



**MILLENNIUM**  
CHALLENGE CORPORATION  
UNITED STATES OF AMERICA

QUARTERLY STATUS REPORT



**Mongolia Compact**

JUNE 2012

**COMPACT GOAL**

The Mongolia Compact directs strategic investments to increase economic activity through secure and registered land titles in urban areas, sustainable utilization and management of rangelands in selected peri-urban areas, and improved vocational and technical training. These investments also help ensure that Mongolians become healthier and more productive as they enter the marketplace, improve urban air quality by increasing the adoption of energy efficient products and homes in the ger (yurt) districts of Ulaanbaatar and support the development of renewable energy, and improve the road in the critical north-south economic corridor that stretches from Russia through Mongolia to China.



**COMPACT AT A GLANCE**

		% OF TOTAL COMPACT		BUDGET (USD MILLIONS)
Compact Signed	<b>10-22-2007</b>	<b>10%</b>	<b>Property Rights</b>	<b>\$27.8</b>
Entry Into Force	<b>09-17-2008</b>	<b>14%</b>	<b>Health Project</b>	<b>\$38.8</b>
Compact End Date	<b>09-17-2013</b>	<b>17%</b>	<b>Vocational Education</b>	<b>\$47.2</b>
Compact Total	<b>\$284,911,363</b>	<b>16%</b>	<b>Energy and Environment</b>	<b>\$45.2</b>
Amount Committed	<b>\$234,818,085</b>	<b>31%</b>	<b>North-South Road Project</b>	<b>\$88.4</b>
Amount Expended	<b>\$136,798,458</b>	<b>0%</b>	<b>Rail Project</b>	<b>\$0.6</b>
Estimated Program Beneficiaries	<b>2,492,000</b>	<b>10%</b>	<b>Program Administration</b>	<b>\$29.1</b>
Estimated Increase in Household Income	<b>\$328,352,000</b>	<b>3%</b>	<b>Monitoring and Evaluation</b>	<b>\$8.2</b>

■ Project Preparation ■ Project Implementation

**Property Rights**

PROJECT COST

**\$27,802,619**

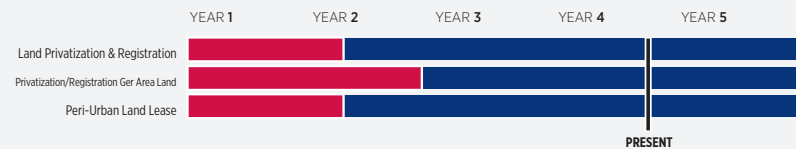
TOTAL CONTRACT COMMITMENTS

**\$26,318,641**

TOTAL PROJECT EXPENDITURES<sup>1</sup>

**\$14,469,888**

The urban component of this project is improving Mongolia's property registration system and helping poor households obtain title to land in urban "ger" districts. The peri-urban component is facilitating the leasing of pastureland near cities to groups of herders and investing in infrastructure and training to improve livestock productivity and herder incomes.



**Projected Long-Term Results**  
(Up to 20 years)

ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME
<b>102,000</b> MCC currently estimates that 60-80% of this beneficiary target will be reached.	<b>\$38,621,000</b>

**PROJECTED RESULTS BY END OF COMPACT**

A 13% increase in the property values of hashaa plots in Ulaanbaatar. An increase in the number of households accessing bank credit from 6,400 to 16,200. A 20% increase in the milk yield of dairy of cows on intensive farms. A 20% reduction in sheep mortality on semi-intensive farms.

**PROGRESS TO DATE**

Urban: 10 property registry buildings have been renovated and over 1,400 stakeholders have been trained. Peri-Urban: 390 herder groups have signed pasture leases, over 5,000 herders and government officials have been trained, and 75 wells have been commissioned for operation on the leases.

**PROJECT ACHIEVEMENTS**

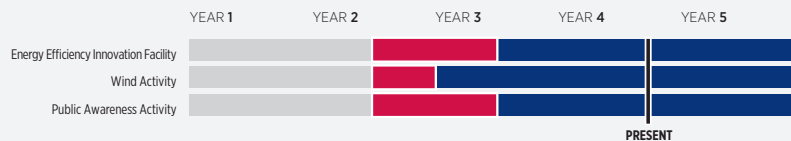
General: Stakeholders continue to gain knowledge and understanding about their rights to land. Urban: The capacity of property registration offices is being strengthened, which will enable them to register land transactions more efficiently and accurately. Peri-urban: Herder families now have secure pasture use rights until 2026, and have a better understanding of how to use the pasture in a sustainable manner to increase their incomes.

