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**Swiss Agency for Development
and Cooperation SDC**

ANNUAL REPORT 2015

SWISS AGENCY FOR DEVELOPMENT AND COOPERATION IN MONGOLIA



Annual Report 2015

Swiss Agency for Development and Cooperation (SDC) in Mongolia

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Introduction

In December 2014, the Mongolian Parliament opted for a governmental restructure and a change of coalition partner. Consequently, the ruling Democratic Party (DP) allied with the Mongolian People's Party; however, that alliance collapsed in July 2015. It is expected that the coalition between the DP and its new junior partner, the Justice Coalition, will remain stable until the elections in June 2016.

Economic growth has further slowed, which is primarily the result of falling global commodity prices. Foreign Direct Investment has fallen, largely because of the volatility of the regulatory environment for foreign investors. The settlement of the OT dispute has opened the door to the US \$5 billion

underground mine development project. Despite this, with depressed export earnings and rising public debt caused by costly subsidy programmes, Mongolia is hovering close to a balance-of-payments crisis, with recovery not expected before the end of 2016.

Mongolia maintained its pragmatic approach to international relations through active multilateralism and its third-neighbour policy. Mongolia has positioned itself as a stable democratic nation, celebrating the 25th anniversary of democratic elections, hosting the Organization for Security and Co-operation in Europe's Parliamentary Assembly, and declaring its permanent neutrality.



SDC's Cooperation Strategy 2013-17 is aimed at equitable and sustainable social and economic development in Mongolia. It is built on three domains:

- Agriculture and Food Security (AFS);
- Vocational Education and Training (VET); and
- State Reform, Local Governance and Civic Participation (GOV).

SDC in Mongolia also invests in the artisanal and small-scale mining (ASM) sector and supports the Ministry of Education, Science and Culture in mainstreaming throughout the country education for sustainable development.

Highlights for 2015



Agriculture and Food Security (AFS):

- The publication of the national rangeland health monitoring report encouraged the government to integrate rangeland-use agreements into the draft Pasture Law.
- Currently, 1100 Pasture-User Groups (PUGs) are engaged in sustainable rangeland management. Expo Milano 2015 deemed the Green Gold (GG) Project to have the best practice on sustainable natural resource management.
- Herders' matching funds provided 15,000 households with emergency credit, mitigating shocks for poorer herder households.
- An important step forward in the livestock sector was the submission to Parliament of the SDC-supported draft Animal Health Law, paving the way for future exports of animal products to China and Russia.



Vocational Education and Training (VET):

- The intervention in the VET sector contributed to higher employment rates among VET graduates in target regions; more than 60 percent were employed within six months of graduation compared with the national average of 48 percent.
- Improved career guidance helped 75 percent of service receivers make better decisions about their career paths.
- In 2015, more than 39,000 youth availed of the services provided by adolescent and youth-friendly clinics.



State Reform, Local Governance and Civic Participation (GOVERNANCE):

