

Report on progress in 2014–15 on the implementation of the Australia Mongolia Program Strategy 2012–16

Summary

This document reports on progress in 2014–15 towards the objectives of the *Australia Mongolia Program Strategy (2012–16)*. This will be the final report on the Program Strategy. The reduction of the Mongolia aid program budget by 40 per cent means that from 2015–16 the program falls below financial thresholds requiring the completion of an annual performance report, and a new strategy document (Aid Investment Plan) is not required.

In 2014–15 progress was satisfactory towards achieving all three objectives of the country strategy. Ratings¹ are maintained or improved since 2013–14.

Objective	Previous Rating	Current Rating
Objective 1: Through post graduate scholarships, Mongolia’s government, civil society and private sector deliver better services.	Green	Green
Objective 2: Mongolians are benefitting from a sustainably-managed mining sector.	Amber	Green
Objective 3: School communities are accessing improved water and sanitation and have improved hygiene practices.	Green	Green

2014–15 saw solid results from long-standing investments, the successful completion of the water and sanitation activity, and the mobilisation of a new intervention in the extractives sector—the Australia Mongolia Extractives Program (AMEP). With the 2015–16 budget reduction the scope of AMEP will be narrowed.

Key achievements during 2014–15 include:

- The establishment of good relations between DFAT and our new Government of Mongolia (GoM) counterpart on the aid program, the Ministry of Finance.
- The commencement of the Women’s Leadership Program to promote and advocate gender equality for Australia Awards graduates in their career development and promotion.
- The mobilisation of the twinning arrangement between Melbourne Polytechnic College and the Dalanzadgad college, and placement of an adviser in the Ministry of Labour to help develop accredited technical and vocational education curricula.
- The school water and sanitation program exceeding its targets, with 9000 children benefiting from improved facilities and new national standards endorsed.

In May 2015 Australia announced its intention to open an embassy in Ulaanbaatar.

¹ Rating scale: ■ Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient. ■ Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended. ■ Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities.

With a significantly reduced Mongolia aid program budget, key challenges for 2015–16 include:

- maintaining program quality and achieving objectives while streamlining activities
- continuing meaningful engagement on extractives under a smaller AMEP portfolio
- planning for the transition of program management from Seoul to Ulaanbaatar.

The Mongolia program will continue to draw on the synergies between Australia's aid, trade and foreign policy interests in Mongolia. Australia's strengths as a mining nation and the strong people-to-people links through our scholarships and volunteers programs will help maintain the cooperative relationship with Mongolia as we work through the effects of the reduced aid program.

Country context

Mongolia formed a new coalition government in December 2014, led by Prime Minister Saikhanbileg. The restructured government comprises 19 members and 15 ministries. Saikhanbileg resolved to take prompt action to mend Mongolia's economy by focusing on creating an open welcoming business environment, supporting the private sector and addressing barriers to mining sector expansion.

The Mongolian economy relies heavily on mining, which makes up 80 per cent of exports and 40 per cent of government revenue. While economic growth slowed from 17.5 per cent in 2012, it remains rapid with GDP growth forecast at 7.1 per cent in 2015 (World Bank 2014). However, the lack of economic diversification and high dependency on mining revenues expose Mongolia to shocks in the external environment. Lower commodity prices, combined with an unpredictable regulatory environment, led to a plunge in foreign investment² which has translated into lower employment growth, incomes, and government revenue. The government has continued to increase expenditure, running budget deficits, with public debt increasing above the previously legislated limit of 40 per cent³.

The Mongolian Government has enacted legislation to improving its management of mining revenues, for example through the Fiscal Stability Law. However, the fiscal limits in the law must be adhered to. In 2014 the amendment to the Minerals Law and the repeal of the Law on Prohibition of Granting Exploration Licences attempt to resuscitate the mining sector, ensure continued economic growth and encourage foreign investment.

In May 2015 Mongolia and Rio Tinto reached an agreement to resume the second phase of the Oyu Tolgoi (OT) project— the largest single foreign investment in Mongolia—following two years of suspension. At full capacity the project could boost Mongolia's economy by a third.

