



Aid Program Performance Report 2012–13 Mongolia

Key messages

This is the first Aid Program Performance Report for Mongolia. It summarises the aid program's progress in 2012–13 against the priority themes of the inaugural Australia–Mongolia Program Strategy 2012–2016, which was published in April 2013.¹

The Australian Government's aid budget to Mongolia in 2012–13 was estimated to be \$14.6 million, including bilateral country program funding of \$8.3 million.

Broader bilateral relations are in good shape. Foreign Minister Senator Bob Carr formally opened the Australian Consulate-General in Ulaanbaatar during his visit in October 2012. In April 2013, DFAT's two newly appointed local staff began work in the new consulate. This year also marks the 20th anniversary of Australia and Mongolia's memorandum of understanding for development cooperation, which was signed on 27 July 1993. In May 2013 a large and senior Mongolian delegation visited Australia to attend the International Mining for Development Conference in Sydney, which coincided with the Extractive Industries Transparency Initiative Conference. AusAID's² Director General, Peter Baxter, met Minister for Mining Gankhuyag at the Extractive Industries Transparency Initiative Conference.

Despite challenges, the program is making good early progress towards meeting the priority themes of the Australia–Mongolia Program Strategy 2012–2016, which are human resource development, mining for development and supporting vulnerable communities:

- > Australia is helping to build Mongolia's human capacity by providing 38 masters-level scholarships each year at Australian universities, and through targeted deployment of Australian volunteers
- > our partnerships with the United Nations Children's Fund and United Nations Development Programme, International Federation of the Red Cross, The Asia Foundation and others are assisting some of the poorest and most marginalised people (including about 10 000 children, women and men in rural Mongolia) to access better water, sanitation and hygiene services, prepare for natural disasters and screen more than 624 children for disability
- > over the next year, we propose to expand our work in the mining sector from strengthening groundwater management in mining-intensive areas of southern Mongolia through the World Bank, to improving the Mongolian Government's mining administration and policy development at the national level. Our proposed work at the sub-national level will help ensure that communities benefit from resource driven growth.

¹ <http://aid.dfat.gov.au/countries/eastasia/mongolia/Documents/mongolia-program-strategy-2012-16.pdf>

² In November 2013 AusAID was integrated into the Department of Foreign Affairs and Trade (DFAT). In this report, 'AusAID' is used to refer to the achievements and performance of the program prior to the integration; 'DFAT' is used to refer to current and future aid commitments of the integrated department.

Challenges include the political uncertainty and machinery of government changes that followed the July 2012 change of government, and in the lead up to presidential elections in late June 2013. Limited absorptive capacity within Mongolia's small public service is also a challenge. In this context, Australia will continue to undertake work through its International Mining for Development Centre and the World Bank to advance outcomes in mining for development. Anticipated greater stability in the post-presidential election period should deliver more opportunities to take forward this important new work, including implementing activities currently under design.

In recent years the program has grown in scale and ambition. As noted above, Australia's management capacity will be bolstered over coming months with the local DFAT team. However, to be sustainable and effective, the Mongolia program must continue to focus on supporting the new local team with high quality training and mentoring, working with international trusted partners, avoiding program fragmentation, strengthening policy dialogue with the Government of Mongolia, and improving donor coordination.

Context

Mongolia's development status

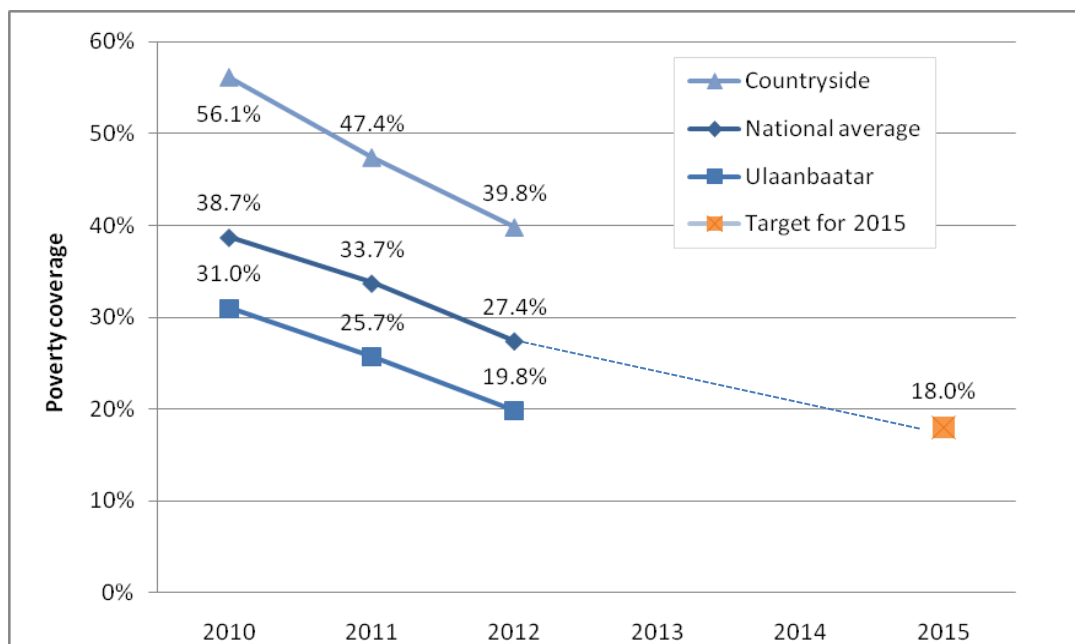
Mongolia is at a critical crossroads in its development. It has one of the world's fastest growing economies, driven by the formal, large-scale mining sector and associated foreign investment. This has propelled it to the status of a lower middle-income country. The International Monetary Fund calculates that gross domestic product increased by an unprecedented 17.5 per cent in 2011, moderated slightly to 12.3 per cent in 2012 and is expected to rise again to 14.0 per cent in 2013.³

Harsh natural conditions, geographical isolation, lack of access to capital and unemployment are the main causes of poverty. Mongolia currently ranks 108 out of 186 countries on the Human Development Index.⁴ According to recent statistics, poverty rates in both rural and urban areas have steadily declined since 2010,⁵ however the national average is still high (27.4 per cent in 2012, or approximately 757 000 people) and must continue to decline rapidly to meet Mongolia's target rate of 18 per cent by 2015. Inequality also persists: poverty in Mongolia's countryside was 40 per cent in 2012 compared to 20 per cent in the capital Ulaanbaatar.