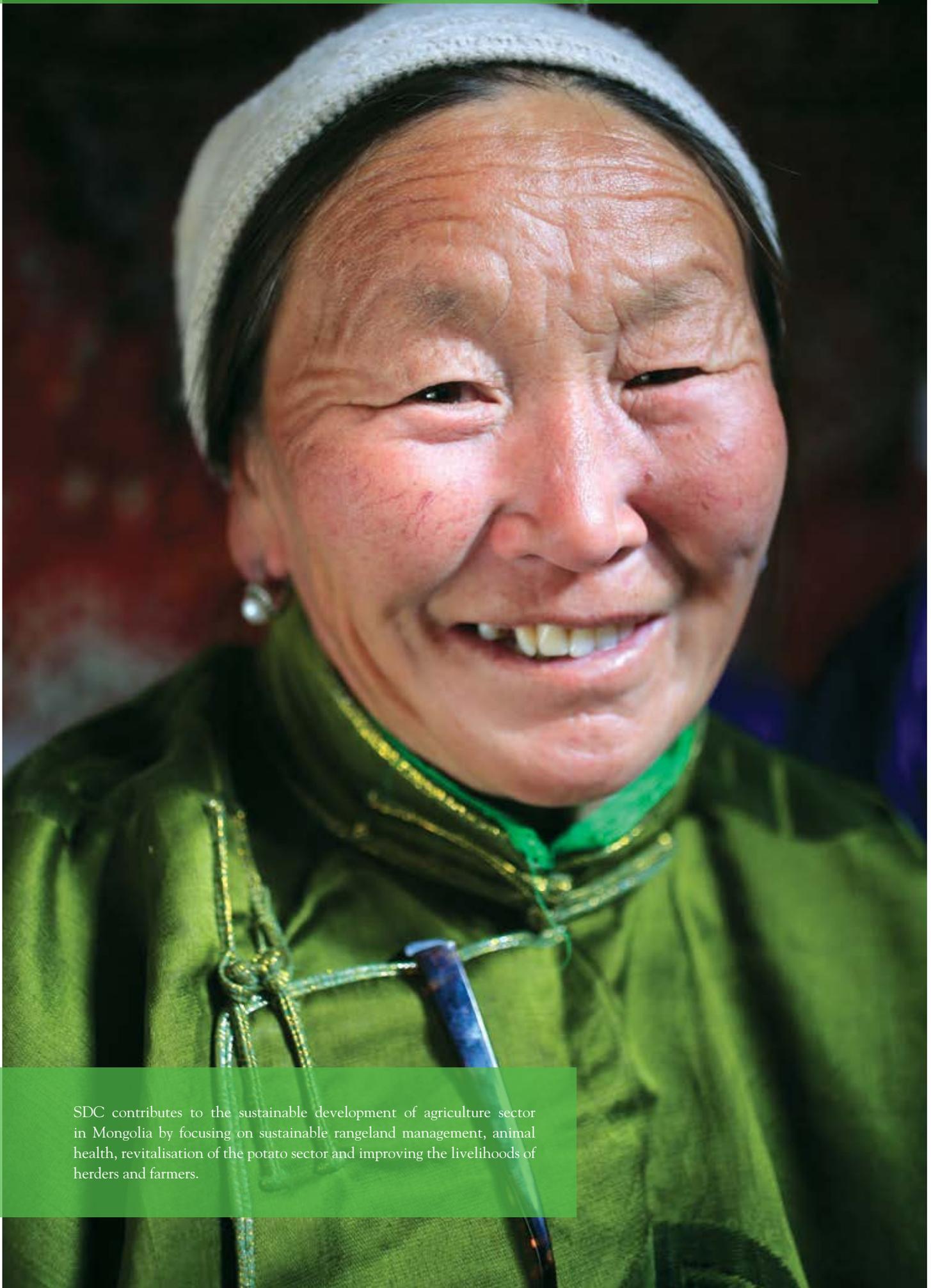
- According to a customer satisfaction survey, access to and the effectiveness of public administrative service delivery is steadily improving. One-hundred-and-fifty-two new One-Stop Shops were established by local authorities via their own funding.
- The practice of participatory decision-making in local affairs has taken root in all soums, contributing to improved accountability, resulting in a 14 percent increase in citizens' attendance at local council meetings.
- The capacity of local governments to fulfil their mandates for improved accountability and local service delivery, as well as to increase citizens' participation in local governance, is strengthening.
- The foundation has been laid for the further elaboration of policies and legislative frameworks on decentralisation and civic engagement in Mongolia.



Artisanal and Small-Scale Mining (ASM):

- More than 15,000 miners were able to avail of health and social welfare insurance, and more than 1300 underwent state-funded occupational safety and health check-ups.
- The ASM Frugal Rehabilitation Methodology is becoming a formal annex of Small-Scale Mining Regulation 308.
- The ASM intervention has gained prominence internationally, positioning Mongolia as a centre for ASM knowledge exchange.

Agriculture and Food Security (AFS)



SDC contributes to the sustainable development of agriculture sector in Mongolia by focusing on sustainable rangeland management, animal health, revitalisation of the potato sector and improving the livelihoods of herders and farmers.

Programme Highlights



Herders are voluntarily joining together to better manage rangelands.

Pasture-Users' Groups (PUGs), initiated by SDC's Green Gold (GG) Project, are groups of herders who have joined together to better manage rangelands for their livestock. As of today, a total of 1100 PUGs in seven western and central aimags are managing rangeland in accordance with the sustainable management rules agreed upon with local authorities.

Following the publication of the national rangeland health monitoring report, which concluded that 65 percent of rangeland was moderately to heavily degraded, the government integrated rangeland-use agreements, as promoted by the GG Project, into the draft Pasture Law, which was submitted to Parliament in October 2015.

The newly established National Federation of Pasture-Users, created by the SDC-supported Aimag Federations of Pasture-User Groups, has taken up this issue and has incorporated it into its policy dialogue with the government.

The GG Project was selected from 756 projects as Best Practice on Sustainable Management of Natural Resources at Expo Milano 2015, which was prestigious recognition of the project and its work.

An important step towards the institutionalisation of SDC's support in the livestock sector was the Ministry and Food and Agriculture's submission of the draft Animal Health Law to Parliament in 2015. The government's strategies to tackle such animal diseases as brucellosis and foot-and-mouth disease

are now being implemented with added impetus as the government is under pressure to facilitate the exporting of animal products to China and Russia.

Productivity: Improved productivity of farmers and herders

In 2014, all potato-planting areas in Mongolia used improved variety seeds introduced through the SDC-supported Mongolian Potato project. In 2013, this figure was 81 percent. Potato yields remained stable in 2014 at about 12t/ha¹ in comparison with 2013, despite adverse weather conditions.

In the vegetable sector, the State Variety Testing Commission in 2015 approved the release of four new vegetable varieties, and for the first time 10 hybrid varieties of such primary crops as cabbages, carrots, onions and turnips, bringing the total number of newly approved varieties to 23 since the start of SDC's support for the sector.