The challenge for Mongolia is to manage its resource dependency in a way that stabilises the economy and transfers the wealth equitably. Despite the challenges, there has been a consistent fall in the overall poverty rate in recent years to 21.6 per cent of the population⁴.

² Overall foreign direct investment fell by 85 per cent from 2011 to the first quarter of 2015 (US Department of State 2015 Investment Climate Statement)

³ In January 2015 Mongolia's parliament raised the country's debt ceiling to 58.3 per cent of GDP.
<http://af.reuters.com/article/commoditiesNews/idAFL4N0V03JG20150121>

⁴ Down from 27.4 per cent in 2012 (Mongolia National Statistical Commission 2015)

There is an urban-rural divide—around 18.8 per cent in Ulaanbaatar⁵ but 26.4 per cent in the countryside⁶. Remoteness, low income and employment opportunities, coupled with a lack of industrial infrastructure and environmental degradation are the major causes for higher rural poverty.

Mongolia is ranked 103 out of 187 countries⁷ in the United Nation's Human Development Index. Mongolia is either on-track or has already achieved one-third of its MDG targets⁸, and is expected to achieve 63 per cent of the targets by 2015. Four targets—to reduce urban air pollution, to increase women's political participation, to create favourable trade and financial systems conditions, to negotiate favourable terms as a landlocked country—will be difficult to achieve⁹. Some targets are difficult to assess due to data measurement issues.

Mongolia compares well in narrowing gender equality gaps¹⁰. Mongolian girls and women have higher rates of secondary school education and literacy than boys and men, but this does not translate into higher salaries or employment positions for women. Fewer women are in management and there are gender-based salary gaps. This situation has detrimental impacts both on the education of boys, and on women's career opportunities. The social and gender impacts of the boom-bust economic cycle include increasing domestic violence and alcohol abuse. The Gender Equality Law enacted in 2011 is a legal foundation for ensuring equal participation of men and women and embedding gender-sensitive practices.

Australian aid to Mongolia

It is in both countries' interests that Mongolia has a well-managed and inclusive economy. Australia's aid program aims to promote well-governed, efficient public and private sectors that support Mongolian communities to benefit from resource-driven growth. Our areas of investment are where Australia has a comparative advantage and are aligned with the development objectives identified by the Government of Mongolia.

The rapid development of Mongolia's mining sector places demands on human resources in the public and private sectors. A study on Mongolia's competitiveness¹¹ found that attracting and retaining skilled workers is the highest priority for businesses, but Mongolia's education system is not meeting the needs of a competitive economy.

In 2014–15 the bilateral aid program supported three investments: the Australia Awards Mongolia scholarships program; AMEP; and the UNICEF-led Water, Sanitation and Hygiene (WASH) project.

⁵ The Consumer Confidence Index (School of Economic Studies, 2013) survey showed significant difference in poverty rates between households living in ger areas (29.9 per cent) as opposed to households living in apartments (11.9 per cent). The difference is even starker when the household head holds a higher education degree or is employed.

⁶ The National Statistical Commission reports a significant decline in rural poverty from 35.4 per cent in 2012.

⁷ <http://hdr.undp.org/en/content/human-development-index-hdi-table>

⁸ Like many countries, Mongolia has adapted the MDG global goals to align with its national priorities and local context. Mongolia reports on 24 targets and 67 indicators for the MDGs, and all *aimags* (provinces) have their own targets and monitoring mechanisms.

⁹ <http://www.mn.undp.org/content/mongolia/en/home/library/National-MDG-reports/TheFirthNationalMDGReport/>

¹⁰ 54 out of 187 countries on the gender inequality index: <http://hdr.undp.org/en/content/table-4-gender-inequality-index>

¹¹ Economic Policy and Competitiveness Research Center, <http://www.infomongolia.com/ct/ci/9467>

From June 2015 the bilateral program consolidated to two sectors—human resource development (through the scholarships program) and a modest investment in the extractives sector. This aligns with the 2014 Australian aid policy priorities and Australia’s Economic Diplomacy strategy for Mongolia. Aid program engagement on governance and the investment climate can improve the speed and focus of large commercial decisions that are worth many times the aid input. Transparent and predictable regulation benefits Australian business investments and is relevant to both Governments’ focus on using aid for trade to deliver prosperity by catalysing private investment.