³ Figures refer to gross domestic product with constant prices. International Monetary Fund, *World economic outlook database*, April 2013.

⁴ United Nations Development Programme, *Human development report – the rise of the south: human progress in a diverse world* 2013, http://hdr.undp.org/en/media/HDR2013_EN_Summary.pdf

⁵ Mongolian National Statistics Office and World Bank, May 2013 <http://www.worldbank.org/en/news/press-release/2013/05/21/poverty-rate-came-down-to-27-4-percent-in-2012>



Data: Mongolian Government, World Bank and United Nations Development Programme

In addition to the eight Millennium Development Goals (MDGs), Mongolia has its own ninth goal⁶ which forms the basis for achieving all other MDGs. The most recent Mongolian national MDG progress report from 2011 indicated that seven of the nine MDGs are likely to be achieved by 2015, with poverty reduction and environmental sustainability lagging despite significant economic growth in recent years.⁷

Australian aid to Mongolia

Australia is a long-standing development partner of Mongolia and was among the earliest to engage with it after the Soviet withdrawal in 1991. Modest funding, technical cooperation and Australian volunteers began the same year. On 27 July 1993 the two governments signed a memorandum of understanding for development cooperation. By 1994 Australia had become the fourth largest donor to Mongolia. In the 20 years to 2013, Australia and Mongolia's bilateral cooperation has achieved positive results through targeted assistance in a range of areas. Over this time the volume of Australian aid has also steadily increased.

Today Mongolia's donor landscape includes large credit and grant donors such as the People's Republic of China, the Japan International Cooperation Agency, Korea International Cooperation Agency and Asian Development Bank. Although Australia ranks in the middle of this donor list by budget, we remain one of the largest grant donors and will continue to have a whole-of-government approach to our aid program.

AusAID opened a representative office in the Australian Consulate in Ulaanbaatar in April 2013. The aid program employs two local staff – a senior program officer and a program

⁶ The ninth MDG is a uniquely Mongolian innovation which links the quality of democracy to eliminating corruption and protecting all categories of human rights. Since 2005 when it was adopted, the progress of MDG 9 has experienced a series of interruptions, including dissolution of the government in 2006, political protests, violence and a brief state of emergency in 2008, and fractionalisation of the main political parties.

⁷ National Development and Innovation Committee, *Millennium Development Goals implementation: the fourth national report*, 2011.

officer – to manage day-to-day running of the programs. Overall responsibility for the program remains with the Beijing-based Counsellor.

Strategy objectives for 2012–2016

The inaugural Australia–Mongolia Program Strategy 2012–2016 was published in April 2013 and sets a new direction for bilateral development cooperation. Our assistance continues to target to priority themes where we can make the greatest difference and have a proven record of performance. The three themes for Australian aid to Mongolia for 2012–2016 and related objectives are:

Theme	Objective
1. Human resource development	Through post graduate scholarships, Mongolia's Government, civil society and private sector deliver better services
2. Mining for development	Mongolians are benefiting equitably from a sustainably-managed mining sector
3. Supporting vulnerable communities	School communities are accessing improved water and sanitation and have improved hygiene practices

The themes reflect Australia's policy priorities globally and development priorities identified through consultation with the Government of Mongolia. Improving public health by increasing access to safe water and sanitation is also an objective.

Australia is a leading donor in education. We have supported 278 Mongolians to study in Australia since 2003 through the highly regarded Mongolia Australian Scholarships Program (now known as Australia Awards in Mongolia). Many alumni have made important contributions to Mongolia's development, including by holding senior positions in government, the civil service and private enterprise. This strong reputation in education, combined with the current human resource challenges confronting the public and private sectors in Mongolia, makes education an obvious choice for our ongoing engagement.

Australia is also a global leader in the mining sector, and Mongolia looks to us as a role model in developing its resource wealth. The Australian Government's Mining for Development Initiative helps developing countries use their natural resources to improve their economies in a sustainable manner. Through this initiative, we work in conjunction with multilateral organisations and other development partners to assist the Government of Mongolia to maximise the benefits and opportunities of mining. We do this by supporting programs that improve governance and transparency and mitigate the environmental and social impacts of mining. Australia has already committed \$5 million over four years to a groundwater management activity in the main industrial mining area in southern Mongolia.

Australia has supported vulnerable communities in Mongolia for many years. We have worked through multilateral organisations, such as the International Federation of Red Cross and its national societies, and the United Nations Children's Fund to increase resilience to natural disasters and improve water, sanitation and hygiene in rural communities. Current support includes a four-year, \$3.4 million activity in one of Mongolia's most disadvantaged provinces, Hövsgöl, which was launched in 2012. This will provide improved water, sanitation and hygiene facilities for approximately 7800 disadvantaged rural children. We will continue to assist vulnerable communities in mining and non-mining areas.