Market access: Improved access for herders and farmers to markets

Thanks to continued support from, and mediation by, the Green Gold Project, more than 60 herders' cooperatives had better access to markets. For example, the first contracts were negotiated between herders' cooperatives in Zavkhan and Arkhangai aimags and meat factories for the delivery of 45,000 head of livestock (sheep, goats and cattle) valued at MNT 3.4 billion.

In 2015, herders' cooperatives expanded their business links with Mongolian processors. Four new wool-processing companies entered into long-term contracts to purchase yak wool from cooperatives, increasing the total number of processing partners to 16.

As a result of newly introduced early-harvest technologies, the first locally produced potatoes were available at markets throughout the country from 20 July, 2015 - 20 days earlier than usual. Through the increased availability of storage facilities and marketing promotion for long-stored potatoes, farm gate prices remained high (about MNT 1000-1200 per kg) throughout the season.

Livelihoods: Improved livelihood security for herders and farmers

Each of the 1100 PUGs managed "herder matching

¹ SDC Country Strategy monitoring, 2015

HERDERS' COOPERATIVES

60 Cooperatives were established by the support from Green Gold: Herders' Cooperatives in **2015**.

Supplied **45,000** heads of livestock worth MNT **3.4** billion

Sold **1200** kg of premium-quality combed babycamel wool to processing companies.

Dividends distributed to members in 2015: MNT **267** million **↑** by **32** percent

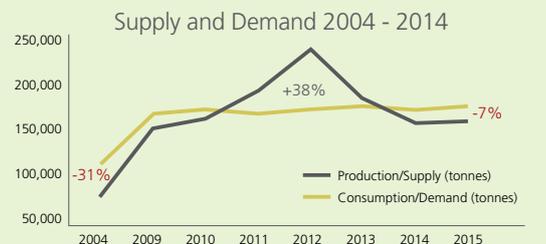
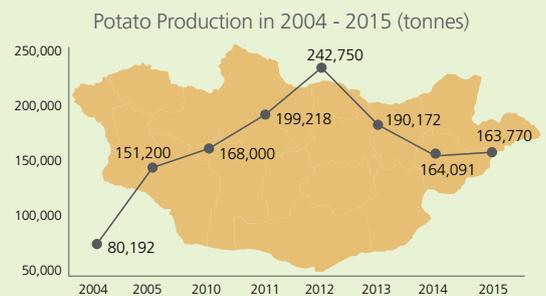
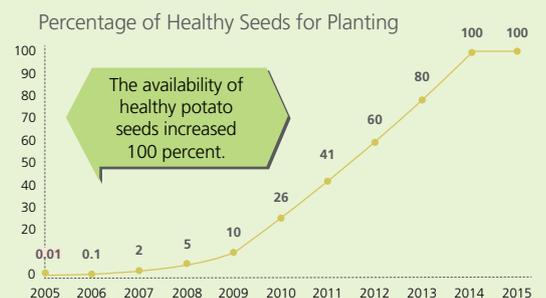
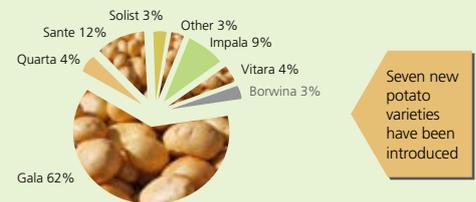
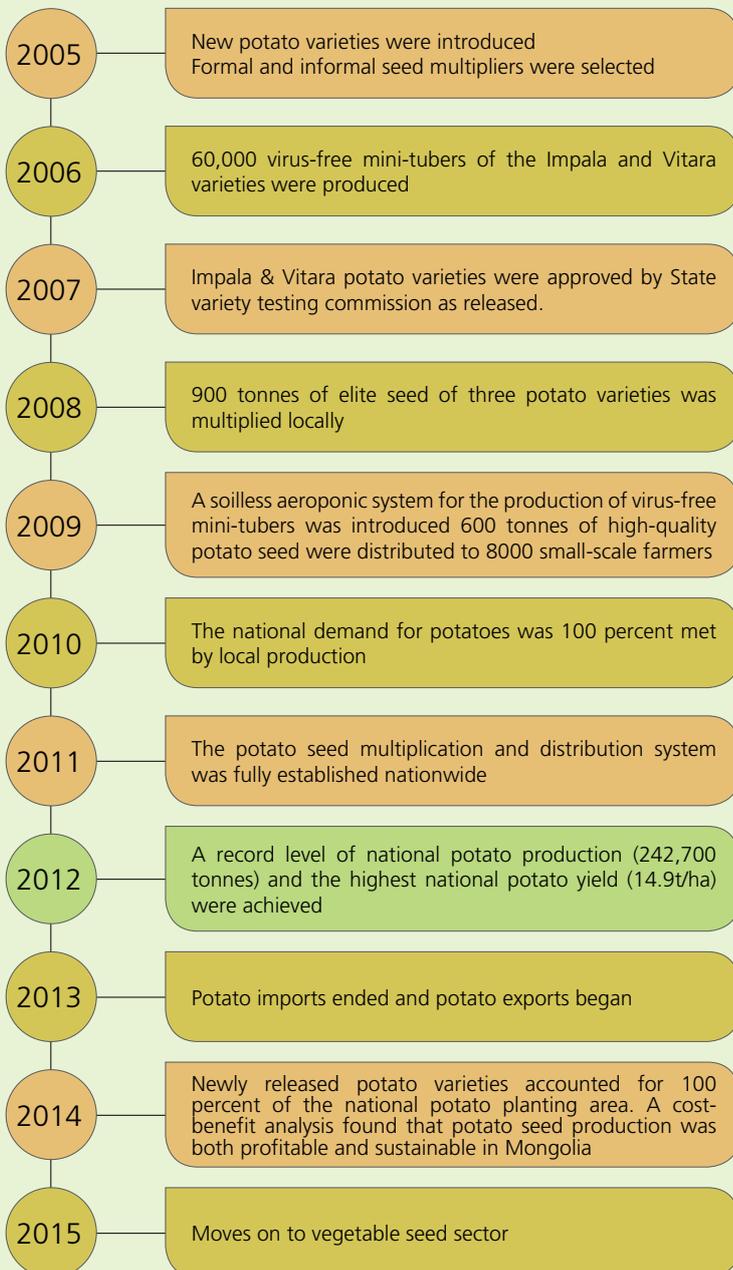
Total shared capital rose from: MNT **1,1** million MNT **1,4** million