Mongolia’s donor landscape includes large credit and grant donors such as China, the Japan International Cooperation Agency, the US Millennium Challenge Corporation, Korea International Cooperation Agency and Asian Development Bank. By budget Australia ranks 8th among OECD Development Assistance Committee donors¹², and is one of the largest grant donors. Donor coordination by the Mongolian Government is limited.

Expenditure

In 2014–15 Australia’s bilateral aid funding to Mongolia was \$9.8 million, up from \$9.6 million in 2013–14. A budget reduction of 40 per cent takes effect in 2015–16 and will reduce the scope and scale of the extractives and scholarships programs.

Objective	A\$ million	% of bilateral program
Objective 1: Through post graduate scholarships, Mongolia’s government, civil society and private sector deliver better services.	\$6.052	62%
Objective 2: Mongolians are benefitting from a sustainably-managed mining sector.	\$3.545	36%
Objective 3: School communities are accessing improved water and sanitation and have improved hygiene practices.	\$nil ¹³	0%
Other administered bilateral aid expenditure	\$0.2	2%

Other assistance through Australia’s regional and global programs, and through other Australian government partners, brought Australia’s total official development assistance to an estimated \$16.3 million—slightly less than the \$16.7 million in 2013–14. Non-bilateral activities included centrally-funded scholarships and fellowships, Australian Volunteers for International Development, training through the International Mining for Development Centre, the Australian Development Research Awards Scheme, the Natural Resource Governance Institute, regional funding for the Asia Foundation, humanitarian funding, the Direct Aid Program, and the NGO Cooperation Program.

¹²https://public.tableau.com/views/AidAtAGlance_Recipients/Recipients?:embed=n&:showTabs=y&:display_count=no?&:showVizHome=no (figures from 2013).

¹³ The final tranche of funding to UNICEF was paid in the previous financial year.

Progress towards country strategy objectives

Objective 1: Through postgraduate scholarships, Mongolia's government, civil society and private sector deliver better services.

Contributing investment: Australia Awards in Mongolia Program (\$5.6m 2013–16)

End of investment outcome: Returned scholars are contributing to priority development sectors.

Rating: Green

The Australia Awards Mongolia (AAM) program is the longest-standing Australian aid program to Mongolia with 545 scholarships awarded since the program began in 1993. It is highly regarded by the Mongolian government and public. The green rating for this objective reflects the strong implementation of the current phase of the AAM program against the 2015 annual plan, after successfully resolving some teething problems during 2014.

In 2014–15, post-graduate scholarships were provided to 45 Mongolians – 23 awardees from the public sector (Category 1) and 22 from the private sector/civil society (Category 2).

During 2014 significant changes were made to the program's guidelines and procedures to improve the transparency and equity of the selection process. This took time to negotiate with GoM but did not affect the timeliness of scholars' mobilisation.

A Women's Leadership Program (WLP) began in January 2015 to promote and advocate gender equality for graduates in their career development and promotion. Feedback from participants is positive. WLP activities included leadership training and leadership skills seminars, six forums with guest speakers, and a field trip to the OT mine site. While women routinely outnumber male awardees (73 per cent in 2015) the dominance of women is not replicated in the workplace. A number of strategies were introduced in 2014–15 to identify solutions to increase the number of male awardees, though this is a long-term challenge.

Other priorities during 2014–15 were reforming the English language training (ELT) and a focus on increasing participation and applications from provincial areas. In September 2014 Santis partnered with the University of Queensland to deliver the first academic preparation course under the new ELT model. Course attendance rates, results and awardee feedback show the new model is proving successful. In 2014, 96 per cent of students achieved the required minimum score of 6.5—up from 48 per cent in 2013. However there are still some issues to be ironed out. In 2015, the number of rural applicants taking the International English Language Testing System (IELTS) tests increased significantly. Because English language ability is lower in rural areas, only 64 per cent of total awardees met the required minimum score of 6.5 in 2015. Those who did not reach this score enrolled in self-study with support from Santis with the aim of reaching their target scores by August 2015 when notifications are due for Semester 1, 2016.