Health Project	PROJECT COST	TOTAL CONTRACT COMMITMENTS	TOTAL PROJECT EXPENDITURES <sup>1</sup>
	<b>\$38,823,259</b>	<b>\$30,834,092</b>	<b>\$22,615,809</b>
<p>The project seeks to strengthen the national program for prevention, early diagnosis, and management of non-communicable diseases/injuries (NCDI). It addresses major causes and risks of NCDIs, which cause premature adult death, disability and affect labor force productivity and the economic well-being of Mongolians.</p>			
	<p style="text-align: center;"><b>PRESENT</b></p>		
<b>Projected Long-Term Results (Up to 20 years)</b>			
ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME	<b>PROJECTED RESULTS BY END OF COMPACT</b>	<b>PROGRESS TO DATE</b>
<b>1,727,000</b>	<b>\$48,039,000</b>	<p>Decreased prevalence of high salt intake, high blood sugar, and hypertension (amount of decrease under review). Increased treatment of diabetes and hypertension (amount of increase under review).</p>	<p>7,340 health care workers and non-medical personnel have been trained under the Capacity Building Activity. Major screening activities are underway and nine contracts (worth \$5 million) have been signed for the supply and delivery of essential screening equipment and critical pharmaceuticals. Major behavior change campaign and outreach activities continue to be implemented with strong collaboration between public and private representatives.</p>
		<b>PROJECT ACHIEVEMENTS</b>	<p>Project funding is supporting a hospital with equipment to detect and treat strokes and myocardial infarctions. A consultant study was undertaken to provide evidence that the CP which required the GoM to support NCD programs at certain budgetary levels has been fulfilled. Preliminary results from the second round of HPV vaccination showed that 64.2-88.8% of targeted girls received two doses.</p>

Vocational Education	PROJECT COST	TOTAL CONTRACT COMMITMENTS	TOTAL PROJECT EXPENDITURES <sup>1</sup>
	<b>\$47,255,638</b>	<b>\$43,622,121</b>	<b>\$34,060,776</b>
<p>The project aims to improve access and quality in the vocational education system by supporting reforms to Technical and Vocational Education and Training (TVET) policy and operational framework, professional development programs for TVET instructors, the establishment of a labor market information system, and providing essential equipment to select institutions.</p>			
	<p style="text-align: center;"><b>PRESENT</b></p>		
<b>Projected Long-Term Results (Up to 20 years)</b>			
ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME	<b>PROJECTED RESULTS BY END OF COMPACT</b>	<b>PROGRESS TO DATE</b>
<b>170,000</b>	<b>\$55,948,000</b>	<p>An increase in the employment rate of technical vocational graduates from 71% to 75%. Increased annual salaries of technical vocational graduates from \$1,237 to \$1,336.</p>	<p>The project is piloting 28 competency-based curricula for key industries and management capacity building is underway for 34 schools. In addition, 86 practical training sites were upgraded, 15 educational facilities were constructed or rehabilitated and 1,010 instructors were trained or certified.</p>
		<b>PROJECT ACHIEVEMENTS</b>	<p>TVET reform legal/policy framework in place. 16 of 28 competitive grant projects completed. Quality assurance system for National Vocational Qualification Framework designed. Faculty from 3 Centers of Excellence (CoE) went on Australia study tour. One full qualification Training and Assessment Certificate program for two CoEs is complete. National Learning Center launched with initial staff capacity building. 70 employers participated in job fair.</p>

Energy and Environment	PROJECT COST	TOTAL CONTRACT COMMITMENTS	TOTAL PROJECT EXPENDITURES <sup>1</sup>
	<b>\$45,266,205</b>	<b>\$30,470,927</b>	<b>\$26,300,379</b>

The project aims to reduce air pollution in the capital city through the provision of financial incentives for ger district residents to adopt household energy efficiency and lower-emission technologies; and through ancillary network upgrades and limited tariff subsidy in support of the first on-grid commercial wind farm in Mongolia.



**Projected Long-Term Results**  
(Up to 20 years)

ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME
<b>339,000</b>	<b>\$71,539,000</b>

**PROJECTED RESULTS BY END OF COMPACT**

The project expects that the stove subsidy activity will lead to a 6.44 micrograms / meters cubed decrease in Particulate Matter 10 concentrations. In addition, seasonal coal consumption should decrease by 58,927 metric tons and savings from use of higher efficiency stoves should amount to over \$10 million. In regards to the Salkhit wind park activity, the project expects to generate 160-170 jobs.