funds” in the form of micro-credits from a total amount of MNT 1.6 billion (about CHF 800,000). This is expected to support 15,000 herder households in covering cash shortages for emergencies such as the need for medical supplies, transportation and forage purchases, contributing to increased livelihood security. These matching funds became crucial, particularly for poorer herders with limited herd sizes, after the major banks stopped providing small credit to herders in autumn 2015.

Herders are committed to focusing on the quality of their herds rather than the quantity of livestock. Because the number of livestock exceeds the carrying capacity of Mongolia’s rangelands, potentially threatening herders’ nomadic way of life and livelihoods, 18 pilot PUGs signed agreements with local authorities to gradually reduce livestock numbers.

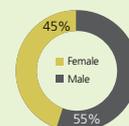
A DECADE OF THE MONGOLIAN POTATO PROGRAMME:

Thanks to 10 years of continuous SDC support for the potato sector, Mongolia has become self-sufficient in potatoes, consumption has almost tripled, and high-quality seeds of improved varieties are available to more than 14,000 potato growers throughout the country.



Farmers, by Gender

Reached
14,000
farmers



Farmers' Income





Gender Lens – Photo Essay

Innovative rural female leader uses video to promote collaboration

By B. Tuvshintungalag

Equipped with just a camcorder, a pioneering community leader is traversing the Mongolian countryside, using the power of film to encourage

livestock of one member of their PUG," she said. "This is something important to share with other communities to encourage them to act collectively in order to accomplish more."

In preparation for filming, the herders developed a storyboard - a hand-drawn visual plan to guide the video - on how they built the khashaa. Once completed, Mrs Udval began recording the process, complete with interviews with those who took part.

"I'm happy that I built the fence for newborn animals thanks to the support I received from my fellow herders," said Batbileg, a member of the Zaisan PUG and owner of the new khashaa. "There are many herders who need the support of others. We plan to build fences for at least three herders each year."

"Using video to encourage herder participation, learning and exchange is completely new for us," Mrs Udval said. "Mongolians say that it's better to see something once than to hear it a thousand times. Therefore, videos are more effective in explaining the accomplishments of others than just my words alone."

After finishing her day's work as APUG leader, Mrs Udval then drove about 90km to the next community. That evening, she edited the video, using local music as an accompaniment. The next morning, she met with the herder community, who were largely unfamiliar with the work of SDC's Green Gold Project in supporting herders in pasture management and collective action.

She showed them the five minute long video she had produced, which captured the herders' attention, particularly when they saw the benefits of communal work, and resulted in a round of questions on how they, too, could engage in such collaborative efforts.

Mrs Udval will continue to meet with herders in neighbouring communities where she plans to introduce joint pasture-management practices.

"I believe that meetings and activities with herders are more efficient with the use of the videos we produce together," she said.