Increasing the applicants from rural areas and ensuring adequate English language ability is an ongoing challenge. Promotion activities and information sessions in rural areas were a focus in 2014–15. Following AAM visits to seven provinces in February-March 2015, three additional IELTS test classes were arranged. This was a timely response to a general request for support from potential applicants, but how many of those were from provinces is not known. In 2014, there were 12 applications from provinces and four (three females and

one male) were offered Australia Awards. All attended ELT and three reached their required scores. Two of the awardees have been placed for Semester 2, 2015.

Overall, during 2014–15 awareness and interest in the AAM program rose and the number of applications continues to increase. However, a concerning number of the applications made for the 2015 intake were ineligible. While there was a slight improvement on the previous intake, just under half the applications did not meet the program’s eligibility requirements. Steps were taken in 2014–15 to address this including: providing more specific information on required documents; placing on the AAM website new videos on application & selection; and providing applicants with clearer messages on timelines to receive IELTS certificates. There were separate information sessions for Category 1 & 2 applicants to provide tailored information. In 2015–16 further analysis will be undertaken to address this issue.

The re-employment of graduates on return to Mongolia remains stable over recent years. Of the 38 graduates who returned between December 2014 and March 2015, 78.9 per cent were re-employed. Of the total graduates, 20 per cent are working in senior positions, including Members of Parliament, State Secretary, General Directors of Ministries and Executive Directors of private companies and NGOs.

The ‘Mozzies’ alumni association is active in promoting Australia and the Australia Awards in Mongolia. In 2014–15 the Mozzies held several alumni events, undertook a community development project, updated their website, and produced a Mozzies promotional film.

The 2014 Disability Support Plan for the first awardee with a mobility disability was a valuable learning experience. She received appropriate support from her university and AAM, and returned to Mongolia in 2015 with an MA in Law.

Objective 2: Mongolians are benefitting from a sustainably-managed mining sector

Rating: Green

The Australia Mongolia Extractives Program (AMEP) investment consists of independent activities that collectively aim to enable Mongolia’s citizens to benefit from equitable and sustainable extractives-led growth. AMEP is highly relevant to Mongolia’s development aims and Australia’s aid and economic diplomacy agenda. AMEP provides a platform for sharing Australia’s expertise and skills, and promoting engagement with stakeholders, including the private sector.

During 2014, the Australian Government negotiated an agreement with an International Service Provider (ISP) for the new elements of the program. After some delays due to Mongolian government restructuring, the AMEP ISP was mobilised in April 2015. Planning is underway to reduce the scale of the ISP activity due to the aid budget reductions.

The progress of the two pre-existing AMEP partnership activities is the focus of this report for 2014–15. The green rating for Objective 2 (improved from amber last year) reflects that the two partnerships progressed as expected and contributed well towards AMEP objectives, and that the ISP mobilised efficiently in-country.

Contributing activity: World Bank Groundwater Management Project (\$4m 2012–15)

End of activity outcome: Ministry of Environment and Green Development of Mongolia (MEGD) is establishing, supporting and coordinating representative River Basin Authorities and Councils that sustainably manage groundwater resources.

Australia has supported this World Bank-implemented activity since 2012. During 2014–15 there were improvements in the rate of progress for the Australian-funded component of the activity and some notable achievements.

With the support of the project over the past year, the Ground Water Management Unit (GWMU) of the Ministry of Environment and Green Development (MEGD) has cemented the stable operation of three River Basin Authorities (RBAs) to successfully engage with local water-users. The RBAs, under the supervision of GWMU, are providing professional services to increase awareness and promote efficient water management. RBAs conducted trainings and campaigns for communities and companies, and made inventories of water resources. The installation of 200 monitoring points was completed by July 2015, including the use of innovative mobile-phone technology to record and report water levels from remote sites. Socio-economic and ecological data were collected and reviewed, and water permits approved for 28 companies. Recognizing the value of GWMU and RBA's work in southern provinces, the GoM decided to retain these structures after the 2014 government reshuffle.

