13-17 CPS put a strong focus on gender as a cross-cutting area.** Gender-focused studies include the 2016 poverty assessment as well as Bank studies on gender disparities in the labor market, social impacts of mining, and Bank support to the 2013 Mongolia Country Gender Action Plan. Gender is mainstreamed as much as possible across Bank operations with greater emphasis in operations that can yield a direct gender impact, such as the sustainable livelihoods program and the livestock and agriculture marketing project.

IV. EMERGING LESSONS

47. **Align with the political cycle.** The fact that the CPS was approved only two months prior to elections complicated the WBG's dialogue and caused some slippages in the financing program. The new CPF will be prepared in FY18, after the June 29, 2016, elections, and will be based on consultations with the new authorities.

48. **Focus on high quality analytical work.** The high quality of its analytical work helped the WBG to remain a respected counterpart even with a lack in demand for IDA or IBRD financing. The WBG will continue to focus on high quality analytical work as a foundation of its dialogue.

49. **Be selective and act as a catalyst.** Given the relatively small amount of IDA and IBRD resources available, the Bank will have to become more creative in leveraging resources. The new CPF will explore options for better leveraging of WBG and other resources, including from other development partners or the private sector. This will also include exploring of new financing instruments, including potentially DPFs or IDA/IBRD guarantees.

50. **Remain flexible.** As pointed out by IEG, flexibility is especially important in resource-rich countries given the potential for price shocks and the variability in revenues, which can result in quickly shifting government priorities. The past years have proven this to be true in the Mongolia context as shown by the weaker than expected economic performance and changes in the political dynamics. Going forward, the WBG will have to continuously adjust to changes in the country context.

51. **Address governance challenges.** Challenges in the institutional environment—including high attrition and rotation in the civil service—continue to impact the Bank’s dialogue and project implementation. The new CPF should reflect on ways to creatively address governance challenges.

V. ADJUSTMENTS TO COUNTRY PARTNERSHIP STRATEGY

52. **Given the changes in Mongolia’s economy, the program was adjusted to provide support to the new challenges.** As described above, Mongolia’s economy was confronted with various unforeseen difficulties and continues to face several macroeconomic risks. The Bank’s program adjusted to those changes in the country context. As mentioned above, it engaged with government on potential DPF and helped to articulate needed policy changes. The Bank’s policy dialogue and analytical support—including an ongoing public expenditure review, debt management performance assessment, and a study on contingent liabilities—continue to be squarely aligned with helping to address Mongolia’s macroeconomic economic challenges. In addition, the Bank continues to stand ready to engage with government on the possibility of policy-based lending in a coalition with other development partners, including the IMF.

53. **The CPS recognized that changes in the economy could affect macroeconomic stability and therefore left room for such program adjustments.** While the CPS pointed out Mongolia’s bright medium-term prospects, it also warned of a repeat of the boom-bust cycles of the past and specifically pointed out the need for prudent fiscal and debt management as well as, in the long run, economic diversification. The program adjustments therefore fit within the support anticipated under CPS pillar 1: Enhance Mongolia’s capacity to manage the mining economy sustainably and transparently. CPS objectives in general were well articulated and despite some slippages in the program they still adequately describe the Bank’s focus. They also continue to be in line with Mongolia’s development needs. The new CPF will potentially adjust the WBG’s objectives depending on the priorities of the new government.

54. **The magnitude of financing required to bring macroeconomic stabilization through an IMF-supported program will be substantial.** Even combined with sizable commitments from other partners such as the Asian Development Bank and Japan, the amount of financing that can be mobilized under the current IBRD and IDA envelopes will be insufficient to meet Mongolia’s significant financing needs. The actual volume of IBRD lending will depend on how the program performance evolves in the course of the CPS, continued government interest in IBRD financing, and on IBRD’s lending capacity and demand from other borrowers. Management is exploring options for expanding

the overall WBG support to Mongolia, including through the IDA Crisis Response Window in response to the sharp decline in commodity prices, provided Mongolia meets the eligibility criteria.

55. **The CPS will end on December 31, 2017, after which a new CPF will take effect.** As outlined above, over the course of FY17-18, the Bank team will be working on a Systematic Country Diagnostic (SCD) followed by a new CPF to cover FY18-22. Given the recent elections, this timing is considered optimal to align the Bank’s strategy with the priorities of the incoming government.

56. **The results framework lacked a consistently coherent link between indicators and milestones.** Indicators and milestones overall did not well represent the entirety of the WBG program with key interventions missing while also listing indicators for projects that never materialized. Some outcomes had numerous indicators to demonstrate progress, while other major areas – e.g., on economic diversification – were supposed to be measured by progress on only one indicator, e.g., Mongolia’s *Doing Business* ranking. No sources were provided making it very difficult to assess progress.

57. **Based on these shortcomings and the slippages in the program, the PLR makes some adjustments to the results framework.** As mentioned above, this mainly includes dropping indicators and milestones for which no Bank contribution could be established. The revised results framework is presented in Annex 1.

VI. RISKS TO THE CPS PROGRAM

58. **The risks to the program are substantial overall.** The summary risk table (see below) uses the Systematic Operations Risk-rating Tool (SORT).¹⁸ Several of the risks identified in the CPS, including political, macroeconomic, and implementation risks, have materialized during the first half of the CPS period and will continue to affect the program going forward.

Summary Risks (H: High; S: Substantial; M: Moderate; L: Low)

Risk Categories	Rating
1. Political and governance	S
2. Macroeconomic	H
3. Sector strategies and policies	M
4. Technical design of project or program	M
5. Institutional capacity for implementation and sustainability	S
6. Fiduciary	S
7. Environment and social	M
8. Stakeholders	M
Overall	S

59. **Political and governance risks are substantial.** As outlined above, political and governance risks have materialized during the CPS period. They range from difficulties in engaging with government on the planning for new Bank projects to political interference in the implementations of

¹⁸ A definition of risks and a rating guide is provided in the SORT Interim Guidance Note, available at: http://www.worldbank.org/content/dam/Worldbank/document/SORT_Guidance_Note_11_7_14.pdf.

ongoing operations. These interferences can undermine implementation capacity, fiduciary controls, and sustainability. An improved alignment of the WBG strategy with the political cycle as envisaged for the new CPF should help mitigate against some of these risks.

60. **Macroeconomic risks are high.** Among other things, these risks impact the investment climate, critical for Mongolia's FDI-dependent economy. As the CPS period has shown, Mongolia remains highly vulnerable to boom and bust cycles. The country's fiscal and debt situation is difficult and will have to be managed carefully.

61. **Other substantial risks include implementation capacity and fiduciary.** Mongolia has shown that it has the capacity to implement successful projects, including many supported by the Bank. As its needs become increasingly more complex, it will have to increase its capacity to implement projects and improve the management of financial resources.