Gender equitable and disability-inclusive development approaches are integrated across our aid program. These and other cross-cutting issues are informing program choices in the scholarships, volunteers and water, sanitation and hygiene activities. Mongolia faces distinct

national circumstances in relation to gender issues. Women are proportionally better educated than men in Mongolia and participate in the labour force at rates closer to those of men. The gap between men's and women's wages, labour force participation and life expectancy is actually smaller in Mongolia than Australia. Mongolia lags however on gender gap statistics in political empowerment of women, and infant and maternal mortality rates.⁸

Australia supports Mongolia's National Committee on Gender Equality through the volunteer program and Australia Awards. In June 2013 the Prime Minister of Mongolia invited us to join in a meeting of the committee. We used this opportunity to share gender lessons from Australia Awards in Mongolia, as described separately in this report, and exchange views alongside other donors. Such direct participation in the committee meetings provides an opportunity for ongoing policy dialogue to advance gender issues at a national level.

In addition to major bilateral initiatives described below, Australian aid includes a number of other, smaller initiatives including regional and global programs and other government departments described in Annex A. A range of capacity building and education collaborations by other Australian public sector organisations have also contributed to the work of the aid program in Mongolia, including between the:

- > Mineral Resources Authority of Mongolia and the Australian Department of Resources, Energy and Tourism
- > Mongolian Agency for Technical Vocational Education and TAFE Directors Australia
- > Mongolian Ministry of Education Culture and Science, and the Australian Department of Education Employment and Workplace Relations
- > National University of Mongolia and the Australian National University
- > Mongolian Academy of Sciences and the Australian Academy of Science.

Expenditure

Mongolia's bilateral financial expenditure is reported below in two periods, Table 1A for the six months from January to June 2012 and Table 1B for the 2012–13 financial year.

⁸ National Statistical Office of Mongolia, *Mongolian statistical yearbook, 2012*.

Table 1A: Estimated bilateral expenditure for January to June 2012

Objective		\$ million	per cent of bilateral program
Objective 1	Through post graduate scholarships, Mongolia's Government, civil society and private sector deliver better services	2.0	43 per cent
Objective 2	Mongolians are benefiting equitably from a sustainably-managed mining sector	1.2	25 per cent
Objective 3	School communities are accessing improved water and sanitation and have improved hygiene practices	1.4	31 per cent

Source: original.

Note: data is derived from the program management tool Aidworks for the Mongolia Country Program period 1 January to 30 June 2012, and aggregated according to the objectives listed. Additional program management and corporate enabling costs are estimated at around \$51 000 or one per cent of bilateral spending for the same period. This percentage is relative to total bilateral expenditure for the period, which is \$4.6 million or 71 per cent of bilateral expenditure for 2011–12.

Table 1B: Estimated bilateral expenditure for 2012–13

Objective		\$ million	per cent of bilateral program
Objective 1	Through post graduate scholarships, Mongolia's Government, civil society and private sector deliver better services	3.8	57 per cent
Objective 2	Mongolians are benefiting equitably from a sustainably-managed mining sector	1.7	26 per cent
Objective 3	School communities are accessing improved water and sanitation and have improved hygiene practices	1.0	15 per cent

Source: original.

Note: expenditure data is drawn from the program management tool Aidworks for the Mongolia Country Program period 1 July 2012 to 30 June 2013, aggregated according to the objectives listed.

Total bilateral expenditure in 2012–13 is estimated at \$6.7 million or 81 per cent of the \$8.3 million bilateral allocation for the same period. The difference is due to lower than expected expenditure for Australia Awards in Mongolia.


Progress towards objectives


Table 2 below outlines the progress against objectives for the new program. As this is the inaugural aid program performance report for Mongolia, there are no previous ratings against which to compare current performance.


Table 2: Rating of the program's progress towards the objectives

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

Note:

 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. Recasting the objective may be required.

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

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.

The green rating reflects progress to improve an already well-performing Australia Awards program and to better target deployments of appropriately-skilled Australian Volunteers for International Development to support the Australia–Mongolia Program Strategy 2012–2016 objectives.

Until the 1990s, Mongolia's remoteness from markets and socialist, agrarian economy insulated its industry and workforce from the rigours of a modern economy. The country's capacity to engage and compete globally is hindered by a weak tertiary education system and relatively low levels of English language proficiency among the adult population. Harsh winters and the promise of jobs in the capital are driving rapid unmanaged urbanisation, and good long-term public policy and formal sector job creation will be required to address growing unemployment.

In the meantime, there is a shortage of adequately-trained professionals to address Mongolia's human capacity needs in government, private and non-government sectors. There has been a rapid expansion of Mongolia's tertiary sector—tertiary education providers grew four-fold from 2002 to 2007 and almost 17 per cent of the workforce is tertiary educated—but quality is low and local courses do not adequately skill graduates for the labour market. Overseas degrees retain a high value in Mongolia, particularly Australian qualifications. Australia also strengthens Mongolia's human capacity development through targeted provision of Australian Volunteers for International Development to government, civil society and development partner organisations. These are in sectors which align to the other priority themes of the Australia–Mongolia Program Strategy 2012–2016 (mining and vulnerable communities) as well as cross-cutting themes of governance and environment.