Herders are interested in Mrs Udval's (second from the left) videos and the stories they tell

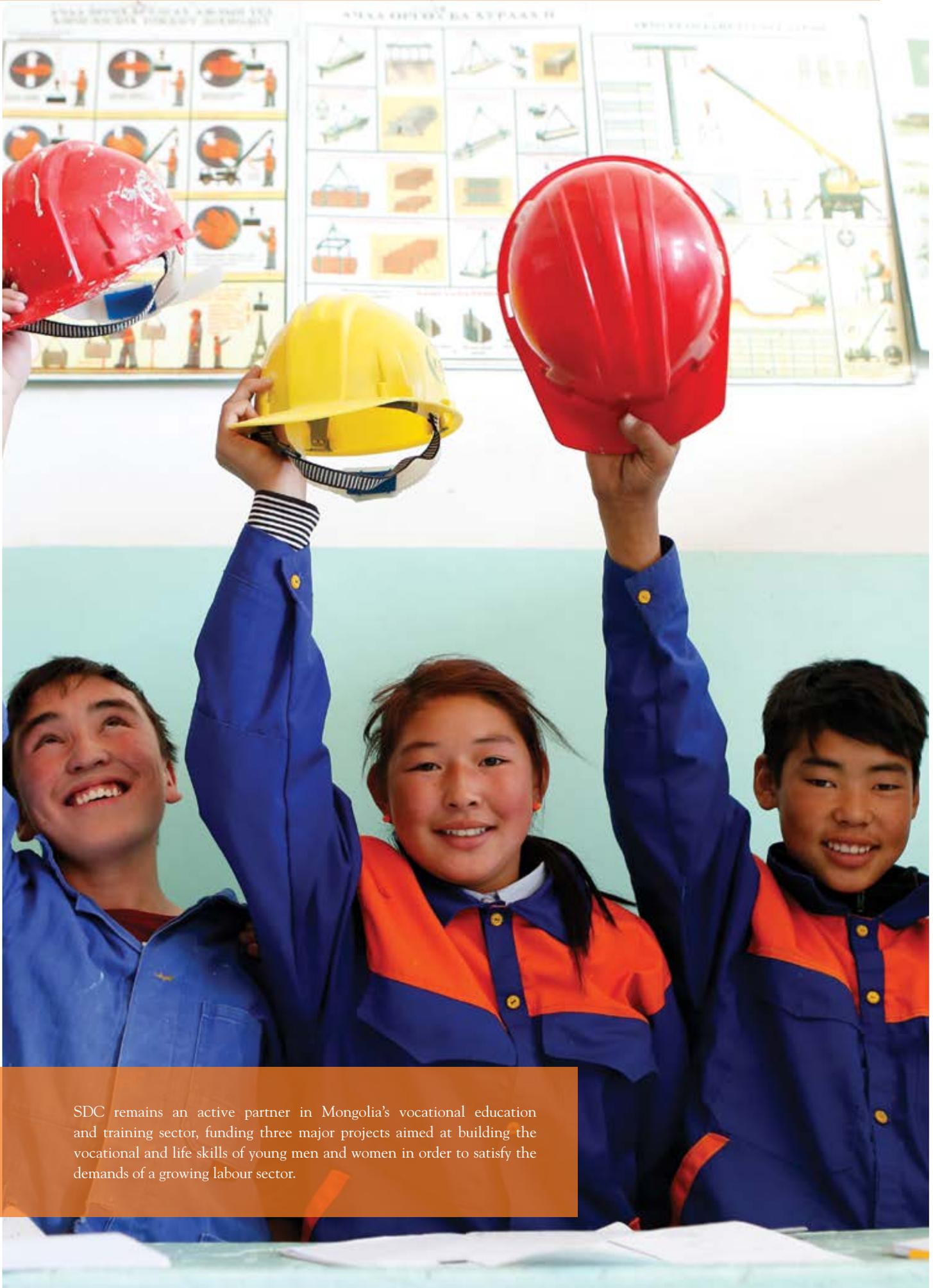
herders to embrace collective action for sustainable rangeland management.

Mrs Udval, head of the Association of Pasture-User Groups in Tsetseg soum, Khovd aimag, is using the film-making skills she gained in training provided by SDC's Green Gold Project to document local people's knowledge and experiences in a series of participatory videos that give a voice to remote herding communities.

On 15 October, Mrs Udval drove 50km to meet with a herding community that had gathered to celebrate the completion of a khashaa - a warm winter shelter for livestock - built by members of the Zaisan Pasture-User Group (PUG).

"It's great work for this community that they joined forces and resources to build a large khashaa for the

Vocational Education and Training (VET)



SDC remains an active partner in Mongolia's vocational education and training sector, funding three major projects aimed at building the vocational and life skills of young men and women in order to satisfy the demands of a growing labour sector.

Programme Highlights



Youth are increasingly interested in entering vocational schools.

Ministry of Labour (MoL) is playing an increasingly active role in sector coordination. The MoL and the Vocational Education and Training Partnership (VETP) NGO concluded a memorandum of understanding on cooperation. According to the memorandum of understanding, the VETP will support the MoL in coordinating external partners' interventions and facilitating the knowledge-management process. In addition, the VETP - the coordination platform supported by SDC, GIZ and such private sector stakeholders as Oyu Tolgoi, the Employers' Federation and the Builders' Association - was empowered by the MoL to assume the secretariat role for the Mongolian team during World Skills 2015.