Annex 1: Updated CPS results matrix

CPS Outcomes	Milestones	WBG Program
Pillar 1: Enhance Mongolia's Capacity to Manage the Mining Economy Sustainably and Transparently		
1.1 Supporting development of a regulatory environment, institutional capacity, and infrastructure for world-class mining		
<p><i>Indicator 1:</i> Number of public/PPP mining-related infrastructure assets ready for tender Baseline: 0 (FY12) Target: At least 2 (end-2017)</p> <p><i>Indicator 2:</i> Number of infrastructure feasibility studies carried out financed by the WBG Baseline: 0 (2012) Target: 7 (end-2017)</p> <p><i>Indicator 3:</i> Aimag-wide management and monitoring plans for groundwater use prepared and in use (cumulative) Baseline: 0 (2012) Target: 3 aimags (end-2017)</p>	<ul style="list-style-type: none"> • Completed development of a model of community development agreement for responsible mining • Completed consultative process to develop new mineral law • Completed development of a model mineral investment agreement appropriate for responsible mining development • Supported enhanced corporate governance of state-owned mining interests • Supported enhanced government capacity to assess and prepare investments in infrastructure • Completed a Strategic Environmental and Social Assessment (SESA) focusing on the mining sector including gender dimensions • Pilot institutional structure for groundwater management established and functioning with appropriate staffing 	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> • Mining Infrastructure Investment Support (MINIS) Project (FY11) • IFC: Oyu Tolgoi Project Finance • MIGA Guarantee: Oyu Tolgoi <p>Indicative Financing:</p> <ul style="list-style-type: none"> • MSTAP and GAP follow-on (FY17or18) <p>Key Ongoing and Indicative AAA:</p> <ul style="list-style-type: none"> • Fiscal Risk Assessment including contingent liabilities and PPP (FY16-17) • IFC Advisory Services: South Gobi Water-Mining Roundtable (voluntary code of practiced signed by 8 companies) • IFC Advisory Services: Corporate Governance Assessment for Erdenes Mongol (EMGL)
1.2 Supporting a more robust, equitable, and transparent management of public revenues and expenditures		
<p><i>Indicator 1:</i> Percentage of citizens satisfied with the mechanisms and outcomes of Community Initiative Fund investment Baseline: (FY12) Outcomes: 85% Mechanism: 86% Target: (2013 end of SLP2) Outcomes: Remains above 80% Mechanism: Remains above 80%</p>	<ul style="list-style-type: none"> • Implemented Fiscal Stability Law: (i) structural deficit of less than 2% of GDP by 2013; (ii) government expenditure growth limited to non-mineral GDP growth by 2013; and (iii) Net Present Value of debt to GDP ratio of 40% by 2014 • Improved EITI Mongolia's scope and the quality of revenue data • Expanded EITI's outreach to civil society and parliamentarians • Municipality of Ulaanbaatar adopts an improved budgeting system 	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> • Multi-sector TA Project (FY10) • Sustainable Livelihoods 3 Project (FY13) <p>Indicative Financing:</p> <ul style="list-style-type: none"> • Economic Management Support DPF (FY17) • MSTAP and GAP follow-on (FY17or18) • MIGEP Grant for EITI support (FY17) <p>Key Ongoing and Indicative AAA:</p> <ul style="list-style-type: none"> • Programmatic Economic Updates (Continuous) • Public Expenditure Review (FY17) • Contingent Liabilities Study (FY17)
Pillar 2: Build a Sustained and Diversified Basis for Economic Growth and Employment in Urban and Rural Areas		
2.1 Enhancing the investment climate and financial intermediation		

CPS Outcomes	Milestones	WBG Program
<p><i>Indicator 1:</i> Average number of days to comply with business regulations Baseline: 12.6 (FY12) Target: 10 (end-2017)</p>	<ul style="list-style-type: none"> Established movable collateral registry Adopted action plan for consumer protection in the financial sector Improved corporate governance of IFC bank investments Implemented International Financial Reporting Standards in some of the public-interest entities supported by IFC 	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> Multi-sector TA Project (FY10) IFC Investments in systemic banks including mobilization, in Khan, Xac, Golomt and TDB banks <p>Indicative Financing:</p> <ul style="list-style-type: none"> Second Energy Sector Project (FY17) Export Development Project (FY17) <p>Key Ongoing and Indicative AAA:</p> <ul style="list-style-type: none"> F&M: Programmatic Financial Sector Support (FY16) IFC Advisory Services (Now T&C): Inspection Services IFC Advisory Services (Now F&M): Secured Transaction Reform (moveable collateral registry) IFC Advisory Services: Corporate Governance IFC Advisory Services: Capacity building for systemic banks (Xac, Khan, Golomt) in core banking, SME, risk management
2.2 Creating more opportunities in the rural economy for enhanced livelihoods		
<p><i>Indicator 1:</i> Number of loan beneficiaries from the Microfinance Development Fund at <i>soum</i> level and below Baseline: 29,133 (2008) Target: 39,330 (2013)</p> <p><i>Indicator 2:</i> Increase in household income in project areas from livestock and in selected cases horticultural products Baseline: 0 (2013) Target: 20% (end-2017)</p>	<ul style="list-style-type: none"> Reviewed agricultural price support and subsidy policies Supported new financial products including loan guarantee funds to address collateral shortfalls Drafted Food Security Law 	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> Livestock and Agricultural Marketing Project (LAMP; FY13) Sustainable Livelihoods 3 Project (FY13) IFC Advisory Services: Food Safety <p>Indicative Financing:</p> <ul style="list-style-type: none"> WBG Agriculture Commercialization (IDA, IFC) <p>Key Ongoing and Indicative AAA:</p> <ul style="list-style-type: none"> IFC Advisory Services (Now T&C): Food Safety
Pillar 3: Address Vulnerabilities through improved Access to Services and Better Service Delivery		
3.1 Working with the government on the design, adaptation, and implementation of a comprehensive social welfare information system and (Proxy Means Test) database for targeting the poor		
<p><i>Indicator 1:</i> Development and introduction of an online integrated information system for social welfare benefits</p>	<ul style="list-style-type: none"> Analyzed and disseminated poverty data Disseminated policy notes on women and labor markets, and women and mining 	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> Multi-sector TA Project (FY10) <p>Indicative Financing:</p>

CPS Outcomes	Milestones	WBG Program
<p>Baseline: none (2012) Target: a new MIS is fully tested and introduced (end-2017)</p>	<ul style="list-style-type: none"> Completed Gender Action Plan Assessed gender dimensions of poverty and inequality Introduced a poverty targeting mechanism, and more integrated beneficiary information management Supported the government in developing policy options for pension reform. 	<ul style="list-style-type: none"> Employment Support Project (FY17) MSTAP and GAP follow-on (FY17or18) <p>Key Ongoing and Indicative AAA:</p> <ul style="list-style-type: none"> Building a more Efficient SP System (FY14) Gender Action Plan Implementation (FY13) Programmatic Poverty Measurement and Analysis (FY14)
3.2 Supporting better delivery of basic services (education, health, justice, and infrastructure)		
<p><i>Indicator 1:</i> Number of fixed ECE facilities/ kindergartens built under Bank-supported projects Baseline: 0 (2012) Target: 37 (2014)</p> <p><i>Indicator 2:</i> Number of children attending new mobile ger kindergartens Baseline: 0 (2012) Target: 1,500 (end-2017)</p> <p><i>Indicator 3:</i> Access to legal information and advice across all Ulaanbaatar districts and aimags Baseline: No value related information available; no paralegals available; no information in minority languages available (2012) Target: 60% of Ulaanbaatar districts and aimag centers distribute legal information in central community locations; paralegals providing advice in 60% of aimag centers, soums, and horoos; 10 laws available in minority languages (end-2017)</p>	<ul style="list-style-type: none"> Completed study on accountability of service delivery in a decentralizing government focusing on health and education Identified key challenges for efficient functioning of Municipality of Ulaanbaatar’s budgeting system Utilized justice sector data as part of a framework for court administration, budgeting, and planning Applied IT solutions to enhance access to justice information including use of websites and mobile phones 	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> Sustainable Livelihoods 3 Project (FY14) E-Health Project (FY14) Education Quality Reform Project (FY14) Smart Government Project (FY14) <p>Indicative Financing:</p> <ul style="list-style-type: none"> Second Energy Project (FY17) <p>Key Ongoing and Indicative AAA:</p> <ul style="list-style-type: none"> Quality of Pre-Primary Education (FY15) Strengthening City Finances and Service Delivery in Ulaanbaatar (FY13) IFC Advisory Services: Inspections Services
3.3 Reducing the vulnerability of households exposed to natural hazards and pollution		
<p><i>Indicator 1:</i> Percentage of herders in the selected area aware of the Livestock Risk Insurance products Baseline: 80% (2010) Target: 85% (end-2017)</p>	<ul style="list-style-type: none"> Agreed on roadmap for transitioning index based livestock insurance institutional structure PLR status: achieved (Law to establish the Agricultural Re-insurance Company of Mongolia (ARCM)) 	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> Sustainable Livelihoods 3 Project (FY14) Ulaanbaatar Clean Air Project (FY12) <p>Key Ongoing and Indicative AAA:</p>