Providing post-graduate scholarships for Mongolians to attend Australian universities, is advancing Australia's goals. Scholarships have been an important part of Australian aid to Mongolia since the Australian Government started providing them to Mongolia in 1994. Australia provided a small number of scholarships each year until the commencement of the Mongolia–Australia Targeted Capacity Building and Small Activity Facility in 2003. Between 2003 and 2013 Australia will have provided over 235 Australia Awards Scholarships and 43 Australia Awards Leadership Program opportunities to Mongolian students. Australia currently provides 38 Australia Awards in Mongolia a year—21 to Mongolian government

ministries and 17 to be shared among civil society and the private sector. These have a very strong reputation in Mongolia. Five recipients in the most recent intake are studying at Australian universities on Australia Awards for Mining. The value and importance of the scholarships program is also recognised at a political level in Australia, featuring prominently during Foreign Minister Senator Bob Carr's October 2012 visit to Ulaanbaatar. Two current members of the Mongolian parliament and two current state secretaries are Australia Awards alumni.

Mongolian institutions appreciate the relevance of establishing close links with their Australian counterparts.

Recent evaluation surveys confirm that the bulk of Australia Awards graduates were returning to their original employing organisations to undertake functions that use their newly-developed skills. In 2012, women comprised 65 per cent of awardees and 67 per cent of English language participants, but they continue to be under-represented among those promoted to management positions on return. We will continue efforts to encourage more men into the program and more women into senior management roles following graduation and reintegration to their workplaces.⁹

The introduction of nine months full time English language training has resulted in substantially better English language outcomes than previous years, with 92 per cent of the 2013 intake obtaining the English language level of 'competent user'¹⁰ or above. The first hearing-impaired applicant is undertaking specially developed English language training that includes access to a special needs tutor and hearing devices, to prepare her for study in Australia in 2014. Much of this data was gathered through a new Australia Awards monitoring and evaluation framework, introduced in 2011. This framework won an Australian Evaluation Society Award for Excellence in Evaluation in 2011 and is acknowledged as an example of good practice with potential for broad application across scholarship programs.

These results set a new bar for the next phase of Australia Awards in Mongolia that started in July 2013. In developing the next three-year phase of the program, DFAT has directed significant resources and effort to recalibrate and improve it. These measures include streamlining and targeting the selection of scholars to a smaller number of sectors that align with broader strategy goals, improving the cost-effectiveness and outcomes of English language training and putting in place reforms that will strengthen the merit-based underpinnings of the program. Results of these reforms should be visible in the next reporting period.

Targeted deployment of Australian Volunteers for International Development to Mongolia is advancing Australia's goals. Australia has sent 37 cohorts of Australian Youth Ambassadors for Development to Mongolia since 1998, and 24 Red Cross volunteers since 2011. The total value of these deployments is around \$2 million per year. In the 18-month reporting period to June 2013, 28 youth ambassadors and four Australian Volunteers for International Development were deployed to Mongolia to help 32 organisations, as well as 21 Red Cross volunteers who have been strengthening the response capacity and governance of the Mongolian Red Cross.

The Australian Volunteers for International Development program has recently implemented a series of reforms to more closely align host organisations and volunteer deployments with the broader goals of the Australia–Mongolia Program Strategy 2012–2016. For example,

⁹ Mongolia Australian Scholarships Program Gender and Social Inclusion Strategy, 2012, Mongolia Australian Scholarships Program Design Document, 2013.

¹⁰ International English Language Testing System score of 6.0.

volunteers with strong economic skills are working within the World Bank team that is administering the Australian groundwater program, and discussions are underway to put a highly-skilled volunteer into Mongolia's Ministry of Economic Development, our key government counterpart.

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

Progress is somewhat less than expected for this point in time and restorative action is being taken to achieve the objective. Close performance monitoring is recommended.

The amber rating reflects likely delays in finalising the design and start of new Mining for Development activities. The design process timeframe has been extended from the last quarter of 2012–13 to the first quarter of 2013–14. This delay is due to complexities associated with navigating the post-election government and bureaucratic structure (which was implemented after the Mongolia Mining for Development scoping report was completed and before the formal Mining for Development design commenced).

Mongolia is experiencing a rapid economic transformation that is generated by large-scale mineral copper, uranium, coal, iron ore, and gold discoveries. Investments are turning these into world class projects:

- > Oyu Tolgoi will become one of the five largest copper and gold mines in the world and is expected to increase Mongolia's gross domestic product (GDP) by more than 30 per cent at full production
- > the Tavan Tolgoi mine has capacity to supply high-quality coking coal for more than 100 years.

The share of mining GDP today stands at 20 per cent, twice the rate of a decade ago. In recent years, the mining sector has contributed around one third of total government receipts. In 2012, the export share of minerals reached its highest level yet, slightly above 90 per cent.

The unprecedented economic growth that mining is bringing to the country is creating both opportunities and challenges for the Mongolian Government, including in managing investment and sovereign wealth. The political uncertainties surrounding the parliamentary elections of 2012 and the lead up to the presidential elections in June 2013 resulted in a passionate public debate about Mongolia's resource wealth, foreign investment, transparency and governance. While yet to develop a detailed development strategy, the Mongolian Government has released a preliminary platform that summarises a program up to 2016. This identifies four action areas: jobs and income, health, education, and the environment.

The new platform presents four targets to guide development of the mining sector:

- > increase the annual budget to serve as a basis for sustainable development of the sector by enriching the geological database of known reserves
- > map and define the mineral reserves for 40 per cent of the country by 2016
- > establish a Mongolian National Geology Department
- > improve the legal environment of the minerals sector in areas such as strategic deposits, licensing, in-country processing, state ownership, sovereign wealth, local private sector engagement, mine closure and rehabilitation, export regulation, transparency, and foreign direct investment.

As one of the world's largest mining exporters, Australia has considerable expertise in mining-related issues and our Mining for Development Initiative aims to mobilise this expertise to help developing countries maximise the benefits of their resource sector, while minimising the risks.