The activity responds to gender issues by ensuring equal access to information and activities for men and women, and secures a balanced ratio in water-related consultations. Women make up 60 per cent of RBA staff and 40 per cent of the 80 environmental experts trained during the last year. Most of Mongolia's environmental experts are men, so women's participation rate of 40 per cent represents good progress towards gender balance.

Contributing activity: Technical and Vocational Education and Training (TVET) in the Mineral Resource Sector Project (\$4m 2014–18)

End of activity outcome: The organisational, human resource and content related requirements for needs-based vocational training within the mineral resource sector and related industries are established in selected TVET institutions in South Gobi.

This is a co-financed partnership activity (German, Swiss and Australian governments), with the German aid agency GIZ progressing activities since July 2014. An independent evaluation by GIZ in May 2015 found the project is on track to achieve its objectives¹⁴, and makes appropriate use of resources. A sustainable project impact is expected—with growing demand from the mining industry and other employers for skilled local staff. A baseline survey and project implementation unit were established, a technical adviser placed, and several capacity development trainings for teachers conducted. A twinning arrangement with Melbourne Polytechnic and the Dalanzadgad TVET College in South Gobi was signed in March 2015. Activities under the twinning framework will gain momentum as new competency-based training course curricula (welding, bricklaying) are piloted in the September 2015 semester, and from July the Melbourne Polytechnic adviser starts work to assist the Ministry of Labour on TVET sector reform.

The program engages with the private sector—as the largest potential employer for vocational education graduates—through consultations, regular meetings and technical

¹⁴ The evaluators rated the project overall as “successful” with a score of 13 out of a possible 16.

board sessions to improve the link between potential employers and TVET providers (through demand-driven curriculum development, and quality short and long-term training to provide students with skills that meet industry's requirements). To strengthen the collaboration between the TVET College and the private sector, the program helped establish an advisory board for industrial mechanics including representatives from seven local private companies and the local mining association. Cooperation agreements between the College and local companies are in preparation.

A gender strategy promotes equal access by reducing the gap in women's opportunities to access vocational education and future employment. The strategy aims to increase the proportion of women in traditionally 'male courses' such as mechanical engineering, electrics and construction. In 2014–15 the program organised career guidance events for girls (in cooperation with Ministry of Labour), awareness raising, information sessions and gender-targeted promotional activities, as well as short-term skills training for women.

The program works with Mongolia's National Disability Center to integrate disability-inclusiveness into training curricula and approaches. In May 2015 the program conducted a survey to identify vocational education and future employment opportunities for people with a disability in South Gobi, and determine how to mainstream disability issues into pilot long and short-term vocational course curricula. The study made a number of recommendations for improving learning opportunities for students with disabilities. Capacity development and sensitisation training for teachers is planned for late August 2015.

The program is well aligned with Mongolia's efforts to promote employment and income generation as a part of the equitable sharing of mining benefits. It is effective and sustainable as it focuses on capacity building of vocational schools to respond to industry demands, and increasing graduates' employment opportunities.

Australia's aid to the mining sector in Mongolia also includes funding from global and regional programs. The International Mining for Development Centre's (IM4DC) training and research programs supported Mongolia's human resource development through access to Australian mining expertise. IM4DC conducted in-country and in-Australia training and study tours on topics such as mine rehabilitation and closure, occupational health, leadership, environmental management, minerals policy and economics, and community development. These topics are highly responsive to Mongolia's demand for capacity building to ensure responsible and effective mining sector growth. 68 Mongolians were involved; selected from government, NGOs and private industries engaged in the mining sector. Through the Australian Development Research Awards Scheme, the University of Queensland completed a project on managing the impacts of minerals development on Mongolian women and men, and their traditional livelihoods¹⁵.

Other additional small activities were funded by the bilateral program in 2014–15 such as a corruption survey and a geoscience capacity building assessment mission to help the GoM attract investment in mining exploration.

¹⁵ <https://www.csr.uq.edu.au/publications/responsible-mining-in-mongolia-enhancing-positive-engagement>

Objective 3: School communities are accessing improved water and sanitation and have improved hygiene practices.