CPS Outcomes	Milestones	WBG Program
<p><i>Indicator 2: Coverage of targeted households with eligible stoves in Ulaanbaatar</i> Baseline: 0 (2012) Target: 80% of targeted households (or 45,000 stoves) (end-2017)</p>	<p>promulgated and company established in 2015)</p> <ul style="list-style-type: none"> • Explored ways to provide universal coverage for uninsurable catastrophic losses to those herders not already holding insurance policies • Extended Livestock Early Warning System and linked to disaster management agencies • Principal recommendations and action plan developed by the Ulaanbaatar Clean Air Project for selected medium-term abatement measures approved by relevant counterparts PLR Status: Achieved (4 action plans approved as of December 2015) • Developed disaster risk management plan for Ulaanbaatar (earthquakes and floods) • Developed hazard and vulnerability database for Ulaanbaatar 	<ul style="list-style-type: none"> • TA GFDRR: Disaster Preparedness (FY14)

Annex 2: Matrix of changes to original CPS results matrix

Original CPS matrix	PLR changes
Pillar 1: Enhance Mongolia's Capacity to Manage the Mining Economy Sustainably and Transparently	
Outcome 1.1 Supported the country in developing a regulatory environment, institutional capacity, and infrastructure for world-class mining (Revised: Supporting development of a regulatory environment, institutional capacity, and infrastructure for world-class mining)	
<i>Indicator 2:</i> Number of infrastructure feasibility studies carried out financed by the WBG Baseline: 0 (2012) Target: 8 (FY17)	Revise. Target revised to 7 to align with actual project target
<i>Indicator 3:</i> Aimag-wide management and monitoring plans for groundwater use prepared and in use (cumulative) Baseline: 0 (2012) Target: 2 aimags (FY17)	Revise. Target revised to 3 to reflect more ambitious project scope
<ul style="list-style-type: none"> Prepared regional infrastructure investment plans to holistically support mineral development Sustained Responsible Mining Initiative tripartite dialogue Develop a model of community development agreement for responsible mining 	<ul style="list-style-type: none"> Drop. Milestone not measured under any of the associated World Bank projects. Contribution unclear. Drop. Milestone formulation/definition is unclear. New additional milestone
Outcome 1.2 Supported the government in designing and implementing policies and systems for a more robust, equitable, and transparent management of public revenues and expenditures (Revised: Supporting a more robust, equitable, and transparent management of public revenues and expenditures)	
<i>Indicator 1:</i> Time over-runs in public investment projects (sample of road projects) Baseline: 70% (2010) Target: < 70% (FY17)	Drop. Indicator not measured under any of the associated World Bank projects. Contribution unclear.
<i>Indicator 3:</i> Local Development Fund indicator and target to be identified during the preparation of the Third Sustainable Livelihoods Project	Drop. SLP3 became effective in July 2015 and no major outcomes are expected before the end of the CPS period.
<ul style="list-style-type: none"> Enhanced management of reserves by Bank of Mongolia through the Reserves Advisory and Management Program (RAMP) Improved NDIC's capacity in assessing and planning public investments 	<ul style="list-style-type: none"> Drop. Milestone not measured under any of the associated World Bank projects. Contribution unclear. Drop. NDIC replaced by MED in 2012. Subsequently MED functions were merged with MoF in 2014.
Pillar 2: Build a Sustained and Diversified Basis for Economic Growth and Employment in Urban and Rural Areas	
Outcome 2.2 Created more opportunities in the rural economy for enhanced livelihoods (Revised: Creating more opportunities in the rural economy for enhanced livelihoods)	
<i>Indicator 2:</i> Household income generated from agricultural production and processing in pilot soums under the Global Agriculture and Food Security Program supported livestock project	Watch/Revise. <i>New Indicator 2:</i> Increase in household income from livestock and in selected cases horticultural products Baseline: 0 (2013)

Baseline and target to be determined during project preparation	Target: 20% (2017)
• Increased use of ICT for rural finance	• Drop. Milestone definition and Bank contribution unclear.
Pillar 3: Address Vulnerabilities and Growing Inequality through Improved Access to Services and Better Service Delivery, Safety Net Provision, and Improved Disaster Risk Management	
Outcome 3.1 Worked with the government on the design, adaptation, and implementation of a comprehensive social welfare system that supports the poor	
(Revised: Working with the government on the design, adaptation, and implementation of a comprehensive social protection information system and (Proxy Means Test) database for targeting the poor)	
<p><i>Indicator 1:</i> Proportion of poverty-targeted benefits going to poor households Baseline: 0% (FY12) Target: >80% (2014) <i>Comment: As also described in the main text above, the poverty-targeted benefits that were supposed to be measured under this indicator were not implemented. Government resumed the universal Child Money program instead. The Bank nevertheless supported putting in place the necessary infrastructure for improved targeting of welfare benefits. The revised indicator, while not an outcome indicator per se, more adequately reflects these efforts.</i></p>	<p>Revise. <i>New Indicator 1:</i> Development and introduction of an online integrated information system for social welfare benefits Baseline: none (2012) Target: a new MIS is fully tested and introduced (2017)</p>
Outcome 3.2 Supported better delivery of basic services (education, health, justice, and infrastructure)	
(Revised: Supporting better delivery of basic services (education, health, justice, and infrastructure))	
<p><i>Indicator 1:</i> Number of fixed ECE facilities/ kindergartens built under Bank-supported projects Baseline: 0 (2012) Target: 37 (2014)</p> <p><i>Indicator 4:</i> Number of people in pilot ger areas with access to an all-season road within a 500 meter range Baseline: 25,000 (2012) Target: 60,000 (FY17)</p> <p><i>Indicator 5:</i> Number of people in pilot ger areas provided with access to regular solid waste collection Baseline: 0 (2012) Target: 69,000 (FY17)</p> <p><i>Indicator 6:</i> Number of sub-projects identified through the district planning process launched Baseline: 0 (2012) Target: 8 (FY17)</p>	<p>Revise. Target revised to 17 based on revision of the target in the project following a November 2012 restructuring. Revision of the target was necessary and appropriate due to price escalations beyond the inflation rates considered at the original costing of the project.</p> <p>Drop. Third UB Services Improvement Project did not materialize.</p> <p>Drop. Third UB Services Improvement Project did not materialize.</p> <p>Drop. Third UB Services Improvement Project did not materialize.</p>

<ul style="list-style-type: none"> Improved Ulaanbaatar municipality infrastructure planning and investment prioritization with community participation Expenditures for key services are reflected in the municipal budget 	<ul style="list-style-type: none"> Drop. Milestone not measured under any of the associated World Bank projects. Contribution unclear. Drop. Third UB Services Improvement Project did not materialize.
<p>Outcome 3.3 Reduced vulnerability of households exposed to natural hazards and pollution (Revised: Reducing vulnerability of households exposed to natural hazards and pollution)</p>	
<p><i>Indicator 1:</i> Percentage of herders participating in the Livestock Risk Insurance scheme Baseline: 9.13% (FY12) Target: 15% (2014)</p> <p><i>Indicator 2:</i> Coverage of targeted households without eligible stoves Target 60%</p> <p><i>Indicator 3:</i> Number of people in pilot ger areas protected from inundation Baseline: 0 (2012) Target: 19,000 (FY17)</p>	<p>Revise. <i>New Indicator 1:</i> Percentage of herders in the selected area aware of the Livestock Risk Insurance products Baseline: 80% (2010) Target: 85% (2017)</p> <p>Revise. Target revised to 80% in line with the actual project target and positive progress.</p> <p>Drop. Third UB Services Improvement Project did not materialize.</p>