Australia's role as a donor in the mining sector is relatively new, while companies like Rio Tinto, BHP Billiton and Leighton have been investing and operating in Mongolia for many years. While there may be areas where the interests of industry and the aid program intersect, the Australian Government has been clear and consistent that the role of its Mining for Development-related aid is to harness opportunities to assist Mongolian people improve their lives, not to get involved in commercial issues or provide direct support to any mining companies in Mongolia.

In that context, Australia has much to offer in terms of regulation and rule setting in the minerals sector. Australia's state and federal government agencies, as well as a suite of industry bodies and academic groups, have considerable skills directly relevant to critical issues confronting Mongolia, including:

- > modern mineral laws and regulations
- > modern mineral tax regimes
- > efficient and effective mineral regulatory and oversight roles
- > inspection of large scale and medium scale open-pit and underground mining operations
- > large scale and medium scale open-pit and underground mining development, using environmentally responsible practices
- > good practice mining environmental protection, social risk mitigation, community relationships, and linkages to local suppliers and local business development
- > good practice mine closure and site restoration and reclamation
- > good practice mining in arid environments.

Strengthening Mongolia's capacity to manage non-renewable water resources in mining-affected areas is advancing Australia's goals. Australian assistance is funding the World Bank to strengthen groundwater management in the industrial-mining area in the Southern Gobi region. This is a major, existing component of the Mongolia Australia Mining for Development Program. With its natural resource wealth, Mongolia has a clear path to major economic development over the coming decade, but this will require strong resource management. Access to water is key to Mongolia's long-term development—without it, mining and large-scale infrastructure in mining areas such as the Southern Gobi will not be possible. Our support will help ensure effective management of these resources in the face of growing demand from mining and other developments to benefit the wide range of mining and non-mining related water users in the affected areas. Australia's expertise in water management and mining has been acknowledged by local communities and civil society, the Government of Mongolia, mining companies, private sector and development partners alike.

Australia has established an overarching country-level trust fund with the World Bank. Over the next four years, these funds will strengthen the capacity of local and national-level authorities to monitor and manage non-renewable groundwater in mining-intensive areas in southern Mongolia.

Work on the program is in its first year and results are few, but include defining the geographic and administrative divisions for the activity, establishing district level water committees and putting in place the administrative links between water basin authorities, province level governments and the national Ministry of Environment and Green Development.

New activities for the Mongolia Australia Mining for Development Program are under design to help strengthen Mongolia's mining governance and administration. In determining modalities for new activities we need to balance responsiveness in a rapidly evolving and politically-charged sector with the need to avoid complexity and fragmentation.

Mining also presents a distinct set of gender issues which are being considered by the design team, in particular by a contracted mining social impacts and gender specialist. New activities will complement DFAT Development Research Awards Scheme funding for a 2013–2015 cooperative research program on gender-sensitive mining-led growth in Mongolia, led by the University of Queensland.

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

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.

The green rating reflects good progress in implementing a suite of activities that target assistance toward some of the most vulnerable people in Mongolia.

Increasing access to better sanitation and hygiene, resilience to natural disasters, and social cohesion is advancing Australia’s goals. Working with a wide range of stakeholders such as the United Nations Children’s Fund, The Asia Foundation, International Federation of the Red Cross and United Nations Development Programme, the department is ensuring its assistance is reaching those least able to manage economic, social and environmental shocks. Targeted beneficiaries include poor children in rural and remote areas, and economically and socially marginalised people (typically former herders) living in ‘ger’¹¹ areas surrounding Ulaanbaatar with poor access to services.

DFAT is providing the United Nations Children’s Fund and United Nations Development Programme grants together worth \$4 million over five years (2011 to 2015) to improve water, sanitation and hygiene for up to 10 000 children, women and men in rural areas of Mongolia. The United Nations Children’s Fund investment aims to improve health outcomes and contribute to improved school attendance rates for 7800 disadvantaged rural children, through pilot projects in 12 schools and 12 kindergartens in Hövsgöl *aimag*¹². The United Nations Development Programme investment targets Zereg *sum* in Hovd *aimag*. Both these locations are pockets of vulnerability.

Despite construction delays, both projects are on track for effectiveness. Since the inception of the project, the United Nations Children’s Fund has conducted baseline surveys, selected target schools and kindergartens, finalised a monitoring and evaluation plan, and commissioned design of a water, sanitation and hygiene facility, all of which are in the process of being finalised. A project steering committee has also been set up in coordination with the local government and met for the first time in December 2012. The United Nations Children’s Fund is due to deliver a full progress report at the mid-term of the project at the end of 2013. The project has been underway for around 12 months. The United Nations Development Programme is close to completing construction of the planned infrastructure and has established a water, sanitation and hygiene committee to oversee the upcoming public education campaign.

¹¹ Traditional nomadic housing.

¹² Mongolia’s sub-national administrative units are *aimags* (provinces) which are further subdivided into *sums* (local government areas).

Program quality

The establishment of the first country strategy for Mongolia in April 2013 provides a basis to assess program quality going forward, to be further enhanced with the forthcoming performance assessment framework.

As the first annual program performance review for Mongolia, and in view of the early stage of development of the Mongolian country program, it is not possible to compare the current rate of progress to earlier years. With more frequent high-level visits, two local staff in country lifting engagement with Government of Mongolia and a carefully articulated program incorporating best practice design considerations, program effectiveness is likely to improve over time. Following June 2013 presidential elections, we expect current political uncertainties to lessen and counterparts to refocus on building links with DFAT staff.

Australia has continued to manage the program through well-established partnerships, particularly with multilateral (World Bank, United Nations Children's Fund and United Nations Development Programme) and bilateral partners including the German aid implementing agency GIZ and the Canadian Government.