Improved employability of VET-trained young men and woman

As a result of the support given to selected six Vocational Education and Training (VET) schools in the western region, the average employment rate of graduates of both long and short-term skills trainings is more than 60 percent, which is higher than regional and national averages.

The average employment rate for all graduates of VET schools in the western region is 56 percent compared with the national average of 48 percent.

Interest in skills development and the recognition of TVET remain high. The annual monitoring survey of the Country Strategy confirmed that more than 57 percent of the surveyed rural adult population and

SDC's VET project is being implemented in six VET schools in the western region.

Employment of the target VET graduates:

2014 - 2015



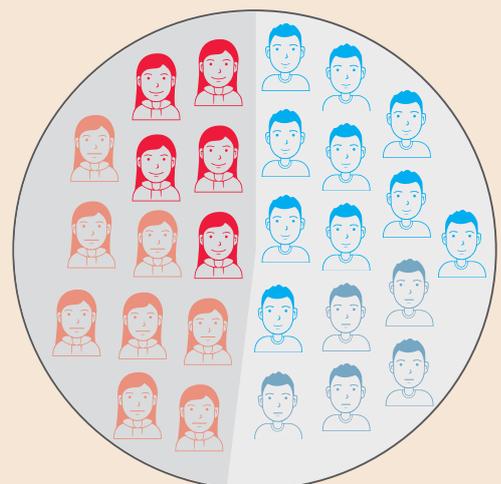
2874

students graduated from the six target schools in the western region

The employment rate of graduates from the target schools vs the national average:



Employment of the target VET graduates, by gender



Total of **2874** graduates:

1367	1507
female graduates,	male graduates,
42% were employed	74% were employed

59 percent of youth had positive perceptions about the sector, and 91 percent of youth were interested in skills development.

The curricula development methodology introduced by the VET Project was subject to national discussion. Led by the Ministry of Labour (MoL) in conjunction with the VET Project, the template has been accepted and will be rolled out nationally.

Rapid skills development and improved employability of men and women with a lack of marketable skills

Short-term skills trainings facilitated by the Vocational Skills Development Project are well-sought among generations left out after the collapse of the socialist system. A total of 67 short-term skills trainings in two technical fields (construction and mechanics) were conducted by the 10 partner institutions, with a 62 percent employment rate for graduates three months after graduation.

Clients of needs-based career guidance services are making informed decisions about their future career paths. 75 percent of project survey respondents, of whom 54 percent were women, said the career advice they received had helped them to make a sound occupational decisions.

Youth development: Building life-skills for youth

Life-skills education introduced within the Youth Development Programme was institutionalised at the secondary school level in all general education schools starting in the 2015 academic year. As part of the curricula, there are standalone classes called “Life-skills learning activities”. All other classes are required to build life skills through revised methodologies.

Where as the previous two years of the Youth Development Programme were used to establish the channels and infrastructure needed to reach youth and to streamline life-skills education, 2015 was dedicated to the operationalisation of those channels.

Youth clinics are now being fully utilised. In collaboration with the Ministry of Health and Sports and the National Centre for Maternal and Child Health, seven youth-friendly clinics have been established in the target regions to provide health services at the secondary and tertiary levels. More than 39,000 youth had availed of the clinics’ services during the reporting period.



Youth-friendly centres help unlock the potential of Mongolia's youth



Gender Lens – Photo Essay

J. Enkhchimeg: “I have a dream to manage my own construction company”

By B. Zolbaatar



In 2013, Enkhchimeg took out third place in MongolianSkills, and has improved her ranking every year since

J. Enkhchimeg is breaking gender barriers and making history in an industry that has traditionally been dominated by men.

Following in her mother’s footsteps, she is studying to become a bricklayer and concreter and is already making her mark nationally and internationally.

Enkhchimeg is the first Mongolian woman to take part in the bricklaying component of the international skills competition WordSkills, this year held in Sao Paulo, Brazil.

She secured her place in the event after taking out first place in the 2015 MongolianSkills competition. It was the third time she had participated in the national event; in 2013, she came in third place, and the following year she came in second.

“My mother is a bricklayer,” Enkhchimeg said. “So I’ve been very familiar with this profession since I was little. Personally I’m fascinated with how houses are built from the ground up. I have a dream to manage my own construction company in the future.”

It isn’t just skill that’s taking Enkhchimeg to the top of her profession. According to her teacher at the Ulaanbaatar Polytechnic College, the key to her success is “her ambition and endurance”.



In 2015, Enkhchimeg made history when she became the first Mongolian woman to compete in the bricklaying component of WorldSkills

State Reform, Local Governance and Civic Participation (GOVERNANCE)



Good governance and decentralisation are high on the Mongolian government's agenda. With the adoption of a number of new laws, Mongolia has made significant progress in both administrative and fiscal decentralisation reform. Switzerland is supporting Mongolia's governance reform efforts, and is sharing its experience and expertise in decentralisation and democratisation.