Annex 3: Summary of progress towards CPS outcomes

CPS Outcomes	Status/Comments	Milestones	Status/Comments
Pillar 1: Enhance Mongolia's Capacity to Manage the Mining Economy Sustainably and Transparently			
Outcome 1.1 Supported the country in developing a regulatory environment, institutional capacity, and infrastructure for world-class mining			
<p><i>Indicator 1:</i> Number of public/PPP mining-related infrastructure assets ready for tender Baseline: 0 (FY12) Target: At least 2 (FY17)</p> <p><i>Indicator 2:</i> Number of infrastructure feasibility studies carried out financed by the WBG Baseline: 0 (2012) Target: 8 (FY17)</p> <p><i>Indicator 3:</i> Aimag-wide management and monitoring plans for groundwater use prepared and in use (cumulative) Baseline: 0 (2012) Target: 2 aimags (FY17)</p>	<p>Achieved 5 PPP transactions have been signed in 2014 Source: MINIS Project ISR</p>	<ul style="list-style-type: none"> Completed consultative process to develop new mineral law 	<p>Achieved. Companies and Civil society participate in consultation, including proven involvement in consultation on the Mining Law revisions, in 2013.</p>
	<p>Revise/On track Project target is 7 One pre-feasibility study is complete, one under preparation, three are ready for tendering, ToRs for the remaining two are under finalization. Source: MINIS project ISR</p>	<ul style="list-style-type: none"> Prepared model mineral investment agreement and community development agreement appropriate for responsible mining development 	<p>Achieved. Model Mining Agreement and Community Development Agreement completed in early 2016.</p>
		<ul style="list-style-type: none"> Enhanced corporate governance of state-owned mining interests 	<p>Watch. Initially supported under Bank mining project; now IFC supported.</p>
		<ul style="list-style-type: none"> Prepared regional infrastructure investment plans to holistically support mineral development 	<p>Drop. No WBG contribution.</p>
		<ul style="list-style-type: none"> Sustained Responsible Mining Initiative tripartite dialogue 	<p>Drop. Initiative did not materialize as planned.</p>
		<ul style="list-style-type: none"> Enhanced government capacity to assess and prepare investments in infrastructure 	<p>On Track. Capacity building training for ministries continues to be in progress.</p>
		<ul style="list-style-type: none"> Completed Strategic Environmental and Social Assessment (SESA) focusing on the mining sector including gender dimensions 	<p>Achieved. SESA with gender dimension completed in 2014; clarifies environmental and social roles.</p>
	<ul style="list-style-type: none"> Pilot institutional structure for groundwater management established and functioning with appropriate staffing 	<p>Achieved. Three river based administrations established and functioning with appropriate staff.</p>	
Outcome 1.2: Supported the government in designing and implementing policies and systems for a more robust, equitable, and transparent management of public revenues and expenditures			
<p><i>Indicator 1:</i> Time over-runs in public investment projects (sample of road projects) Baseline: 70% (2010) Target: < 70%(FY17)</p>	<p>Drop No WBG contribution.</p>	<ul style="list-style-type: none"> Implemented Fiscal Stability Law: (i) structural deficit of less than 2% of GDP by 2013; (ii) government expenditure growth limited to non-mineral GDP 	<p>Not Achieved. (i) deficit was minus 7.7% in 2012; minus 5.9% in 2013; minus 7.0% in 2014; (ii) government expenditure growth above non-mineral GDP growth; (iii) Debt to GDP ratio of 58% in 2014. Amendment to</p>

CPS Outcomes	Status/Comments	Milestones	Status/Comments
<p><i>Indicator 2:</i> Percentage of citizens satisfied with the mechanisms and outcomes of Community Initiative Fund investment Baseline: (FY12) Outcomes: 85% Mechanism: 86% Target: (2013 end of SLP2) Outcomes: Remains above 80% Mechanism: Remains above 80%</p> <p><i>Indicator 3:</i> Local Development Fund indicator and target to be identified during the preparation of the Third Sustainable Livelihoods Project</p>	<p>Achieved 87% of beneficiaries (i.e. citizens) were satisfied with the mechanisms and outcomes of CIF sub-projects. Source: SLP2 ICR.</p> <p>Drop SLP3 became effective in July 2015 and no major outcomes are expected before the end of the CPS period.</p>	<p>growth by 2013; and (iii) Net Present Value of debt to GDP ratio of 40% by 2014.</p>	<p>FSL in January 2015 set a new structural budget deficit ceiling at 5% of GDP for 2015 (but was mandated to be gradually tightened to 2% of GDP by 2018); the ceiling on the present value of debt was relaxed to 58.3% of GDP for 2015 (but mandated to be gradually reduced to 40% of GDP by 2018).</p>
		<ul style="list-style-type: none"> Improved EITI Mongolia's scope and the quality of revenue data 	<p>On Track. Validation of Mongolia's compliant status with the latest more stringent EITI standard to take place starting in the latter half of 2016.</p>
		<ul style="list-style-type: none"> Expanded EITI's outreach to civil society and parliamentarians 	<p>Achieved. EITI grant supported capacity-building support through training and awareness raising workshops for civil society members, community leaders and parliamentarians.</p>
		<ul style="list-style-type: none"> Enhanced management of reserves by Bank of Mongolia through the Reserves Advisory and Management Program (RAMP) 	<p>Drop. Not measured under associated World Bank projects.</p>
		<ul style="list-style-type: none"> Improved NDIC's capacity in assessing and planning public investments 	<p>Drop. NDIC replaced by MED in 2012. Subsequently MED functions were merged with MoF in 2014.</p>
		<ul style="list-style-type: none"> Municipality of Ulaanbaatar adopts an improved budgeting system 	<p>On track. World Bank advice including UB finance report (2013); UB land report (2014); UB creditworthiness self-assessment (2014) and Debt management (2014).</p>
Pillar 2: Build a Sustained and Diversified Basis for Economic Growth and Employment in Urban and Rural Areas			
Outcome 2.1 Enhanced the investment climate and financial intermediation			
<p><i>Indicator 1:</i> Average number of days to comply with business regulations Baseline: 12.6 (FY12) Target: 10 (FY17)</p>	<p>On track 11 in 2015 Source: Doing Business</p>	<ul style="list-style-type: none"> Established movable collateral registry 	<p>On track. Establishment of the pledge notice registry (or movable collateral registry) is progressing as part of the IFC Mongolia Secured Transactions Reform (STR) Project, which started in September 2013. Under a Cooperation Agreement with the Ministry of Justice, the project worked on streamlining overlapping legislations and develop a transparent legal framework. These efforts</p>

CPS Outcomes	Status/Comments	Milestones	Status/Comments
			culminated in the new Pledge Law approved in July 2015 as a key legislation to regulate and enable lending based on movable assets. A centralized online pledge notice registry will be operational by 2017.
		<ul style="list-style-type: none"> Adopted action plan for consumer protection in the financial sector 	On Track. 2013 Financial Consumer Protection and Financial Literacy Report. Ongoing TA to strengthen financial consumer protection legal and regulatory framework for banking system and promoting financial literacy.
		<ul style="list-style-type: none"> Improved corporate governance of IFC bank investments 	Achieved. IFC invested banks (Khan, Xac and Golomt) significantly improved their CG practices as recognized by local and international bodies: (i) In 2013, the Government of Mongolia and the Mongolian Chamber of Commerce and Industry awarded KhanBank the “Excellence in Corporate Governance” award; (ii) In 2014, Capital Finance International Magazine (London) recognized XacBank as a winner of the 2014 award for “Best Corporate Governance”. In a client survey, both banks stated that IFC CG advisory significantly contributed to their success. The improved CG also resulted in improved ability to attract external investment as both banks were able to raise over US\$400 million over the last few years.
		<ul style="list-style-type: none"> Implemented International Financial Reporting Standards in some of the public-interest entities supported by IFC 	Achieved. IFRS-complied accounting guidelines for all entities along with revised chart of accounts approved by MOF in December 2014.
Outcome 2.2 Created more opportunities in the rural economy for enhanced livelihoods			
<i>Indicator 1:</i> Number of loan beneficiaries from the Microfinance Development Fund at <i>soum</i> level and below Baseline: 29,133 (2008) Target: 39,330 (2013)	On Track 38,241 loan recipients as of February 2016. Source: SLP2	<ul style="list-style-type: none"> Reviewed agricultural price support and subsidy policies 	Achieved. Four studies were carried-out. Some of their recommendations were reflected in the new Agriculture State Policy.
		<ul style="list-style-type: none"> Supported new financial products including loan guarantee funds to address collateral shortfalls 	Partially Achieved. SLP2 supported the establishment of a grant initiative that provided credit guarantee funds to