DFAT staff have worked to maintain strong ongoing links with the World Bank, which plays a useful donor coordinating role. The World Bank provides management and fiduciary oversight of the groundwater activity and is leading on important issues such as advising the Mongolian Government on developing more workable mining legislation, public financial management and establishing a mining revenue-financed sovereign wealth fund.

As implementers of two Australian-funded water, sanitation and hygiene programs, the United Nations Children's Fund and United Nations Development Programme have demonstrated a capacity to deliver, but not without issue. The United Nations Children's Fund has been open and forthcoming on progress, including seeking regular update meetings with us in Ulaanbaatar and Beijing, and inviting and facilitating DFAT staff to join monitoring missions to Hövsgöl. The United Nations Development Programme's Hovd water, sanitation and hygiene activity has faced significant, unanticipated cost increases and repeated delays, which now extend to 18 months beyond the original completion date of June 2012. DFAT has agreed to a new timeframe for completion and approval for a small funding extension accompanied by closer monitoring and communication.

Among bilateral partners, Canada and GIZ are our closest contacts. We invited Canada's Ulaanbaatar-based development Counsellor to observe our initial Mining for Development design mission, and we have worked with the agency to strengthen coordination among mining-related donors to Mongolia.

From February to April 2013, as part of the design process of the Mongolia Australia Mining for Development Program, DFAT conducted a survey of development activities related directly or indirectly to mining. The resulting information covered about 63 activities with 26 funding partners and many more implementation partners, and was shared with all contributing organisation partners and the Government of Mongolia to help improve in-country coordination in this area.

Despite some delays in delivering the new Mining for Development Program design, overall progress was good across all Quality at Implementation ratings for major activities (see Table 3) and, within the context of Mongolia's political transition, should be seen as broadly positive.

Comprehensive and extensive induction training has been put in place for new local staff in Ulaanbaatar to prepare them for what will be a challenging assignment, including regular in-situ mentoring by Beijing and Canberra-based staff as well as a residential induction program in Canberra. Corporate staff from Canberra will also visit Beijing and Ulaanbaatar to help

establish corporate and programming systems to support a team approach to better link Mongolia, China and Australia-based staff. New staff have also undertaken program-related visits and training in Mongolia and other parts of the region.

Risks to post staff are mostly environmental. The ferocity of Mongolian winters will require staff to consider carefully their need to travel to remote parts of the country for monitoring visits. Serious air pollution caused by coal-fired heating in winter also poses an enhanced risk of respiratory disease.

Management consequences

Progress in addressing the previous year's management consequences is not applicable as this is Mongolia's first aid program performance report.

1. The Mongolia program management team (Beijing-based Counsellor, Ulaanbaatar-based Senior Program Manager) will focus on: strengthening policy dialogue with the Ministry of Economic Development, Ministry of Mining and other Mongolian and international development partners, including by playing a more active role coordinating donors; deepening our understanding of program risks; and avoiding program fragmentation.
2. Mongolia program staff will deliver a Mining for Development design that has broad endorsement, including alignment with the Mining for Development Initiative, Private Sector Development Strategy, the Government of Mongolia, and Australian whole-of-government partners. The design must also be implementable with limited available staff resources, support better mining governance at the national level, and play to Australia's relative strengths in the mining sector.
3. DFAT will ensure that new Mongolia local staff have adequate skills and information to manage current and future engagements, and sufficient knowledge of the department's corporate policy and programming framework and requirements to deliver the program effectively.
4. Staff will ensure that transition from the first to the second phase of Australia Awards in Mongolia (to take place in July 2013) is smooth and all efforts are made to support continuity of the existing in-country local management team.
5. To improve the quality of data reporting for future aid program performance reports, we will use the performance assessment framework currently being developed to elicit better activity-level data from partners. We will ensure that enhanced performance reporting, including gathering data to inform results, is integrated into the design of new Mining for Development activities and that future aid program performance reports are more analytical.

To enhance monitoring and increase learning all Mongolia program management staff will visit each of their projects in the field twice in 2013–14.

Most significant risks

In opening the new Ulaanbaatar local office, DFAT has traded risks associated with remote management of the Mongolia program for risks associated with new staff operating in a devolved program, two management steps from headquarters. We also anticipate staff turnover at the Beijing end of the program in coming months.

A lack of in-house technical capacity in mining governance, royalties and revenue collection, tax and audit at Post poses some risks as we start implementing our Mining for Development Program in 2013–14.

Potential for deliberate mischaracterisation of DFAT's Mining for Development work as 'supporting Australian mining interests'.

Our program is likely to continue to be delivered largely through partners, with less direct oversight of Australian funds.

Management response – What? Who? How? When?

DFAT (Beijing and Canberra) will continue to invest significant staff and financial resources to ensure new Ulaanbaatar-based local staff are able to manage the program over time in close consultation with Beijing Post. Best-case scenario would still see Beijing staff managing finances and programming for at least six months, allowing Mongolia staff to lift the level of aid dialogue with partners and the government. Anticipated Mongolia-related staff vacancy at Beijing will be filled quickly.

We will mitigate these risks by closely involving DFAT's Mining for Development policy section and using modalities that enable us to source external expertise e.g. through a facility approach that can provide targeted technical advice, or by working through trusted partners (e.g. World Bank and South Gobi Groundwater).

DFAT will need to continue to communicate the rationale for our work in Mongolia clearly and regularly with Mongolia's ministries and civil society to build public support for our Mining for Development activities, including through formal dialogues led by senior Canberra-based staff.

All partners are made aware of DFAT's zero tolerance approach on fraud.

