

# Country Development Cooperation Policy for Mongolia

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## **1. Purpose of Development Cooperation; Country and regional development cooperation goals**

Sustainable development and prosperity of Mongolia, a democratic country, which is located between China and Russia and has exceptionally close relationship with Japan, has huge significance not only in providing stability, development and prosperity of the region, but in the development of relations between our two countries as well. Based on this concept, Japan has been consistently supporting Mongolia and rendering maximum amount of aid and assistance since Mongolia started its transition to democracy. Furthermore, Mongolia is a friendly country that has been consistently supporting Japan's stance in resolving many important issues within the international community, and an important partner in developing our cooperation in the regional and international arena.

In these circumstances, in 2010 Japan and Mongolia have agreed upon further development of bilateral relations towards strengthening the Strategic Partnership. Entry into force in June 2016 of the Japan-Mongolia Economic Partnership Agreement (EPA), which is the first for Mongolia, has become a significant event in strengthening the bilateral partnership. 2017 marked the 45<sup>th</sup> Anniversary of the establishment of diplomatic relations between Japan and Mongolia, during which the sides signed the "Japan-Mongolia Mid-term Action Plan for a Strategic Partnership" which specifically refers to cooperation to be implemented by the two countries until the end of 2021 in a wide range of areas such as politics and security, economy, cultural and people-to-people exchanges. Through proactive buildup of mutually energetic and creative collaboration, starting with cooperation in the international arena, Japan and Mongolia verified their aim to construct a mutually beneficial "strategic partnership".

Thanks to Mongolia's economic growth potentials deposited in its abundant natural resources, it swiftly overcame the 2008 Lehman crisis that faced the world economy, and in 2011-2013 its economy reached rapid growth exceeding 10%. However, as a result of subsequent adoption of a policy and laws that contained features of resource nationalism and led to restricting foreign investments in Mongolia, foreign direct investments have rapidly decreased. In addition, slowdown of China's economy and fall of prices on natural resources on global markets have brought instability to the mining sector, which is the main industrial sector. In 2015, economic growth reached 2.3%, which fell to 1% in 2016, thus significantly increasing the government budget deficit and foreign debt. Consequently, in February of 2017, the

Government of Mongolia has come to an agreement with the International Monetary Fund on joint implementation of the Extended Fund Facility. Assistance from the International Monetary Fund and donor countries such as Japan is intended for conducting consistent reforms of the budget environment, providing healthy macroeconomic management, reducing the increased gap between the rich and poor, and improving basic public services. The Government of Mongolia should run firm implementation of the program agreed upon with the International Monetary Fund, keep to budgetary discipline, conduct consistent economic reforms, and provide long-term stable economic and budget management.

Mongolia is rich in natural resources such as coal, copper, uranium, rare metals, rare-earth elements, and has high economic development potentials. Therefore, sustainable development of Mongolia's mining sector and proper utilization of benefits coming from this sector for the development of the country as a whole would become the key to its further economic growth and prosperity.

**2. *Basic policy of Japan's Official Development Assistance (Overall goal):  
Creating sustainable economic growth and social development***

Although it is considered that Mongolia is capable of achieving rapid mid and long-term development through extraction of its mining resources and integrated development of this sector, diversification of the economy has become an important issue due to its excessive dependence on the export of mineral resources. In order to execute a consistent budgetary reform and gain stable economic growth in the future, it is necessary to provide sustainable macroeconomic management, and take policy measures towards equal distribution of economic growth benefits to the public. Moreover, problems related to urbanization and regional disparity are continuing to increase due to overpopulation of the city of Ulaanbaatar. In this connection, our country will support efforts by the Government of Mongolia to secure consistency of the economic development, sufficient distribution of its benefits to people of all layers, and providing sustainable and well-balanced growth.

**3. *Priority areas (Mid-term goal):***

- (1) *Strengthening governance for creating healthy macro economy*  
Support shall be provided in overcoming economic and budgetary complications and providing mid and long-term economic growth and stability through improving public financial management capacities for the purpose of strengthening Government's budgetary discipline (budget revenues, monitoring expenditures etc.), adjusting the legal and judiciary system, strengthening the financial market capacity, supporting direct foreign investments by means of creating the investment and business environment, and building a healthy macro

economy through intensive market economy development and governance enhancement.

(2) *Creating eco-friendly and balanced economic growth*

As the process of diversification of the economy is in a state of standstill and disparity between levels of income and regions is continuing to increase, support shall be rendered, basing on initiatives by the Mongolian side, to training human resources with a goal of providing sustainable development of the mining sector, diversified development of such industries as agriculture and animal husbandry and training relevant human resources, strengthening the rural development strategy, providing eco-friendly and disaster resistant secure urban development, and strengthening interconnection through building development-supportive and high quality infrastructure.

(3) *Inclusive social development*

In order to provide opportunities for the whole population to benefit from the economic growth, support shall be provided for improving the level of healthcare services in compliance with social needs, promoting the quality of basic social services, increasing the social involvement of the disabled and providing inclusive social development.

#### **4. Points to be considered <sup>1</sup>**

Basing on the goals stipulated in the “Japan-Mongolia Mid-term Action Plan for a Strategic Partnership (2017-2021)” signed by Foreign Ministers of the two countries in March 2017, the Government of Japan will extend cooperation that would contribute to strengthening mutually beneficial and complementary relationship.

Annex: “Japan’s ODA: Rolling Plan for Mongolia”

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<sup>1</sup> Evaluation of the ODA implemented in Mongolia  
<http://www.mofa.go.jp/mofaj/gaiko/oda/shiryo/hyouka/report/mong3.html>