Rating: **Green**

Contributing investment: UNICEF Water, Sanitation and Hygiene (WASH) project (\$2.8m 2011–15)

End of investment outcome: Mongolia has developed a national plan for WASH in schools and is resourcing its implementation.

The green rating for Objective 3 reflects that at the end of the project (June 2015) the outcomes and objectives have been fully met. The investment received the highest rating for effectiveness and efficiency (6) in its final Aid Quality Check report—despite a shortened implementation period and reduced budget following the 2013–14 aid budget cuts. Results will be validated by a final evaluation by UNICEF in September 2015.

The project exceeded its target number of beneficiaries of improved WASH facilities in schools. Activities reached 25,000 people including 9000 children (original target 7800) and 840 staff from the target 12 schools and 12 kindergartens. UNICEF WASH trained 48 school and kindergarten teachers from all 24 sub-provinces. Child Development Centres were established at the 12 schools to provide peer-to-peer education with close engagement and support from doctors and the school teachers. As the children became aware of the importance of hygiene they voluntarily joined the centres to learn and share their knowledge and promote awareness among their peers.

Innovative technical solutions were applied to overcome the challenges of: harsh climate conditions; the high cost of renovating and maintaining old poorly-designed buildings in rural areas with no central pipelining system; and the increasing price of construction materials. In consultation with national and subnational governments, experts, donors and the private sector, UNICEF tested a new container-type WASH facility used by tourist companies for an improved outside latrine model at the schools and kindergartens.

With the extensive involvement of the Ministry of Education and Ministry of Health, and other stakeholders, UNICEF WASH drafted a national WASH Standard for schools and kindergartens. The Standard was approved by GoM and obliges all schools and kindergartens to budget to implement the WASH Standard's requirements. The National WASH Standard draft is gender sensitive. There are special considerations for adolescent girls in access to WASH education, menstrual hygiene and privacy respect requirements.

Access to improved facilities and WASH awareness-raising is expected to reduce health risks and harsh conditions for children, and facilitate their learning. New facilities are comfortable and safe, and with close access to safe latrines children no longer need to become dehydrated, or walk far in the freezing cold. They have regular opportunities to wash their hands and shower at least once a week. The enrolment rate at target schools is 97 per cent— up from 90 per cent in 2012—and the occurrence of diarrhoea and hepatitis A is zero compared to 29 cases in 2012. School doctors and teachers link these results to improved WASH facilities, better awareness and hygiene behaviour. About 90 per cent of children at target schools are now observed to wash hands at critical times (2012 baseline was 43 per cent).

UNICEF WASH has accumulated valuable experiences and lessons on the effective and efficient implementation and monitoring of WASH programs. UNICEF plans to share the findings with government, donors and the private sector to raise their interest in replication of the innovative WASH model to other schools and kindergartens in rural areas.

Other cross-sectoral activities

In 2013–14¹⁶, 63 Australian volunteers helped build strong relationships with GoM partners strongly aligned with Australian aid priority sectors of human resource development, mining for development, supporting vulnerable communities, disaster risk reduction, strengthening civil society, social inclusion and promoting economic development. Volunteers supported aid projects co-funded by the Australian Government including improving groundwater management systems; and, water, sanitation and hygiene in Mongolian schools and urban districts. An AVID volunteer was recognised for his contribution to child protection by the Government of Mongolia and awarded a medal for “Best Child Worker”.

Australia funds the Asia Foundation to deliver two projects in Ulaanbaatar; one on improving urban services and one on economic policy planning. In May 2015 the collaboration with the Ulaanbaatar City Municipality on solid-waste management reform culminated in the adoption of an amended regulation on solid waste collection, transportation, financing, and fee collection. The new regulation sets minimum service standards, creates stronger monitoring and evaluation systems, and requires rigorous performance reviews with all solid waste companies. The Economic Policy Planning project supported the City Municipality to achieve a key step in improving economic development planning, with approval of the Ulaanbaatar Economic Development Strategy and the Ulaanbaatar Economic Development Corporation in April 2015.