CPS Outcomes	Status/Comments	Milestones	Status/Comments
<p><i>Indicator 2:</i> Household income generated from agricultural production and processing in pilot soums under the Global Agriculture and Food Security Program supported livestock project</p> <p>Baseline and target to be determined during project preparation</p>	<p>Watch/Revise</p> <p><i>Indicator 2:</i> Increase in household income from livestock and in selected cases horticultural products</p> <p>Baseline: 0 (2013) Target: 20% (2017)</p> <p>No progress available yet. Source: LAMP ISR</p>		beneficiaries with problems of obtaining collateral. This was piloted in two aimags over two years and deemed successful with a 100 percent repayment rate, but it did not continue after the project because of high administrative and monitoring costs.
		<ul style="list-style-type: none"> Increased use of ICT for rural finance 	Drop. Milestone definition and Bank contribution unclear.
		<ul style="list-style-type: none"> Drafted Food Security Law 	Achieved. Food Law passed in December 2012.
<p>Pillar 3: Address Vulnerabilities and Growing Inequality through Improved Access to Services and Better Service Delivery, Safety Net Provision, and Improved Disaster Risk Management</p>			
<p>Outcome 3.1 Worked with the government on the design, adaptation, and implementation of a comprehensive social protection system that supports the poor</p>			
<p><i>Indicator 1:</i> Proportion of poverty-targeted benefits going to poor households</p> <p>Baseline: 0% (FY12) Target: >80% (2014)</p>	<p>Revise/On Track</p> <p>Indicator was associated with implementation of the particular benefit envisioned in 2012 Welfare Law, which was not realized following the June 2012 elections.</p>	<ul style="list-style-type: none"> Analyzed and disseminated poverty data 	Achieved. Poverty data analyzed and 2010-2014 trends analyzed. Policy paper on reducing poverty and increasing share prosperity issued. Poverty data was widely disseminated in Mongolia.
		<ul style="list-style-type: none"> Disseminated policy notes on women and labor markets, and women and mining 	Achieved. Both reports were finalized, printed and shared with the public as well as the National Committee on Gender Equality. Copies were also handed to Prime minister.
		<ul style="list-style-type: none"> Completed Country Gender Action Plan (CGAP) 	Achieved. CGAP completed and approved in 2013; Update planned for FY17.
		<ul style="list-style-type: none"> Assessed gender dimensions of poverty and inequality 	Achieved. Poverty analyses and policy paper assess gender dimension of poverty and inequality.
		<ul style="list-style-type: none"> Introduced a poverty-targeted social assistance benefit, a new targeting mechanism, and more integrated beneficiary information management 	On Track. MSTAP activities complimented by WB analytical work provided concrete recommendations for improving the poverty impacts of social welfare. As a result, the 2016 budget made the biggest social welfare program (Child Money Program) poverty-targeted following Bank's recommendations, using the integrated household database. However, this decision was reverted back in

CPS Outcomes	Status/Comments	Milestones	Status/Comments	
			January 2016. All children are eligible to receive the child money benefit with their HH living standards having been assessed and registered into the Integrated Household Database based on PMT.	
		<ul style="list-style-type: none"> Developed options for pension reform that balance fiscal and social concerns (including gender) 	Achieved. WB supported <i>White Paper</i> (Policy Framework) on Pension Reform has been supported by the Cabinet and endorsed by the Parliament. With approval of this overall framework, respective legislative changes are under preparation.	
Outcome 3.2 Supported better delivery of basic services (education, health, justice, and infrastructure)				
<p><i>Indicator 1:</i> Number of fixed ECE facilities/ kindergartens built under Bank-supported projects Baseline: 0 (2012) Target: 37 (2014)</p> <p><i>Indicator 2:</i> Number of children attending new mobile ger kindergartens Baseline: 0 (2012) Target: 1,500 (FY17)</p> <p><i>Indicator 3:</i> Access to legal information and advice across all Ulaanbaatar districts and aimags Baseline: No value related information available; no paralegals available; no information in minority languages available (2012) Target: 60% of Ulaanbaatar districts and aimag centers distribute legal information in central community locations; paralegals providing advice in</p>	<p>Achieved Based on revised target of 17 Source: GPE Early Childhood Education Project</p>	<ul style="list-style-type: none"> Completed study on accountability of service delivery in a decentralizing government focusing on health and education 	Achieved. The study was completed and Report on “Understanding and monitoring service delivery in a decentralizing environment in Mongolia (the case of Education and Health)” was published and disseminated in 2015.	
		<ul style="list-style-type: none"> Improved Ulaanbaatar municipality infrastructure planning and investment prioritization with community participation 	Drop. Bank contribution unclear.	
	<p>Partially Achieved 60% of UB districts and Aimag centers distribute legal information with legal advice available in 21 legal aid centers. But no information on whether paralegals were providing this legal advice, nor if 10 laws are available in minority languages. Source: Enhanced Justice Sector Services Project ICR and IEG ICR Review.</p>		<ul style="list-style-type: none"> Identified key challenges for efficient functioning of Municipality of Ulaanbaatar’s budgeting system 	Achieved. UB city finance report was prepared and disseminated.
			<ul style="list-style-type: none"> Expenditures for key services are reflected in the municipal budget 	Drop. Third UB Services Improvement Project did not materialize.
			<ul style="list-style-type: none"> Utilized justice sector data as part of a framework for court administration, budgeting, and planning 	Partially Achieved. Milestone not well defined, but Bank supported installation of an ICT system in the justice system, adjustments to civil case management software and adoption of a case management program to improve efficiency through streamlining data entry and process steps and information. Administrative court software eliminated many procedural errors thereby by cutting down the amount of cases going to appeal.

