Directions of the Assistance to Mongolia

April, 2012

1. The significance of the Assistance to Mongolia

Mongolia, a country located between two large countries, China and Russia getting assistance from our country for strengthening its democratization and developing the country’s economy is significant for stability and peace in East Asia which is highly relevant to the security and economic prosperity of Japan.

Mongolia is endowed with underground mineral resources such as coal, copper, uranium, precious metals and lanthanide. The mining sector of Mongolia will be the main factor to the economic development. In addition to this, the mining sector of Mongolia is not only the main factor to economic development, but also it has the tendency to bring prosperity of development in the future. Japan is convinced that the assistance for Mongolia will influence positively on strengthening the sustainability of energy and natural resources supply to our country.

Since Mongolia’s transition to democracy and market economy from socialist regime in 1990, the deep and friendly relations between Japan and Mongolia have further strengthened and have been cooperating closely in various sectors. In 2010, in order to bring the two countries economic relation to new phase, the countries have made the decision to develop relations between the countries toward “Strategic Partnership”. Japan is convinced that the economic cooperation of the countries will further strengthen the mutually beneficial and complementary relations between the countries particularly in the enriched mining and mineral resource sector. In March, 2012, during the bilateral meetings between prime ministers, the two leaders hereby decided that the governments of the two countries should enter into negotiations on establishing Mongolia-Japan Economic Partnership Agreement (EPA).

Even though the economy of Mongolia is growing rapidly, the gap between the rich and poor is increasing, therefore the reformation of the social welfare’s basic services for the low income citizens and the prudent allocation of wealth needs to be tackled urgently. Rate of unemployment is high¹, therefore particularly the issue supporting the employment of young adults also needs to be solved immediately. There through, issues such as deficient infrastructure and environmental problems based on over-centralization population are still arising.

Japan has been the top donor to Mongolia since 1990 and the people of Mongolia are very affectionate to Japan. Mongolia is also the friendly related country who has been the great supporter of the main issues considered by Japan in UN and the vital partner for developing cooperation of Japan, Asian region and international arena.

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

Even if there is medium-term economic growth observation along with the mining development in Mongolia, the economy of the country is facing issues such as mining product export emancipation and adopting various sources for the economic growth. The management of macro-economy as well needs to be well-balanced in order to ensure the sustainable economic growth. On the other hand, there are major problems regarding to the over-centralization population and community development disparities. Therefore, the Government of Japan will support the Mongolian Government activities directed to well-balanced and sustainable economic growth based on the activities achieving the

¹ 9.9% at FY2010 (Mongolian National Statistical Yearboock2010)
development goals such as Millennium Development Goals (MDGs) and prevailing the efficiency of the economic growth fairly and inclusively to the poor.

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

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

In order to sustain the Mongolia's mining development, the Government of Japan will support the strategic plan for mining development, production and utilization and its implementation. We will also enter into negotiations on developing the mining development infrastructure. The Government of Japan will also give assistance directed toward engraining the administration system, drafting the relevant law, improving its implementation capability, educating high skilled professionals, strengthening the financial management and capability and improving the transparency of administrative potentiality which bounds the mining budget recruitment with long-term economic development.

(2) Assisting Inclusive Growth

Even though Mongolian economy is growing rapidly, the percentage of poverty is not reducing. Therefore one of the directions in assistance to Mongolia is to give support for increasing employment based on small and medium enterprises by diversifying industries to create employment. In particular, upgrading the living standards by accumulating herder’s/farmer’s income opportunities through adopting sustainable management in the sector of agriculture and livestock farm, which are the largest sector of employment, is important. The Government of Japan will also support the activities for upgrading the living standards of vulnerable people by improving the basic social services including education, health and drinking water supply (water safety) sectors.

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

Currently, the Government of Mongolia and municipality of Ulaanbaatar city are creating the legal environment for Ulaanbaatar city’s development master plan up to 2030 basing on the Assistance to Mongolia from Japan. In addition to giving assistance for improving the management and administration of urbanization in associated organizations, the government of Japan will support by giving assistance for establishing infrastructure introduced with the high technology and experience of Japan.

4. Points to be considered:

(1) Will give assistance basing on the 2010’s joint statement of Mongolia and Japan directed towards establishing the “Strategic Partnership” the Japanese enterprises will choose the sector available for accessing into the Mongolian market in order to widen the mutually beneficial and complementary cooperation of the two countries.

(2) Will give assistance consistent with policy and measures to solve climate change and environmental issues because Mongolia is strongly vulnerable to influences of natural phenomenon caused by global climate change such as desertification, deforestation and warming.

Appendix: Project Development Plan