Annex A

Summary of Australian aid activities to Mongolia in 2011–12 and 2012–13

Note: under the expenditure estimates column, "O*" indicates an activity in active implementation with no aid expenditure in the given year but where a partner is continuing to draw on funds that were previously disbursed. "N/A" indicates no expenditure or activity in implementation for the given year. Flows from global and regional programs are not necessarily programmed by country and are given here for indicative purposes only. Actual flows may differ from estimates given.

Initiative/activity name	Aidworks code	Activity duration (financial year ending 30 June)	Expenditure estimate (\$ thousand)		Funding program ¹³	Managing partner/s	Theme ¹⁴
			2011–12	2012–13			
> Australia Awards (Mongolia Australian Scholarships Program)	INH426, INJ246, INJ455, INK048, INK573, INK950	Ongoing	3744	3816	Bilateral/ Global	Coffey International	1 (2)
> Australia Awards (Fellowships) including:	AST	Ongoing	2237	1820	Global	DFAT	1
– Enabling Social Inclusion: Gender and Disability Responsive Good Governance (Flinders University)							
– Leadership, Change Management and Sustainable Governance Framework (Griffith University)							
> Australia Awards Endeavour Scholarships and Fellowships ¹⁵	-	Ongoing	541	625	Other government department	Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education	1

¹³ Bilateral funding programs are administered by DFAT at Post in Beijing and Ulaanbaatar. Global funding programs are administered by relevant sections at DFAT headquarters in Canberra.

¹⁴ Theme: 1 = Human Resource Development, 2 = Mining for Development, 3 = Supporting Vulnerable Communities. Numbers in bracket indicate a secondary theme to which the initiative or activity contributes.

¹⁵ The Australia Awards Endeavour Scholarships and Fellowships (previously known as the Endeavour Awards) are administered by the Australian Government department responsible for international education. For the period July to December 2011 this responsibility was held by the Department of Education, Employment and Workplace Relations (with associated expenditure of \$258 000). In December 2011 the responsibility moved to the Department of Industry, Innovation, Science, Research and Tertiary Education.

Initiative/activity name	Aidworks code	Activity duration (financial year ending 30 June)	Expenditure estimate (\$ thousand)		Funding program ¹³	Managing partner/s	Theme ¹⁴
			2011-12	2012-13			
> Australian Volunteers for International Development	VP1	Ongoing	2286	1949	Global	Austraining; Red Cross	1, (2, 3)
> Better Governance and Leadership Fund	INK267	2012-13	290	0*	Global	World Bank Governance Partnership Facility	1
> Government Partnerships for Development (formerly Public Sector Linkages Program) including:	INK121	Ongoing	244	575	Global	DFAT	1, 2, 3
– Pro-Poor Sustainable Economic Development: Capacity Building for Mongolian National and Local Government Officials (Sydney University)							
– Enhanced Sustainable Economic Growth in Mongolia by Improving Transparency and Accountability in its Public Sector (Curtin University)							
– Policy Development for Sustainable Management and Climate Adaptation of Degraded Grasslands in Western China and Mongolia (North Asia) (Sydney University)							
– Building the capacity of public extension services to effectively facilitate climate change adaptation in the livestock sector (Mongolia) (University of Queensland)							
> Mongolia Australia Mining for Development Program including:	INK110, INK381, INK809	2012-2016	1159	1700	Bilateral	World Bank; others	2
– Strengthening groundwater management in southern Mongolia							
– Mining sector scoping study and design							
> International Mining for Development Centre ¹⁶	INK235	2012-2015	223	840	Global	University of Queensland, University of Western Australia	2
> Developing a cost-benefit analysis of mining sites	11A226	2010-2012	0*	0*	Bilateral	United Nations Development Programme	2

¹⁶ The International Mining for Development Centre supports countries including Mongolia. Further information is available at <http://www.im4dc.org>

Initiative/activity name	Aidworks code	Activity duration (financial year ending 30 June)	Expenditure estimate (\$ thousand)		Funding program ¹³	Managing partner/s	Theme ¹⁴
			2011-12	2012-13			
> Disseminating mining best practice manuals	12A430	2011-2013	17	0*	Bilateral	Austrade	2
> Supporting the development of frameworks for the mitigation of social impacts in mining impacted areas in Mongolia	INJ905	2010-2013	0*	0*	Bilateral	World Bank	2
> Strengthened Transparency and Accountability for Minerals and Oil in Mongolia	67363	2012-13	110	0*	Global	Revenue Watch International	2
> DFAT Development Research Awards Scheme: - How can a gender-sensitive approach be applied to Mongolia's mineral development path? Applying socio-ecological metrics to evaluate and track livelihood transitions in a nomadic society (University of Queensland)	66461	2013-2015	N/A	287	Global	DFAT	2
> Independent policy think tank in Mongolia	51034	2009-2013	0*	0*	Bilateral	World Bank, Economic Research Institute	2
> Global Green Growth Institute ¹⁷	11B301	2012-13	625	269	Global		2
> Support for safe water supply and proper sanitation facilities for schools and kindergartens in targeted <i>dzud</i> -affected <i>sums</i> of Dornod <i>aimag</i> and Baga-nuur district of Ulaanbaatar city	11A225	2011-12	0*	N/A	Bilateral	United Nations Children's Fund	3
> Strengthening Water, Sanitation and Hygiene in Schools and Kindergartens of Mongolia	INK111	2011-2015	1000	1000	Bilateral	United Nations Children's Fund	3
> Water, Sanitation and Hygiene in Western Mongolia	11A227	2011-2013	0*	135	Bilateral	United Nations Development Programme	3
> Water safety plans as normal practice: policy and institutional strengthening for water safety plans mainstreaming (Phase 3)	10A390	2012-16	N/A	200	Global	World Health Organization	3

¹⁷ The Global Green Growth Institute (GGGI) supports countries, including Mongolia, with green growth planning and implementation, research and public-private-cooperation. GGGI has supported countries with national and sectoral economic planning, which helps to minimise carbon emissions, increase resilience to climate change and manage natural resources. Australia has contributed \$10 million to the GGGI over two years (2011-12 to 2012-13). The expenditure on Mongolia given here is indicative only based on an assumption of even funding to all countries supported by GGGI. Funding is not programmed by country.