CPS Outcomes	Status/Comments	Milestones	Status/Comments
60% of aimag centers, soums, and horoos; 10 laws available in minority languages (FY17)			Efficiency was improved as the percentage of cases overturned on appeal declined from 20% in 2012 to 17% in 2013 and 12% in 2014.
<i>Indicator 4:</i> Number of people in pilot ger areas with access to an all-season road within a 500 meter range Baseline: 25,000 (2012) Target: 60,000 (FY17)	Drop Third UB Services Improvement Project did not materialize.	<ul style="list-style-type: none"> Applied IT solutions to enhance access to justice information including use of websites and mobile phones 	Partially Achieved. Supported installation of a national fiber optic network and new archival management standards and practices. Two websites were supported but no indication on mobile phones.
<i>Indicator 5:</i> Number of people in pilot ger areas provided with access to regular solid waste collection Baseline: 0 (2012) Target: 69,000 (FY17)	Drop Third UB Services Improvement Project did not materialize.		
<i>Indicator 6:</i> Number of sub-projects identified through the district planning process launched Baseline: 0 (2012) Target: 8 (FY17)	Drop Third UB Services Improvement Project did not materialize.		
Outcome 3.3 Reduced vulnerability of households exposed to natural hazards and pollution			
<i>Indicator 1:</i> Percentage of herders participating in the Livestock Risk Insurance scheme Baseline: 9.13% (FY12) Target: 15% (2014)	Revise/Achieved Indicator not tracked under the project, but proxy indicators are available.	<ul style="list-style-type: none"> Agreed on roadmap for transitioning index based livestock insurance institutional structure 	Achieved. IBLI program is now managed by the Agricultural Reinsurance Company established under the IBLI law. The project supported the 2015 sales season by transferring its insurance and IT staff bringing in tenured aimag staff as trainers during the season, building capacity of the Company with international consultants for capital assessment and operational manual.
<i>Indicator 2:</i> Coverage of targeted households with eligible stoves Baseline: 0 (2012) Target: 80% of targeted households (FY16)	Revise/Achieved 90% as of December 2015 Source: UB Clean Air Project ISR	<ul style="list-style-type: none"> Explored ways to provide universal coverage for uninsurable catastrophic losses to those herders not already holding insurance policies 	Watch. A commercial product supported by the Government is available. Universal social protection and its potential impact on the commercial product still needs to be researched.

CPS Outcomes	Status/Comments	Milestones	Status/Comments
<p><i>Indicator 3:</i> Number of people in pilot ger areas protected from inundation Baseline: 0 (2012) Target: 19,000 (FY17)</p>	<p>Drop Third UB Services Improvement Project did not materialize.</p>	<ul style="list-style-type: none"> Extended Livestock Early Warning System (LEWS) and linked to disaster management agencies 	<p>On track. PIU is currently hosting the LEWS and related database to avoid losing years of data about weather conditions and risks for herders. However, this is a temporary arrangement and an exit strategy is being identified.</p>
		<ul style="list-style-type: none"> Principal recommendations and action plan developed by the Ulaanbaatar Clean Air Project for selected medium-term abatement measures approved by relevant counterparts 	<p>Achieved. A total of four action plans were approved by the relevant counterparts.</p>
		<ul style="list-style-type: none"> Developed disaster risk management plan for Ulaanbaatar (earthquakes and floods) 	<p>Achieved. Earthquake vulnerable school infrastructure was identified through Visual Rapid Assessment. The most vulnerable public school buildings were prioritized for seismic retrofitting and cost estimates for such an investment have been developed. The Flood Risk Management Strategy and Investment Plan was prepared in order to provide integrated, structural and non-structural interventions to address these factors.</p>
		<ul style="list-style-type: none"> Developed hazard and vulnerability database for Ulaanbaatar 	<p>Achieved. A flood risk map and database was created and placed in the General Planning Department and the Emergency Management Department of UB city. Seismic hazard and vulnerability database on facilities of schools and kindergartens of UB city were created.</p>

Annex 4: CPS indicative versus actual program

CPS Indicative Financing Program (IBRD/IDA)	CPS Pillar	US\$ million (in CPS)	Status
Ulaanbaatar Clean Air Project (FY12)	3	15	Actual (FY12)
E-Government Project (FY13)	1	15	Actual (FY14)
Sustainable Livelihoods 3 Project (FY13)	1,2,3	>30	Actual (FY14)
Third Ulaanbaatar Services Improvement Project (FY13)	1,3	20	Dropped
<i>SME Access to Finance Project (FY14) (IDA-IBRD)</i>	2	15	Actual (FY17) Export Dev. Project
E-Health Project (FY14)	3	15	Actual (FY14)
AF – Mining Sector Institutional Strengthening (FY15)	1	IDA	Dropped
AF – MONSTAT (FY15)	1	IDA	Dropped
<i>Transmission Line Project (FY15) (IBRD)</i>	3	50	Actual (FY17) Second Energy Project
<i>District Heating Project (FY15) (IBRD)</i>	3	50	Dropped
Social Protection Administration Project (FY16)	3	IDA	Dropped
Index-Based Livestock 2 Project (FY16)	2,3	IDA	Dropped as Bank project; institutionalized by government FY16
----- <i>Note: AF = Additional Financing</i> Items in italics are indicative IBRD financing			
Additional Actuals (including large RETF):			
Education Quality Reform Project	3		IDA Actual (FY14)
AF - Mining Infrastructure Investment Support Project	1		TF to supplement IDA (FY14)
Livestock Agricultural Marketing Project			RETF (FY13)
Indicative Nonlending Program		FY	
Reserves Assets Management Program (TA)	1	Cont	Actual
Financial Sector Assessment Program (ESW)	2	12	Actual
Programmatic Social Protection (ESW)	3	12-13	Actual
Programmatic Agricultural Policy Review (ESW)	2	12-13	Actual
Programmatic Financial Sector Monitoring (ESW)	2	12-13	Actual
Programmatic Mining Sector (TA)	1	12-13	Actual
Programmatic Municipal Financing for Ulaanbaatar (ESW)	1	12-13	Actual
Programmatic Poverty Analysis (ESW)	3	12-13	Actual
Debt Management Strategy (TA)	1	12-13	Actual
Programmatic Economic Policy/Qtrly Updates (ESW)	1	12-14	Actual
Financial Literacy and Consumer Protection Assessment (TA)	2	13	Actual
Poverty and Inequality Study (ESW)	3	13	Actual (FY14)
Gender Action Plan (ESW)	3	13	Actual (FY14)
Programmatic Accountability/Service Delivery (ESW)	3	13-14	Actual (FY15)
[Admin. Courts/Executive Accountability (ESW)]	3	14	Dropped
Procurement Assessment (TA)	1	14	Dropped
Disaster Preparedness (TA)	3	14	Actual
Additional Actual: See Annex 6			

Notes:

Pillar 1: Enhance Mongolia's Capacity to Manage the Mining Economy sustainably and transparently

Pillar 2: Build a Sustained and Diversified Basis for Economic Growth and Employment in Urban and Rural Areas

Pillar 3: Address Vulnerabilities and Growing Inequality through Improved Access to Services and Better Service Delivery, Safety Net Provision, and Improved Disaster Risk Management.

Annex 5: Mongolia FY17 lending pipeline

Project	CPS Pillar	Amount (USD equivalent)*	Status
Export Development Project	2	US\$20m IDA	Approved July 2016
Second Energy Project	3	US\$42m IDA	Board in March 2017
Employment Support Project	3	US\$25m IDA	Board in March 2017
Multi-sector TA and GAP follow-up	1	US\$12m IDA	Board in April 2017
Economic Management Support (DPF)	1	TBD	Board in late FY17/early FY18

* The USD amounts of pending operations may change depending on USD/SDR exchange rate movements.