In 2014–2015, DFAT’s humanitarian program funded the Red Cross project ‘Reducing Vulnerability and Building Resilience in Response to Hazards and Risks in Mongolia’. The program responds to identified risks, hazards and vulnerabilities in four provinces and has expanded to areas associated with illegal mining activities. It aims to build stronger community resilience to disasters and emergencies, ensure communities have strategies to respond to the adverse impacts of mining, and create stronger partnerships between communities and local authorities through the delivery of disaster mitigation activities.

The Development Assistance Projects (DAP) are a small grants scheme managed through DFAT’s Seoul Post to support Mongolian civil society projects and strengthen the capacity of Mongolian NGOs to become active participants in social and economic development. In 2014–2015 DAP provided grants to seven NGOs to implement various projects including: reducing domestic violence; increasing WASH at ger districts in rural areas; assisting the treatment of children with Down Syndrome; increasing children’s access to preschool education; income generation for single mothers; and improving the knowledge of city subdistricts on solid waste management.

Program Quality

No independent evaluations were undertaken in 2014-15. A planned mid-term review of AAM was not required as investments under \$10 million are now exempt.

¹⁶ Formal reporting of volunteer program outcomes achieved during 2014–15 was not available at the time of writing.

Performance Benchmarks

Of the three performance benchmark targets for 2014–15, only the benchmark relating to the mobilisation of the AMEP ISP by the end of 2014 was not fully met, due to factors outside our control (change of government of Mongolia).

2014-15 benchmark	Rating	Progress in 2014-15
Mobilise 43 scholarships	Achieved	Exceeded. 45 scholars were mobilised in 2014–15 with additional funding received from the global scholarships budget.
Effectively mobilise the Australia Mongolia Extractives Program	Partly achieved	The mobilisation of the new Australia Mongolia Extractives Program by the 4 th quarter of 2014 was not achieved due to factors outside our control. The change of government in Mongolia in late 2014 caused delays in agreeing the Subsidiary Arrangement for implementation of the program, and the contract with the international service provider was not able to be signed until the first quarter of 2015. One of the elements of the benchmark was achieved as planned—mobilising the twinning arrangement with an Australian TAFE by June 2015
Complete 28 improved water and sanitation facilities, benefitting 4180 people. Mongolia finalises a national minimum requirement for WASH standards at schools and kindergartens.	Achieved	This benchmark was fully met and some results exceeded their targets by a significant factor.

Analysis of Aid Quality Check (AQC) Reports

All investment quality ratings¹⁷ were maintained or improved in 2014–15. There are no unsatisfactory scores for any quality criteria for any of the investments.

Investment name	Approved budget and duration	AQC year	Quality Criteria					
			Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality
UNICEF WASH		2014	5	6	6	5	6	6
		2013	4	5	4	4	5	5
Australia Awards Mongolia		2014	6	5	5	4	5	4
		2013	5	5	5	4	4	4
Australia Mongolia Extractives Program		2014	6	5	4	5	5	5
		2013	6	3	3	3	4	4

¹⁷ Rating scale: ■ = 6 = Very good ■ = 5 = Good quality ■ = 4 = Adequate quality, needs some work ■ = 3 = Less than adequate quality; needs significant work ■ = 2 = Poor quality; needs major work to improve ■ = 1 = Very poor quality; needs major overhaul

All initiatives are highly relevant—as was the case last year for AAM and AMEP (then consisting only of the Groundwater activity). AMEP is particularly relevant to Australia’s economic diplomacy objectives of support for trade, investment, growth and business. In last year’s assessment the WASH program was downgraded for relevance due to its early termination and the intention to change the objectives of the Mongolia country strategy during 2014-15. This year’s assessment re-instated the relevance to 5 after more favourable consideration of its alignment with the Australian aid policy, the objectives of the still-current Mongolia country strategy, and GoM priorities.

Effectiveness has increased across the board, and particularly so for AMEP (despite its now reduced scope). Efficiency scores also increased for WASH and AMEP, and were maintained at a high level (5) for AAM. On this basis, the portfolio of investments under the Mongolia aid program during 2014–15 can be considered good to very good value-for-money.

Although scores are satisfactory for gender equality, more can be done to support gender equality outcomes in the scholarships and extractives programs. AAM can also work to improve its monitoring and evaluation score. A tracer study of alumni to assess longer-term outcomes from scholarship awards may be undertaken in 2016, budget permitting.