**PROGRESS TO DATE**

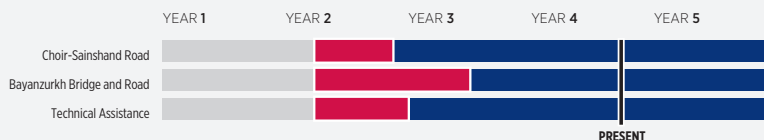
To date, sales have been made to more than 92,000 households or more than 50% of the target market. Sales will resume in August in additional subdistricts. Replacement of heating boilers with more energy efficient models at 10 ger district sites is underway. Upgrade of the substation and installation of a fiber optic cable are underway and installation of a dispatching system training simulator is pending contract award.

**PROJECT ACHIEVEMENTS**

Subsidies have been distributed for over 18,000 ger insulation sets, over 69,000 stoves, over 4,500 vestibules, and 84 energy efficient homes. Sales have been fairly evenly divided between men and women.

North-South Road Project	PROJECT COST	TOTAL CONTRACT COMMITMENTS	TOTAL PROJECT EXPENDITURES <sup>1</sup>
	<b>\$88,440,123</b>	<b>\$77,172,489</b>	<b>\$11,144,797</b>

The project is aimed at providing more efficient transport for trade and access to services by constructing 176.4 km of all-weather road from Choir to Sainshand, as well as providing Road Maintenance Technical Assistance to public entities engaged in roadway maintenance.



**Projected Long-Term Results**  
(Up to 20 years)

ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME
<b>154,000</b>	<b>\$114,205,000</b>

**PROJECTED RESULTS BY END OF COMPACT**

The North-South Road project expects to lead to an increase in average annual daily traffic from 625 vehicles to 1,782. The project also expects to see a significant decrease in travel time from Choir to Sainshand from 10 hours and 32 minutes to 5 hours and 10 minutes.

**PROGRESS TO DATE**

19.3 km of road have been designed; 176.4 km of the Choir-Sainshand road is under works contracts. An MCC oversight mission is scheduled for late July / early August to assess road contractor progress and to estimate cost to complete and time to complete on the two road contracts.

**PROJECT ACHIEVEMENTS**

The Law on Government budget for 2011 approved 8.8 billion Mongolian Tugrik (MNT) for road repair and maintenance activities in 2010; the funding was subsequently disbursed. A further MNT 12.4 billion was budgeted for road and repair maintenance activities for 2011.

Rail Project	PROJECT COST	TOTAL CONTRACT COMMITMENTS	TOTAL PROJECT EXPENDITURES <sup>†</sup>
	<b>\$369,560</b>	<b>\$369,560</b>	<b>\$369,560</b>
<p>The project is aimed at providing more efficient transport for trade and access to services by constructing 176.4 km of all-weather road from Choir to Sainshand, as well as providing Road Maintenance Technical Assistance to public entities engaged in roadway maintenance.</p>	<p style="text-align: center;">YEAR 1    YEAR 2    YEAR 3    YEAR 4    YEAR 5</p> <p style="text-align: center;">Choir-Sainshand Road</p> <p style="text-align: center;">Bayanzurkh Bridge and Road</p> <p style="text-align: center;">Technical Assistance</p> <p style="text-align: center;">PRESENT</p>		
<b>Projected Long-Term Results</b> (Up to 20 years)			
ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME	PROJECTED RESULTS BY END OF COMPACT	PROJECT ACHIEVEMENTS
<b>154,000</b>	<b>\$114,205,000</b>	<p>The North-South Road project expects to see an increase in average annual daily traffic from 625 vehicles to 1,782. The project also expects to see a significant decrease in travel time from Choir to Sainshand from 10 hours and 32 minutes to 5 hours and 10 minutes.</p>	<p>19.3 km of road have been designed; 176.4 km of the Choir-Sainshand road is under works contracts.</p> <p>The Law on Government budget for 2011 approved 8.8 billion Mongolian Tugrik (MNT) for road repair and maintenance activities in 2010; the funding was subsequently disbursed. A further MNT 12.4 billion was budgeted for road and repair maintenance activities for 2011.</p>

On April 27, 2009, the Government of Mongolia notified MCC that it intended to withdraw the rail project from the Compact. In January 2010, approximately \$188 million from the rail project was formally reallocated towards the expansion of the Health, Property Rights, and Vocational Education projects, and the addition of the new North-South Road and Energy and Environment projects.

<sup>†</sup>Expenditures are the sum of cash outlays and quarterly accruals for work completed but not yet paid or invoiced.