Annex 6: Analytics and technical assistance program FY13-16

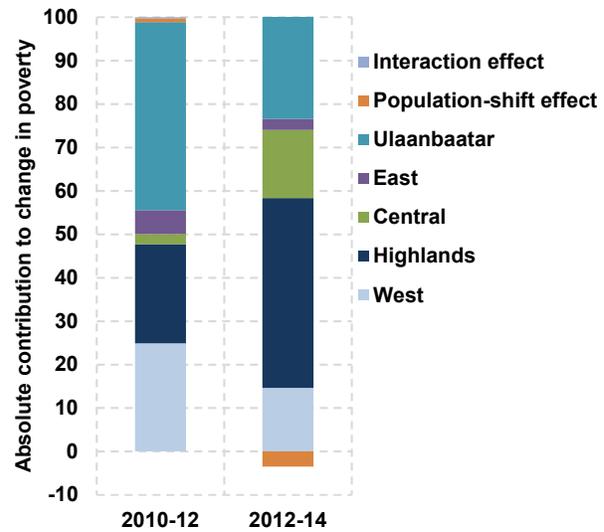
<p>FY13</p> <ul style="list-style-type: none"> • TA Social Impacts in Mining Areas TA • FSAP Development Module Mongolia • Consumer Protection and Financial Literacy Study • Anti-Corruption Workshop • Programmatic Economic Analysis • Financing Municipal Services for UB City Study • Economic Updates 	<p>FY14</p> <ul style="list-style-type: none"> • Financial Sector Monitoring & Policy Dialogue TA • Mongolia MTDS • Gender Economic Analysis • Mongolia Poverty Measurement • Capacity Building for Local Planning and Infrastructure Service TA • Economic Updates
<p>FY15</p> <ul style="list-style-type: none"> • Agriculture Policy Review • CSO - Mongolia TA • Mongolia PEFA Assessment • Policy Outreach & Administration TA • Strengthening Parliament, Media and Civil Society TA • Supporting CSO oversight in procurement TA • Fiscal Decentralization TA • Accountability for Health Service Delivery • MTDS Mongolia (follow-up) • Education Study • Mongolia - Social Protection Just in time studies • Land Markets and Land Admin. in UB • Sustainable Urban Transport Ulaanbaatar TA • Telecommunications Sector Assessment TA • Economic Updates 	<p>FY16</p> <ul style="list-style-type: none"> • Quality of Pre-Primary Education Study • Model Agreements for Mining TA • Capital Market Development TA • StAR - Mongolia Country Engagement • Mongolia #A065 Payment Systems Strategy • Financial Education Strategy • Independent Think Tank TA • GAFSP - Mongolia • Building a More Efficient Social Protection System • Gender Action Plan Implementation • Improving City Finances & Services • Economic Updates
<p>FY17 Ongoing</p> <ul style="list-style-type: none"> • Public Expenditure Review • Debt Management Performance Assessment • Contingent Liabilities Study • Economic Updates • Financial Sector Development Support (FY17-19) • Governance Partnership Facility • Mainstreaming Social Accountability (FY14-18) • Poverty Measurement TA • Employment Support TA • Urban Transport TA (FY15-18) 	

Annex 7: Trends in reducing poverty and increasing shared prosperity

Trends in poverty: 2010 - 14

	Poverty Headcount Rate (%)			Change 2012-14 (%p)
	2010	2012	2014	
Mongolia	38.8	27.4	21.6	-5.8
Urban	33.2	23.3	18.8	-4.5
Rural	49.0	35.5	26.4	-9.1
Region				
West	52.7	32.3	26.0	-6.3
Highlands	51.9	38.5	25.3	-13.2
Central	29.9	28.3	22.3	-5.9
East	42.3	33.4	31.4	-2.0
Ulaanbaatar	31.2	19.8	16.4	-3.5
Strata 4 locations				
Ulaanbaatar	31.2	19.8	16.4	-3.5
Aimag center	37.3	30.4	23.8	-6.6
Soum center	39.7	27.5	24.7	-2.8
Countryside	56.1	39.7	27.9	-11.7

Decomposition of poverty changes in Mongolia: 2010 - 14



Source: World Bank calculations from HSES 2010 - 14

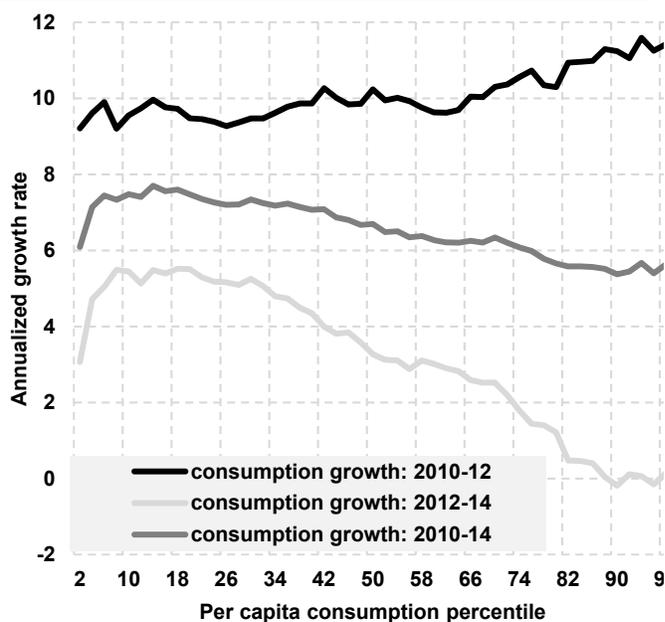
Poverty trends by region, 2010-14

	Poverty headcount rate (%)			Change 2010-14	Distribution of the poor		
	2010	2012	2014		2010	2012	2014
Mongolia	38.8	27.4	21.6	-17.2	100.0	100.0	100.0
Urban	33.2	23.3	18.8	-14.4	55.2	56.2	55.6
Rural	49.0	35.5	26.4	-22.6	44.8	43.8	44.4
Region							
West	52.7	32.3	26.0	-26.7	19.0	15.9	18.2
Highlands	51.9	38.5	25.3	-26.6	26.0	27.0	22.2
Central	29.9	28.3	22.3	-7.6	12.3	15.7	16.3
East	42.3	33.4	31.4	-10.9	7.7	9.0	10.8
Ulaanbaatar	31.2	19.8	16.4	-14.8	35.0	32.4	32.5
Strata 4 locations							
Ulaanbaatar	31.2	19.8	16.4	-14.8	35.0	32.4	32.5
Aimag center	37.3	30.4	23.8	-13.5	20.2	23.9	23.0
Soum center	39.7	27.5	24.7	-15.0	15.7	11.8	19.8
Countryside	56.1	39.7	27.9	-28.2	29.1	32.0	24.7

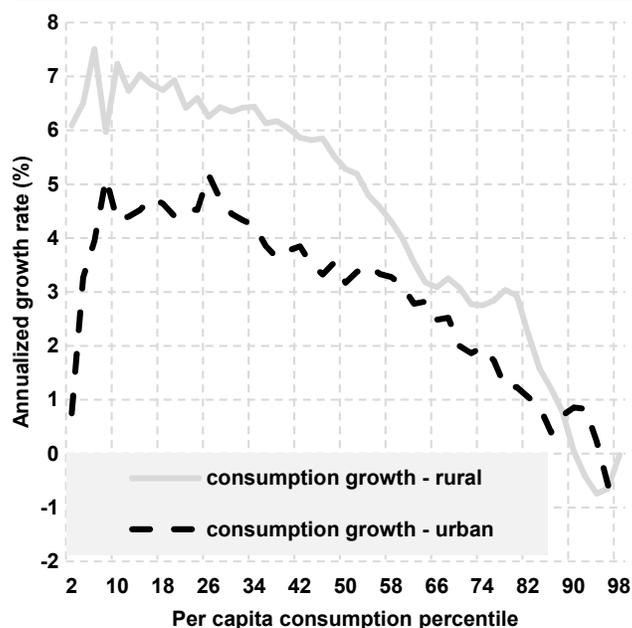
Source: Authors' calculations from HSES 2010, 2012, 2014.

Distributional pattern of growth in Mongolia, 2010-14

a) National, 2010-14



b) Rural vs urban, 2012-14



Source: World Bank calculations from HSES 2010, 2012, 2014.

Trends in inequality, 2010-14

	Gini Coefficient			Theil Index of Inequality		
	2010	2012	2014	2010	2012	2014
National	0.33	0.34	0.32	19.3	20.0	18.6
Urban	0.33	0.34	0.33	19.3	20.6	19.5
Rural	0.32	0.31	0.28	17.5	16.2	14.6
Region						
West	0.31	0.3	0.28	16.2	15.0	15.6
Highlands	0.32	0.31	0.29	18.8	16.6	14.8
Central	0.31	0.33	0.31	16.6	19.9	17.5
East	0.32	0.31	0.31	17.4	16.8	16.4
Ulaanbaatar	0.33	0.34	0.33	19.3	20.3	19.6

Source: World Bank calculations from HSES 2010, 2012, 2014.