Programme Highlights



A meeting in a town hall in Khovd aimag. Citizens are increasingly taking part in local meetings focused on development issues.

Local Governance: Improved performance and accountability of local governments

Local governments are steadily improving their performance in service delivery thanks to the now institutionalised One-Stop Shops (OSS) as service delivery centres. Local authorities established 152 new OSS centres with their own funding in soums and khoros out of a total of 480. Quality increase in accessibility, effectiveness and efficiency at the OSS are evidenced with an increase in customer satisfaction from 76 percent to 80 percent.

Decision-making processes at the sub-national level are more participatory and transparent thanks to increased support from the Governance and Decentralisation Programme (GDP). This could be proved by 173 discussions on Local Development Fund (LDF) prioritisation that were held involving 16,826 citizens (56 percent women).

Participatory decision-making in local affairs has taken root in all soums, contributing to improved accountability. In Fostering Civic Engagement Project sites, citizens' attendance at public meetings increased by 13.9 percent, and the satisfaction level with public meetings rose from 50 percent to 60 percent.

The Law on Legislation that enables public participation in the initiation and drafting of parliamentary decisions was adopted in 2015 as a result of GDP technical assistance.

The foundations for the further development of policies and legislative frameworks on decentralisation and civic engagement in Mongolia are being laid with the help of policy research produced by SDC and regular policy dialogue.

Successful policy dialogue facilitated by the GDP contributed to the decision by Parliament not to amend the Public Procurement Law. The debated amendments would have weakened the public procurement legislation by reducing open competition and removing local procurement units.

Local procurement processes are effectively conducted by local governments and monitored by Civil Society Organisations in 13 of the 21 aimags. The capacity of local procurement units is secure. Monitoring and information disclosure are institutionalised with fully operational tender information websites in eight aimags.

The improvement of budget transparency and the application of sound public financial management practices at the local level was recognised in a World Bank study. Local public procurement practices have become more open, transparent and accountable in 13 target aimags and 26 soums.

Development of Civil Society: Improved capacity and social accountability role of civil society organisations

A national network of experienced local trainers is established and is contributing to ensuring the sustainability of local capacity building efforts. The Institute of Local Development, an apolitical NGO, was established; it has 52 trainers (17 women) from all 21 aimags.

The Community Scorecards initiative resulted in public service quality improvements in primary health

² Mongolia Public Expenditure and Financial Accountability Report (PEFA), World Bank, April 2015

care, schools and kindergartens, social welfare and effective planning of LDF investments in 14 out of 17 pilot sites. Improvements in public attendance and staff behaviour were the main immediate positive effects of the scorecards.

Increased CSO engagement in the local public procurement process and contract execution is ensuring the transparency, effectiveness and

efficiency of public resource utilisation in 13 out of 21 aimags. 38 construction contracts were monitored by CSOs. Violations of contractual obligations were uncovered, including using materials not consistent with technical specifications. Public pressure obliged contractors to take corrective measures. These experiences were widely disseminated through local media, which amplified its effects.



Residents in Jargalant soum, Khovd aimag have prioritized LDF funds for building roads, greening and lighting the streets.



Gender Lens – Photo Essay

Supporting Women Representatives as the voice for Rural Communities

By Philippe Long

After graduating from university in Mongolia's capital Ulaanbaatar, D. Bertsetseg returned to her hometown of Zuunmod soum, Tov aimag where she worked in education for 30 years. "I came back to my hometown to educate the future of Zuunmod—its school students," Bertsetseg explains. Zuunmod soum is comprised of more than 4,600 households, with a population of 16,000 inhabitants.

Bertsetseg was drawn into politics during Mongolia's democratic transition in the 1990s. After working as an election campaign manager and being twice nominated herself, she was eventually elected into the soum's Citizen Representative Hural in 2012.

Following her appointment, Bertsetseg took part in a National Training Programme, as part of the Capacity Strengthening of Local Self-Governing Bodies Project implemented by UNDP and funded by the SDC for all khural representatives. The tailored training includes topics such as citizen participation in decision-making, public financial management,

ethics, green development, human rights, and gender.

Bertsetseg also participated in the country's first nationwide Women's Leadership Training organized by the Project. "The Training affected us women in a very positive way since there are 14 women representatives in Zuunmod soum hural," said Bertsetseg.

The Training will reach all women representatives in Mongolia and its curriculum includes leadership, power dynamics, and human rights.

"I hope the Trainings' impact will continue to empower women representatives. Women are the backbone of the family and the bedrock of a community. With more women in power, I believe we would have more harmony, more engagement, less suffering, and less conflict."

For Bertsetseg, a khural representative means, "Being a responsible leader, ensuring a better future for the community, while also voicing people's needs when shaping local policies."

"Ms. Bertsetseg (from left), Zuunmod Soum Citizens' Representatives Hural Chair, regularly meets with youth to encourage volunteerism and to support their participation in local decision-making."



