

Country Assistance Policy for Mongolia

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1. Relevance of Assistance to Mongolia

It is critically relevant to stability and peace in East Asia as well as security and economic prosperity of Japan that Mongolia, located between two large countries, China and Russia, develops as a democratic nation and achieves economic growth through assistance from Japan.

Mongolia is blessed with underground mineral resources such as coal, copper, uranium, precious metals and lanthanide. Mining sector is driving force of the Mongolian economy and has potential for further growth in future. Thus, assisting Mongolia is expected to contribute for stable supply of energy and natural resources to Japan.

Since Mongolia's transition to democracy and market economy from the socialist regime in 1990, the bilateral relations have strengthened through Japan's ODA, and close partnership has been established in various areas. In 2010, the two countries agreed to develop bilateral relations aiming at the "Strategic Partnership" through further promotion of economic activities. From now, cooperation in economic affairs, in particular, in the development of Mongolia's rich mineral resources, is expected to foster mutually beneficial and complementary relations. In March 2012, the two leaders agreed to begin negotiations for the Mongolia-Japan Economic Partnership Agreement (EPA).

In Mongolia, while the economy is growing rapidly, the gap between the rich and poor is widening, therefore there is a pressing need to review the resource allocation and improve the basic social services for the low income citizens. With high unemployment rate¹, employment issues, particularly for the youth, are other critical challenges to be addressed immediately. In addition, as the overconcentration of population in Ulaanbaatar increases, urban problems, such as shortage of the basic infrastructure and environmental problems, have become tangible and aggravated.

Japan has been the top donor to Mongolia since its democratization in 1990 and the people of Mongolia are very sympathetic to Japan. Mongolia is also a friendly country who has supported various issues on which Japan attaches great importance in the United Nations and other fora, and a vital partner for Japan in promoting cooperation in Asia and international arena.

2. Basic Policy of Assistance (Overall goal): Supporting the effort toward poverty reduction through sustainable economic growth

Though Mongolia is expected to grow rapidly in medium to long term backed by full-fledged development of the mining sector, its economy is greatly dependent on export of mining resources and diversification of its economy is a challenge for Mongolia. In order to achieve sustainable development, stable management of the macro-economy is necessary. On the other hand, as the urban problems due to overconcentration in Ulaanbaatar and regional development disparities are intensifying, the Government of Japan supports the Mongolian Government's efforts directed to well-balanced and sustainable economic growth to achieve various development objectives such as Millennium Development Goals (MDGs) and bring the dividend of the growth inclusively to the poor.

¹ 9.9% at FY2010 (Mongolian National Statistical Yearbook2010)

3. Priority Areas of the Assistance (mid-term goal)

(1) Sustainable development of the mining sector and enhancement of governance

In order to sustain Mongolia's mining development, the Government of Japan assists strategic planning for development, production and utilization of the mineral resources and implementation of these plans. Improvement of the mining related infrastructure is another area to be considered for the future support. The Government of Japan also extends assistance to establish accountable governance system by improving administrative capability and transparency, through such cooperation as drafting relevant laws, building its implementation capability, training high skilled professionals and strengthening financial function and management to realize long-term economic development backed by increase of the mining revenue.

(2) Assisting inclusive growth

In spite of the rapid economic growth, the poverty rate is not reducing and job creation is an urgent task in Mongolia. Therefore Japan helps to diversify domestic industries targeting small and medium enterprises to create more employment. As for the agriculture and livestock sector, which has the largest employment absorbency, Japan assists to generate income and secure the earning opportunities for the farmers through adopting sustainable crop-livestock management. The Government of Japan also supports Mongolia's efforts to improve living standards of the vulnerable people by enhancing basic social services including education, health and access to drinking water (water safety).

(3) Enhancement of the capacity and function of Ulaanbaatar as an urban center

Currently, the Government of Mongolia and Municipality of Ulaanbaatar City are working on legislating Ulaanbaatar City's development master plan targeting the year 2030 based on the technical advice from Japan. To maintain and enhance urban function by implementing the master plan, Japan supports capacity improvement on urban planning and management of the related agencies and development of the infrastructure utilizing Japan's experience and technology.

4. Points to be considered²:

- (1)** To expand cooperation which contributes to enhancing mutually beneficial and complementary economic relations, and determine the sectors for cooperation considering Japanese business's potential in Mongolia, based on the joint statement of Mongolia and Japan towards establishing the "Strategic Partnership" in 2010.
- (2)** To extend assistance deliberating climate change and environmental measures, as there are concerns over influence of the climate change such as desertification and global warming due to deforestation and grassland degradation.

Appendix: Rolling Plan

²Country Assistance Evaluation of Mongolia Summary (2007).

Website: <http://www.mofa.go.jp/mofaj/gaiko/oda/shiryo/hyouka/report/mong3.html> (Japanese only)