Initiative/activity name	Aidworks code	Activity duration (financial year ending 30 June)	Expenditure estimate (\$ thousand)		Funding program ¹³	Managing partner/s	Theme ¹⁴
			2011-12	2012-13			
> Global Facility for Disaster Reduction and Recovery	OH1/10A 289	2011-12	250	0*	Global	World Bank	3
> Disaster Risk Reduction and Community Resilience	12A429	2011-2014	200	0*	Bilateral	International Federation of Red Cross	3
> Putting children with disability at the heart of Millennium Development Goal achievement	11A224	2011-12	0*	0*	Bilateral	United Nations Children's Fund	3
> East Asia Infrastructure Trust Fund – promoting access to clean cookstoves in Mongolia	INH466	2007-2013	N/A	200	Regional	World Bank	3
> Improving services to the <i>ger</i> districts of Ulaanbaatar	INK178	2011-2014	0	400	Global	Asia Foundation	3
> Direct Aid Program, including:	DA1	Ongoing	39	39	Global	Australian Government Department of Foreign Affairs and Trade	3
– Construction of a community well to improve the living environment in <i>Ikh zaluu bag</i> (Community Development Center Erdenet non-government organisation)							
– Strengthening Primary Eye Care services in Hovsgol Province (International Centre for Eyecare Education)							
– Repair and improve maintenance and protection of pasture hand-wells in Uvurkhangai (risk-free animal husbandry center)							
– Overcoming discrimination and stigma to combat HIV/AIDS in Mongolia (Youth for Health, Together non-government organisation)							
– Permaculture Education Resources and Materials (ADRA Mongolia)							
– Construction of a community water kiosk (Bayankhongor Community Development Center)							
– Toolkit for health volunteers network (Mongolian Anti-Tuberculosis Association)							

Initiative/activity name	Aidworks code	Activity duration (financial year ending 30 June)	Expenditure estimate (\$ thousand)		Funding program ¹³	Managing partner/s	Theme ¹⁴
			2011-12	2012-13			
> Australian NGO Cooperation Program including:	CP1	Ongoing	203	538	Global	DFAT	3
– Rural Economic Advancement Project (Adventist Development & Relief Agency)							
– Western Mongolia School Water, Sanitation and Hygiene project (World Vision Australia, 2012-13 only)							
– Improve Herder's Resilience to Natural Disasters (World Vision Australia, 2012-13 only)							
– Forest Protection and Enhanced Rural Livelihoods Project (World Vision Australia)							
– Mongolian Anaesthetics Capacity Building Project (Interplast Australia & New Zealand)							
– Engaging the public and private sexual and reproductive health sector in Mongolia project (Marie Stopes International Australia, project implemented in 2011-12 and evaluated in 2012-13)							

Annex B

Quality at Implementation ratings

Table 3: Quality at Implementation ratings

Initiative/activity	Financial approval and duration	Year	Quality at Implementation ratings						Risk management
			Relevance	Effectiveness	Efficiency	Monitoring and evaluation	Sustainability	Gender equality	
Mongolia Australian Scholarships Program – Phase 1	\$7.7m five years ¹⁸	2010	6	4	4	5	4	5	
		2011	4	4	5	3	4	5	
		2012	5	5	5	4	4	5	
Strengthening Groundwater Management in Southern Mongolia	\$5m four years	2010							
		2011							
		2012	6	4	3	4	4	5	
Water, Sanitation and Hygiene in Schools and Kindergartens	\$3.4m four years	2010							
		2011							
		2012	6	4	4	4	4	5	

Definitions of rating scale:

Satisfactory (4, 5 and 6)

6 = 6 = Very high quality

5 = 5 = Good quality

4 = 4 = Adequate quality, needs some work

Less than satisfactory (1, 2 and 3)

3 = 3 = Less than adequate quality; needs significant work

2 = 2 = Poor quality; needs major work to improve

1 = 1 = Very poor quality; needs major overhaul

Risk Management scale:

Mature (M). Indicates the initiative manager conducts risk discussions on at least a monthly basis with all stakeholders and updates the risk registry quarterly.

Intermediate (I). Indicates the initiative manager conducts ad-hoc risk discussion and updates the risk register occasionally.

Basic (B). Indicates there are limited or few risk discussions and the risk register has not been updated in the past 12 months.

¹⁸ This is only the value and duration for management costs of the first phase of the Mongolia Australian Scholarships Program. It does not include costs of awardees in Australia.

Annex C

Evaluation and review pipeline planning

List of evaluations completed¹⁹ in the reporting period

Name of initiative	Aidworks number	Type of evaluation	Date evaluation report received	Date evaluation report Uploaded into Aidworks	Date management response uploaded into Aidworks	Published on website
Not applicable						

List of evaluations planned in the next 12 months

Name of Initiative	Aidworks number	Type of evaluation	Purpose of evaluation	Expected completion date
Mongolia Australia Mining for Development Program: World Bank Trust Fund	INK809: 13A537	Mid-term progress review	To inform a decision to provide additional funding of \$2.4 million for the Groundwater Management activity in southern Mongolia	2014

¹⁹ 'Completed' means the final version of the report has been received.