



**MILLENNIUM
CHALLENGE
CORPORATION**
REDUCING POVERTY THROUGH GROWTH

 **Fact Sheet**
October 22, 2007 ★ www.mcc.gov

Mongolia and Millennium Challenge Corporation: Building a Dynamic Partnership for Poverty Reduction through Economic Growth

The Millennium Challenge Corporation and Government of Mongolia have signed a five-year, \$285 million Compact to reduce poverty and increase economic growth. The Compact is designed to increase economic activity, including exports, through a substantial improvement in the efficiency and capacity of the rail network, the economic backbone of the country. In addition, it is intended to increase opportunities of ordinary Mongolians by enabling them to capitalize on their land assets more effectively as a platform for family income improvement, helping them to qualify for the more demanding and financially rewarding market-oriented jobs required in a developing economy, and ensuring that they become healthier and more productive as they enter the marketplace. Finally, the Compact is structured to enhance the sustainability of the proposed projects by promoting both long-term changes in the legal and regulatory environment, and building capacity to ensure that the Mongolians are able to carry forward the Program's intended transformational impact.

Since 1990, Mongolia has made great strides to move their economy into one that embraces the free market. At the same time, they have seen their formerly rural society become rapidly urbanized. These transformations are overwhelming Mongolia's Soviet-era institutions and infrastructure, particularly in the transportation, land, education and health care sectors. The Compact is designed to enable their institutions and infrastructure to better support Mongolia's burgeoning urbanized, market-based economy. It will support efforts to broaden and deepen economic development in Mongolia by focusing on four key areas including rail, property rights, vocational education and health.

Rail Project (\$188.38 million)

The rail system is the transportation backbone of the Mongolian economy. With its antiquated infrastructure, equipment and practices, the current system cannot meet demand for rail services. It poses a serious economic bottleneck by contributing to inflation and limiting growth in both domestic and foreign trade. The Rail Project will address this bottleneck through improvements in the efficiency and capacity of the rail system, thereby creating new jobs directly and indirectly through increased economic growth. To ensure sustainability, the Rail Project promotes reformed rail operations and management practices, transparency of rail finances and commercialization of the rail system

Property Rights Project (\$23.06 million)

The inability of Mongolians to easily register and obtain clear titles to their land poses a serious obstacle to the Government of Mongolia's promotion of real property ownership. The Property Rights Project will help Mongolian citizens obtain secure, long-term rights to the suburban and peri-urban land (the small plots of land located in the crowded suburbs around Ulaanbaatar and other cities) they occupy, and promote investments in home improvement, business activities and agricultural productivity. In a banking sector marked by high interest spreads, the Compact will encourage financial institutions to reduce the risk premium on credit by providing their customers with a more secure source of collateral and encourage the emergence of new mortgage-related and other asset-dependent financial products. The Property Rights Project will improve the accuracy, accessibility and efficiency of the formal system for recognizing and transferring land rights and will facilitate issuance of up to 75,000 privatized and registered land titles to suburban landholders. The Project also will introduce a long-term leasing system on peri-urban rangeland and other incentives (such as technical assistance, wells, animal shelters and fences) that will enable leaseholders to increase income from this land significantly by improving range and livestock management.

Vocational Education Project (\$25.51 million)

The Government of Mongolia wants to develop a vocational education system that serves the demands of a modern, private-sector led economy. By building on the work of other donors such as the Asian Development Bank, the MCC Vocational Education Project will help Mongolia build up the institutional framework needed to support a demand-driven vocational education system. Through greater labor productivity and strengthening of training systems, the Compact is designed to increase employment and income among unemployed and marginally-employed Mongolians. The goal is to secure private-sector participation, establish skills standards and a competency-based qualification training system, among other things. Additionally, the Compact will develop new curricula for career training and 30 new career preparation tracks, as well as new build capacity for career guidance.

Health Project (\$17.03 million)

Mongolia's rapidly increasing rates of Non-Communicable Diseases and Injuries, or NCDI such as cardiovascular disease, diabetes, cancer and injury-induced trauma, has prompted the government there to look at making significant investments into modernizing their health care system. Mongolia's mortality and morbidity rates from cardiovascular disease and cancers greatly exceed those of Western countries and now represent the major cause of death and disability, and the underdeveloped trauma response and emergency medical care in Mongolia, as well as the lack of prevention-based health care, has had a negative impact on productivity. The Mongolia Compact, therefore, focuses on the health and well-being of the Mongolian labor force by reducing the incidence and severity of disease and injuries, and reducing and refocusing total health expenditures. The Health Project will support research on NCDI related behaviors and practices in Mongolia; site visits to

successful NCDI programs in other countries; communications and education interventions to promote risk behavior changes; new treatment and disease management protocols; a limited amount of equipment and intensive in-service training for early detection of cervical and breast cancers; and training of physicians and general medical personnel in NCDI disease management. MCC funds NCDI outreach, screening, and disease management for a significant proportion of the Mongolian population (up to 60%, as estimated by population linked to the proposed intervention sites) over the five-year term of the Compact, with extensive monitoring, evaluation and feedback to ensure successful interventions and the transmission of best practices to all participants

Administration

The Compact also includes approximately \$26.3 million for administrative and oversight cost of the programs, including the cost of administration, management, auditing as well as fiscal and procurement agent services and environmental and social oversight. The cost of monitoring and evaluation of the Compact is \$4.7 million.

Expected Results

The Compact will have significant impacts on individuals living in poverty, and significant ancillary benefits by creating new economic opportunities and increasing the capacity of individuals and groups to participate fully in, and benefit from, the country's economic growth. The Rail and Health Projects, for instance, are expected to have economy-wide impact. In addition, the Health, Vocational Education and Property Rights Projects are expected to reach over 1.5 million direct beneficiaries.

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Millennium Challenge Corporation (MCC), a United States government corporation designed to work with some of the poorest countries in the world, is based on the principle that aid is most effective when it reinforces good governance, economic freedom, and investments in people that promote economic growth and elimination of extreme poverty