Artisanal and Small-Scale Mining (ASM)



The SAM Project's coordination with both duty-bearers and right-holders in 2015 is credited for positive changes among artisanal miners through increased formalisation, improved livelihoods and the advancement of human rights.

Programme Highlights



ASM miners' NGO in Bayankhongor aimag became the first ASM organization in Asia to be granted Fair Mined Certification.

A high-level review of Mongolia's implementation of human rights conventions provided a timely opportunity for the ASM National Federation to expand their advocacy efforts to a greater political dimension, making submissions to the UN Universal Periodic Review and the International Covenant on Economic, Social and Cultural Rights. Based on these human rights mechanisms, specific country recommendations were developed on legal amendments to increase ASM formalisation, the implementation of the Minamata Convention to reduce mercury use in ASM, and combating child labour at ASM sites. The recommendations were accepted by the government and a plan for implementation is being elaborated.

The Engaging Stakeholders in Environmental Conservation Project, implemented by The Asia Foundation undertook 17 ASM frugal rehabilitation demonstration projects from 2015-2015 on 144 ha of land that had been degraded by illegal mining. Frugal rehabilitation, which is designed to be both ecologically and economically viable, was developed on practical experience and after consultation with relevant government authorities, and is ready to be approved as an annex to the revised ASM Regulation No. 308.

Globally, the impact of SDC's ASM intervention in Mongolia has gained prominence, creating visibility for SDC in global ASM policy dialogue and positioning Mongolia as a centre for ASM knowledge exchange. Consequently, there has been high South-South interest spanning Tanzania, Ethiopia, Zimbabwe and Colombia, as well as strong expectations for the ASM Knowledge Hub in Mongolia. The International Institute for Environment and Development has selected Mongolia to be part of its Dialogue Advisory Group for their global ASM dialogue programme. This ensures that SDC's contribution and leadership in ASM global policy dialogue is recognised.

The Ministry of Labour and the Ministry of Health and Sports provided services for formalised artisanal and small-scale miners. In 2015, 1387 miners (57 percent of whom were women) availed of state-funded medical check-ups. 2015 saw a 119 percent increase in health and social insurance enrolment by a total of 15,451 artisanal miners (40 percent women), and more than 5100 miners (21 percent women) had availed of state-funded occupational safety and health check-ups. The increase in incomes of formalised miners (by MNT 2,503,000 or 55 percent on phase baselines) was the result of improved service delivery by the state organisations responsible for mining and mineral resources.

In January 2015, the ASM NGO in Bayankhongor aimag became the first ASM organisation in Asia to be granted Fair Mined certification, potentially producing 36 kg of fair-mined gold per annum. SDC provided technical and financial support for the NGO to improve its environmental standards.

With SDC support, the MoL and the National Emergency Management Agency outreached to ASM communities and had trained 8044 miners (18 percent women) in occupational health and safety.

ASM COMPARITIVE FACTS 2013-2015

ASM Gold sales to Mongol Bank

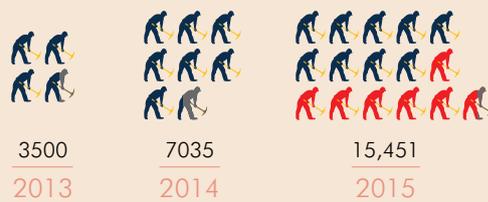


¹46% of national gold sales in 2015

Royalties From ASM

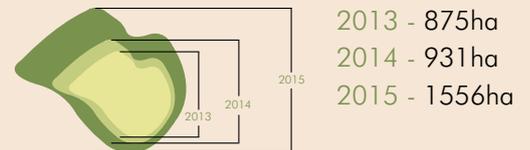


Miners Enrolled in Social and Health Insurance Schemes



 Woman

ASM Official Land Approval²



²Cumulative, by numbers

Outlook for 2016

In 2016, six new phases and projects will start, influencing the priorities of the coming year. Hence the Swiss Cooperation Office (SCO) will primarily focus on implementation, while simultaneously deepening the ongoing process of consolidating project activities and enhancing coordination between projects and domains.

Gender mainstreaming and poverty reduction will remain as transversal themes in all programmes.

The internal MTR of the Country Strategy (CS) 2013-17 for Mongolia in February 2015 recommended an extension of one year of the CS. The next CS will be prepared once the new government is operational and the new Swiss dispatch on international cooperation has been approved.

Envisaging a continuation of Swiss-Mongolian cooperation beyond 2020, but with instruments other than bilateral cooperation, the SCO will have to search for new ways and instruments to be tested, starting in 2016/17.

The programme budget reached its peak in 2015, with about CHF 22 million disbursed by the end of the year. The programme budget will remain roughly at this level for two years before starting to scale down in 2018. The evaluation of the CS is foreseen by the end of 2016, which will represent important input for the planning of the next strategy 2018-2020.