Annex 8: Portfolio trends FY12-16

Data as of	FY12	FY13	FY14	FY15	FY16	FY17 @ Nov 30
PORTFOLIO AND DISBURSEMENTS						
Active Projects #	14	10	13	10	8	9
Net Commitments Amt \$m	216.02	157.52	209.75	183.75	156.70	184.29
Total Disbursements \$m	127.77	85.23	56.31	48.91	45.18	52.81
Total Undisbursed Balance \$m	94.24	66.04	154.16	123.07	99.65	119.77
Disbursements in FY \$m	28.71	15.70	16.85	12.23	15.33	3.68
Disbursement Ratio for IPF only %	29.3	19.2	21.8	9.0	13.3	3.6
IBRD/IDA Disb Ratio	29.3	19.1	23.2	9.1	10.9	2.7
Slow Disbursements %	0.0	20.0	7.7	0.0	0.0	0.0
PORTFOLIO RISKINESS						
Actual Problem Project #	2	2	1	1	1	1
Problem Project %	14.3	20.0	7.7	10.0	12.5	11.1
Potential Problem Project #	0	0	0	0	0	0
Projects At Risk #	2	2	1	1	1	1
Projects At Risk %	14.3	20.0	7.7	10.0	12.5	11.1
Commitments At Risk \$m	12.50	23.30	10.00	11.00	24.80	28.09
Commitments at Risk %	5.8	14.8	4.8	6.0	15.8	15.2
Proactivity %	100.0	100.0	100.0	100.0	100.0	100
IEG RATINGS (FY09 - FY15)						
# of Exits	2	5	1	3		
No. of Projects Evaluated by IEG	2	5	1	3		
IEG MS+ Outcome Sat %	50.0	80.0	100.0	100.0		
ICR Quality Sat %	100.0	80.0	100.0	66.7		
Net Disconnect %	0.0	0.0	0.0	0.0		
Bank Perf. MS+ @ Entry (%)	50.0	60.0	0.0	100.0		
Bank Perf. MS+ @ SPN (%)	50.0	80.0	100.0	100.0		
M&E Quality %	50.0	0.0	0.0	66.7		
Borrower Overall Performance % Sat	100.0	60.0	100.0	100.0		

Annex 9: Oyu Tolgoi

The Oyu Tolgoi (OT) copper-gold mining project, supported by IFC and MIGA, is the largest financial undertaking in Mongolia's history. The current phase-two US\$4.4 billion project financing is the largest for mining in the world outside Australia. Upon full completion expected in 2021, it will account for more than 30 percent of Mongolia's GDP, with copper production expected to reach 450,000 tons annually. OT is a joint venture between Turquoise Hill Resources (66 percent) and the Government of Mongolia (34 percent).

Turquoise Hill Resources is majority owned by Rio Tinto, which also manages OT. The first-phase open-pit was completed in mid-2013 and is operating smoothly. The underground second-phase (which holds 80 percent of the mine's yield) was stalled during 2013-2015 over disputes between Rio Tinto and the Government on a host of issues, including tax payments, cost overruns and project-financing terms. A breakthrough occurred in December 2015 when the shareholders reached agreement on the project financing and next phase of development. The full recommencement of phase-two kicked off in mid-2016.

Annex 10: Standard Annexes

Operations Portfolio (IBRD/IDA and Grants)

As of 10/31/2016

Closed Projects	35
<hr/>	
IBRD/IDA*	
Total Disbursed (Active)	42.04
of which has been repaid	0.00
Total Disbursed (Closed)	354.78
of which has been repaid	66.05
Total Disbursed (Active + Closed)	396.82
of which has been repaid	66.05
Total Undisbursed (Active)	111.72
Total Undisbursed (Closed)	
Total Undisbursed (Active + Closed)	111.720721

Active Projects		Last ISR		Fiscal Year	Original Amount in US\$ Millions				Difference Between Expected and Actual Disbursements^a	
Project ID	Project Name	Development Objectives	Implementation Progress		IBRD	IDA	Cancel.	Undisb.	Orig.	Frm Rev'd
P148110	MN Education Quality Reform Project	MS	MS	2014	0.0	30.0	0.0	24.2	11.6	3.3
P131290	MN - E-Health Project	MS	MS	2014	0.0	19.5	0.0	17.2	2.4	0.0
P147438	MN Export Development Project	S	S	2017	0.0	20.0	0.0	20.0	0.0	0.0
P118109	MN-Mining Infrastructure Investment Supp	MS	MS	2011	0.0	25.0	0.0	8.8	11.0	15.2
P130891	MN: SMART Government	MS	MS	2014	0.0	19.4	0.0	16.4	8.7	0.4
P125232	MN Third Sustainable Livelihoods Project	MU	MU	2014	0.0	24.8	0.0	21.7	8.3	0.0
P122320	MN-Ulaanbaatar Clean Air	S	S	2012	0.0	15.0	0.0	3.2	2.5	0.0
P119825	Mongolia Multi-Sector TA	MS	MS	2010	0.0	12.0	0.0	0.2	0.2	-1.1
Overall Result					0.0	165.7	0.0	111.7	44.8	17.8

* Disbursement data is updated at the end of the first week of the month.

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

IFC: Committed and Disbursed Outstanding Investment Portfolio

As of 10/31/2016

(In USD Millions)

FY Approval	Company	Committed					Disbursed Outstanding				
		Loan	Equity	**Quasi Equity	*GT/RM	Participant	Loan	Equity	**Quasi Equity	*GT/RM	Participant
FY04	AGBANK	0.00	1.17	0.00	0.00	0.00	0.00	1.17	0.00	0.00	0.00
FY07	AGBANK	0.00	0.39	0.00	0.00	0.00	0.00	0.39	0.00	0.00	0.00
FY08	AGBANK	0.00	0.45	0.00	0.00	0.00	0.00	0.45	0.00	0.00	0.00
FY09	AGBANK	0.00	0.27	0.00	0.00	0.00	0.00	0.27	0.00	0.00	0.00
FY11	AGBANK	0.00	0.00	20.00	0.00	0.00	0.00	0.00	20.00	0.00	0.00
FY13	AGBANK	16.12	0.00	0.00	0.00	0.00	16.12	0.00	0.00	0.00	0.00
FY16	AGBANK	40.00	0.00	0.00	0.00	0.00	40.00	0.00	0.00	0.00	0.00
FY14	INTERMED HOSPITA	5.00	0.00	0.00	0.00	0.00	5.00	0.00	0.00	0.00	0.00
FY13	MCS PROPERTY BVI	30.63	0.00	12.50	0.00	0.00	30.63	0.00	12.50	0.00	0.00
FY16	MMC POLARIS	6.50	0.00	0.00	0.00	0.00	6.50	0.00	0.00	0.00	0.00
FY11	MOF I	0.00	7.49	0.00	0.00	0.00	0.00	5.72	0.00	0.00	0.00
FY13	OT LLC	400.00	0.00	0.00	0.00	820.63	400.00	0.00	0.00	0.00	820.63
FY10	SEF XACBANK	0.00	0.00	5.00	0.00	0.00	0.00	0.00	5.00	0.00	0.00
FY14	SEF XACBANK	0.00	0.00	0.00	2.50	0.00	0.00	0.00	0.00	0.00	0.00
FY16	SEF XACBANK	15.00	0.00	0.00	0.00	30.50	15.00	0.00	0.00	0.00	30.50
FY11	SHANGRI-LA UB	36.39	0.00	0.00	0.00	0.00	36.39	0.00	0.00	0.00	0.00
FY11	SUU JSC	0.77	0.00	0.00	0.00	0.00	0.77	0.00	0.00	0.00	0.00
Total Portfolio:		550.41	9.77	37.50	2.50	851.13	550.41	8.00	37.50	0.00	851.13