Performance of program delivery partners

Coffey International has efficiently and reliably implemented AAM while managing an increased number of scholarship applications (over 500). AAM has engaged well with GoM national counterpart agencies and civic and private sector organisations to maintain their strong engagement in program planning and priority setting. For example, the Annual Reflections Workshop in October 2014 was attended by 40 officials from major agencies and stakeholders—an excellent outcome as this occurred during the government reshuffle. However, engagement with the Project Coordinating Committee was challenging in 2014 as changes to the program’s guidelines and procedures were implemented. DFAT and Coffey are working closely on this relationship to ensure positive relationships with stakeholders. Coffey appropriately manages risk and fraud with quarterly updates to the risk matrix in consultation with DFAT.

During 2014–15 the World Bank effectively managed the Ground Water Management activity to make up for the time lost to earlier delays. The World Bank has an excellent partnership with the Ministry of Finance and MEGD, and cooperation is increasing with sub-national governments, private companies and communities. At DFAT’s suggestion the World Bank country program has started coordination with the International Finance Corporation (IFC) which has water initiatives with the private sector. The Bank’s Mongolia program and IFC have agreed to share experiences and harmonize their activities when relevant.

UNICEF effectively managed the 2014 decision to reduce the budget and timeframe of the WASH investment. UNICEF quickly adjusted its plans and there were no negative effects on the timely delivery of activities and outputs. DFAT and UNICEF developed a communication strategy to reduce reputational risk, and strong partnerships with national and provincial authorities, and the schools and kindergarten communities, were helpful. Innovative approaches to low-cost high-value facilities were essential to achieve objectives. In fact the investment exceeded its target outcomes even with the reduced funding and timeframe.

Risks and Management Actions

The key risk to be addressed is that the significantly reduced aid budget decreases Australia's influence in our sectors of engagement, our relative standing within the donor community, and more broadly our relationship with the GoM. The likelihood of this risk is considered low, given our strong and open relationship with the GoM and the good will generated with the opening of an embassy in Ulaanbaatar. We are mitigating the consequences of a reduced aid budget on the ability of our investments to deliver tangible activities and results. We will particularly seek to minimise the impact on the scholarship program as the AAM program is a high priority for the GoM. The intended work of the new AMEP investment will be scaled back, but as the ISP is only recently mobilised this will not mean cutting pre-existing activities (the Groundwater and TVET programs). Initial conversations with our implementing partners—Coffey (for AAM) and Adam Smith International (for AMEP)—on the need to reorient investments have been cooperative.

Actions:

Manage communication around budget reductions to the Mongolia aid program

DFAT officials will continue to convey to partners that the Mongolia-Australia relationship remains strong and important—as evidenced by the announcement to open an embassy, Australia's continued investment in Mongolia's human resource development and extractives sectors, and the strong bilateral trade and investment relationships. The aid program will continue to work closely with Mongolian counterparts to refine the focus and priorities of Australian aid assistance in line with agreed development goals.

Manage reduction in scale of AMEP

WB and GiZ partnerships will continue as planned. DFAT staff will monitor progress, including through field visits, and maintain regular communication about project implementation, risk and results.

DFAT Canberra will negotiate a revised scope for the AMEP contract to fit the reduced funding envelope while still contributing outcomes that meet our goals in the extractives sector and broader economic diplomacy objectives.

Provide a highly regarded quality scholarships program while reducing management costs

DFAT Canberra will renegotiate the existing AAM contract to obtain savings on the management of the program, while maintaining program quality, for the remainder of the contract to July 2016. DFAT Canberra staff will work with DFAT's global scholarships area to ensure the maximum number of scholarships can be awarded for future academic intakes.

Prepare for transition of management responsibility from Seoul post to the new embassy in Ulaanbaatar

The timeframe for the opening of the embassy is expected to be early 2016. Seoul and Canberra staff will lead discussion on roles and responsibilities for aid program management. Current roles and responsibilities between Canberra and Seoul staff will continue until further clarity on embassy opening.